



Armitage Technologies Holding Limited

(Incorporated in the Cayman Islands with Limited Liability)
(Stock Code: 8213)



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

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EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Dr. Liao, York

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Anthony Francis Martin Conway
Mr. Chan Hang
Mr. Li Pak Ki#

COMPANY SECRETARY

Mr. Ho King Yee, CPA

QUALIFIED ACCOUNTANT

Mr. Ho King Yee, CPA

COMPLIANCE OFFICER

Mr. Lee Shun Hon, Felix

AUDIT COMMITTEE

Mr. Anthony Francis Martin Conway
Mr. Chan Hang
Mr. Li Pak Ki#

AUTHORISED REPRESENTATIVES

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

LEGAL ADVISERS

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

AUDITOR

PKF
Certified Public Accountants
26th Floor, Citicorp Centre
18 Whitfield Road
Causeway Bay, Hong Kong

PRINCIPAL BANKERS

Fubon Bank (Hong Kong) Limited
Nanyang Commercial Bank, Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Bank (Cayman) Limited
Butterfield House
68 Fort Street
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Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
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REGISTERED OFFICE

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George Town
Grand Cayman

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Kwun Tong
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Hong Kong

COMPANY'S WEBSITE ADDRESS

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

GEM STOCK CODE

8213

* Mr. To Yung Yui, Steve ceased to be an executive director on 3 August 2007

Mr. Li Pak Ki was appointed as an independent non-executive director and a member of audit committee on 1 August 2007

Armitage Technologies Holding Limited (“the Company”) is one of the leading information technology service providers and application software developers in Hong Kong and the People’s Republic of China (“PRC”). We have over 28 years of proven track record in delivering IT solutions to customers in manufacturing, transportation/logistics, hospitality, government and public sector.

Founded in 1980, our headquarters are located in Hong Kong with subsidiaries in Guangzhou and Shenzhen. Our subsidiary in Guangzhou has also established regional offices in various first tier cities in the PRC such as Shanghai, Beijing, Chengdu and Wuhan.

Since the beginning of the year 2004, through our subsidiary, Eastern Express Solutions Limited, we have commenced the publication of a life style magazine, **e²Smart**, distributing to approximately 300 reputable hotels in major cities of the PRC.

Portfolio of our principal subsidiaries:

Armitage Technologies Limited

- Provision of IT solutions, including provision of outsourcing/insourcing services to customers in Hong Kong
- Sale of proprietary ERP application software packages, **AIMS** and **Konto 21**, to customers in Hong Kong with manufacturing plants in the Pearl River Delta

Armitage Technologies (Shenzhen) Limited

- Research and development centre
- Technical resource centre for Hong Kong outsourcing and fixed-price projects
- Provision of IT solutions, including provision of outsourcing/insourcing services to customers principally in the transportation and logistics sector in Shenzhen
- Sale of proprietary ERP application software packages, **AIMS** and **Konto 21**, to private owned enterprises in the PRC with manufacturing plants in the Pearl River Delta

Guangzhou Armitage Technologies Limited

- Sale of proprietary hotel management software package, **Pegasus**, mainly to customers throughout the PRC
- Sale and implementation of third party ERP application software package, **IFS**, to customers in southern region of the PRC

Eastern Express Solutions Limited

- Publication of life style magazine **e²Smart** for distribution to 4 to 5-star hotels in Beijing, Shanghai, Guangzhou and Shenzhen in the PRC



CHAIRMAN'S STATEMENT

I am pleased to present the financial results for Armitage Technologies Holding Limited and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 March 2008.

The financial year of 2007/2008 was a year of cultivating and consolidating. The Group recorded a total turnover at HK\$ 59.4 million, representing an increase of 10% when compared to the previous year (2006/2007: HK\$53.8 million). Turnover generated from our Hong Kong operations was HK\$38.4 million, compared to HK\$37.1 million recorded in the previous year whilst turnover derived from our PRC operations was HK\$21.0 million, representing an increase of 26% from HK\$16.7 million recorded last year. Earnings generated before interest, tax, depreciation and amortisation (EBITDA) from IT business increased by 42% to HK\$6.2 million. Loss attributed to equity holders of the Group was HK\$2.7 million, inclusive of HK\$3.2 million of investment in *e²Smart* magazine and distribution costs, as well as the HK\$4.4 million amortisation of development cost in respect of *AIMS* and *Pegasus* application products.

The overall economic condition was in a positive mode in the first half of the year. Nevertheless, the Hong Kong economic sentiment had changed dramatically in the second half. In the fiscal year under review, the Group's IT business performance was adversely affected on the cost side, mainly due to the significant rising wage in Hong Kong and the PRC market. New labour law and employee retirement policies adopted by the PRC government, together with the appreciation of the Reminbi (the PRC currency) against the Hong Kong dollar and the continuous and aggressive price competition remained as the greatest challenges to our Group's operation.

In Hong Kong operations, the IT Outsourcing/Insourcing and Services Business Unit made a significant breakthrough in building relationship with a very large PRC conglomerate. Our Shenzhen subsidiary concluded an insourcing contract with this client in the fiscal year under review and the Group expects further co-operation opportunities from this client to be ensued in the future. Moreover, the Group's solid reputation of on-time delivery and in-depth domain business knowledge in the transportation and logistic industry has provided the Group with an edge against other competitors to obtain business opportunities from the Hong Kong's largest airline operator and from the world's largest private owned container operator. Furthermore, the Group has been commissioned by the world's largest private owned container operator in the development of a gasoline management system (GMS) last year. This project was successfully completed and the Group expects GMS phase II, a much bigger and more complex project, to be awarded in the financial year of 2008. We further believed that the GMS system will lead to more future business opportunities in the container terminal market. Concerning the Application Business Unit, *AIMS*, the Group's proprietary ERP application product, had experienced a setback. Sales revenue generated from *AIMS* declined 20% compared to the previous year. The under performance was partly due to a difficult economic situation brought about by high material costs, escalating oil prices, the PRC government labour law enforcements and the factory relocation issue, all of which have deferred buying decisions from potential customers. We will strive for greater efficiency on our service standard as well as improvement of the *AIMS* product quality and enrichment of product functions with industrial specific techniques to meet the upcoming challenges from this market.

The results recorded from PRC operations are very encouraging, with turnover derived from *Pegasus*, the Group's proprietary hospitality application product, increasing by 27% from last year's HK\$13.8 million to this year's HK\$17.5 million. During the year under review, the Group entered into an important business strategic alliance with ETravel Technologies Ltd. ("ETT"). ETT is one of the very few entities providing hotel central reservation solutions in the PRC for global travel distributors. This strategic alliance is important to the Group's future development in the hospitality industry. We take the lead to provide suppliers (hotels) and users (travel agents, websites and hotel booking centres etc.) with a platform to facilitate the real time transaction room booking. Through the provision of this value-added service, the Group is optimistic that our hotel customer base will further expand and grow at a much faster pace in the next three years.

The Group's strategy of diversity into the publishing and advertising industry in the PRC is still undergoing. Advertisement revenue generated from our magazine **e²Smart** increased by 25% when compared to the corresponding period last year. Though revenue from this market segment was thus far insignificant when compared to our IT business units, the result from this year was still positive. With the PRC emerging to become one of the largest market for luxury goods worldwide, the room for advertisement is, no doubt, huge, and thus the Group firmly believes that **e²Smart** still has a lot of potential for development. Eastern Express Advertising Ltd. the Group's subsidiary, will relocate to Shanghai office for better liaison and a smoother workflow within the Group (in order to liaise closely with people in the media and advertising field). In September 2007, the Group launched a Macau supplement which gained support from Macau Tourism Board and attained good recognition from retail, hotel and entertainment marketers in Macau. We have decided to publish two issues of Macau supplement in April and September in 2008 in order to capture the rapid growth opportunity of the Macau tourism industry.

Research and development programmes in the IT business are always considered to be of prime importance, and the Group always emphasises that research and development are vital to our survival. Ongoing research and development by a dedicated team provides long-term benefits to customers and company alike. We shall continue to invest sensibly in research and development for the betterment of our future growth. Further enhancements of our application products **AIMS** and **Pegasus** shall continue to ensure their competitiveness and marketability. Currently in Hong Kong, we have started to develop an **AIMS** accounting module specifically tailored for the PRC manufacturing industry. In PRC, in order to extend our business scope to target at high-end hotels, the Group has begun the development of a new up-market product **Mermaid** based on the core of **Pegasus** but with significant improvement on user interfaces and additional functions. The Group expects to launch both application products in the coming fiscal year.

Looking ahead, recession in the US appears nearer to its beginning than its end and full impact of it on the PRC's export markets has not yet been shown. It is quite obvious that the Hong Kong market cannot be decoupled from the US and PRC counterparts under a globalised environment. Meanwhile, inflation is rising which will threaten our business operations. With such bleak economic conditions, the Group is prepared to embrace any challenges or impact of any downturn and we will pay special attention to internal costs control. The importance of attracting and retaining talents will also be a key issue for us to be addressed. In spite of all those adversaries, the Group is confident that we could weather the crisis with proper risk management in place.

Through our management's hardworking and persistence in this fiscal year, we have established a healthy pipeline with very promising prospects in IT outsourcing/insourcing and hospitality business units, and we are optimistic about our future.

In closing, I would like to extend the Group's sincere thanks to our board of directors and employees for their value contributions, efforts and dedication throughout the year. I would also like to express our sincere appreciation to our shareholders, customers and business partners for their continuing support.

Lee Shun Hon, Felix

Chairman

Hong Kong, 25 June 2008

The Company is firmly committed to maintaining and ensuring a high level of corporate governance standards and will review and improve the corporate governance practices and standards constantly. Set out below are those principles of corporate governance as adopted by the Company during the reporting year.

The Company has complied with the code provisions set out in the Code (the “Code Provisions”) contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) throughout the financial year ended 31 March 2008, except for the deviations from Code Provisions A.2.1, A.4.2 and B.1.1 of the Code. Details of the deviations are set out in the relevant sections below.

DIRECTORS’ SECURITIES TRANSACTIONS

Throughout the financial year ended 31 March 2008, the Company adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all directors, the Company confirms that all of the Company’s directors have complied with such required standard of dealings and its code of conduct regarding directors’ securities transactions throughout the financial year ended 31 March 2008.

THE BOARD

Board of Directors

The Board currently consists of six members including two executive directors (one of them being the Chairman of the Board and the Chief Executive Officer of the Group), one non-executive director and three independent non-executive directors.

The Company did not at all times during the financial year ended 31 March 2008 comply with the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors. Professor Tsang Hin Pok, Herbert (“Professor Tsang”) ceased to be an independent non-executive director on 31 March 2007 and Mr. Li Pak Ki was appointed on 1 August 2007 as the replacement of Professor Tsang. Accordingly, the Company has complied with Rules 5.05(1) of the GEM Listing Rules.

Mr. Anthony Francis Martin Conway, one of the independent non-executive directors, is a fellow of The Hong Kong Institutes of Directors. He possesses the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules. All independent non-executive directors bring their wealth of experience to the Board and serve the important function of advising the management on strategy development to ensure that the Board maintains high standards in financial and other mandatory reporting as well as providing adequate checks for safeguarding the interests of the shareholders and the Company as a whole. Except as otherwise disclosed in this Annual Report, none of the independent non-executive directors has any business or financial interests with the Group and all independent non-executive directors confirmed their independence to the Group as at 31 March 2008 in accordance with Rule 5.09 of the GEM Listing Rules.

THE BOARD (cont'd)**Board of Directors** (cont'd)

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

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

Meetings

The Board met regularly throughout the financial year ended 31 March 2008 to discuss the overall strategy as well as the operation and financial performance of the Group. During the year, the Board held four meetings for the discussion and approval of important matters such as the approval of quarterly results, interim results and annual results, dividends, the Group's annual budget, businesses and investments etc. In addition, during the financial year ended 31 March 2008, the Group's management also met with certain non-executive directors to seek their views on certain business and/or operational matters. The attendance record of each director during the year at Board meetings is as follow:

Number of Meetings	4	
Members of the Board	Meetings Attended	Attendance Rate
Executive directors		
Mr. Lee Shun Hon, Felix (Chairman)	4	100%
Mr. To Yung Yui, Steve (ceased on 3 August 2007)	—	—
Ms. Jim Sui Fun	4	100%
Non-executive director		
Dr. Liao, York	3	75%
Independent non-executive directors		
Mr. Anthony Francis Martin Conway	4	100%
Mr. Chan Hang	4	100%
Mr. Li Pak Ki (appointed on 1 August 2007)	4	100%
Average Attendance Rate		96%

THE BOARD (cont'd)

Chairman and Chief Executive Officer

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

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

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

Executive directors

Executive directors are responsible for running the Group and executing the strategies adopted by the Board. They lead the Group's management team in accordance with the directions set by the Board and are responsible for ensuring that proper internal control system is in place and that the Group's business conforms with applicable laws and regulations.

Non-executive directors

Non-executive directors (including independent non-executive directors) serve the important function of advising the management on strategy development and ensure that the Board maintains high standards in financial and other mandatory reporting as well as provide adequate checks and balances for safeguarding the interests of the shareholders and the Company as a whole.

THE BOARD (cont'd)**Non-executive directors** (cont'd)

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

	Commencement Date
Non-executive director	
Dr. Liao, York	21 February 2002
Independent non-executive directors	
Mr. Anthony Francis Martin Conway	21 February 2002
Mr. Chan Hang	16 September 2004
Mr. Li Pak Ki (appointed on 1 August 2007)	1 August 2007

AUDIT COMMITTEE

The Company had established an Audit Committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The Audit Committee comprises three independent non-executive directors, namely Mr. Anthony Francis Martin Conway, Mr. Chan Hang and Mr. Li Pak Ki. The Chairman of the Audit Committee is Mr. Anthony Francis Martin Conway who is a fellow of The Hong Kong Institute of Directors. He possess the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules.

A total of four Audit Committee meetings were held during the financial year ended 31 March 2008 to review and discuss the final, quarterly and interim results and annual financial statements of the Group respectively. The adequacy of the Company's policies and procedures regarding financial reporting and internal controls were also discussed. Additional meetings may also be held by the Audit Committee from time to time to discuss special projects or other issues that the Audit Committee considers necessary. The external auditor of the Group may request a meeting with the Audit Committee if they consider necessary.

The authorities of the Audit Committee include (1) investigation of any activity within its term of reference; (2) seeking any information it requires from any employee; and (3) obtaining outside legal or other independent professional advice if it considers necessary.

AUDIT COMMITTEE (cont'd)

The main duties of the Audit Committee are as follows:

- To consider the selection and appointment of the external auditor, the audit fee, and any question concerning the resignation or dismissal of the external auditor
- To discuss with the external auditor the nature and scope of the audit
- To review and monitor the external auditor's independence and the objectivity and the effectiveness of the audit process in accordance with applicable standards
- To develop and implement policy on the engagement of external auditor to supply non-audit services
- To review the Group's quarterly, interim and annual financial statements before the submission of them to the Board
- To discuss any problems and reservations arising from the final audits and any matters that the external auditor may wish to discuss
- To review the Group's statement on internal control system prior to the endorsement of it by the Board
- To consider the major findings of any internal investigation and the management's response
- To consider other topics, as determined by the Board

The attendance record of the Audit Committee meetings during the financial year ended 31 March 2008 is as follow:

Number of Meetings	4	
Members of the Audit Committee	Meetings Attended	Attendance Rate
Mr. Anthony Francis Martin Conway	4	100%
Mr. Chan Hang	4	100%
Mr. Li Pak Ki (appointed on 1 August 2007)	4	100%
Average Attendance Rate		100%

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

AUDITOR'S REMUNERATION

For the year ended 31 March 2008, the auditor's remuneration was approximately HK\$307,000 which was for statutory audit services. There was no significant non-audit service assignment provided by the auditor during the year.

REMUNERATION OF DIRECTORS

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

The Company has not established a remuneration committee as required by this Code Provision considering the small size of the Board, and as such, the Company currently does not have any plan to set up a remuneration committee. During the financial year ended 31 March 2008, the Board is mainly responsible for determining the Company's policy on the remuneration of the directors and the review and approval of all remuneration packages of directors.

During the year under review, the Board determined the remuneration of executive directors appointed during the year on the basis of the existing remuneration policy adopted by the Company, and approved their service contracts with the Company. During the year under review, the Board also reviewed the remuneration packages of all directors, based on the salaries paid by comparable companies and the time commitment and responsibilities of the directors.

NOMINATION OF DIRECTORS

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

The Board is responsible for considering the suitability of an individual to act as a director, and approving and terminating the appointment of a director.

The Chairman is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The Chairman will propose the appointment of such candidates to each member of the Board for consideration and each member of the Board will review the qualifications of the relevant candidates for determining their suitability to the Group on the basis of their qualifications, experiences and backgrounds. The decision of appointing a director must be approved unanimously by the members of the Board. Any director so appointed by the Board will hold office only until the following annual general meeting of the Company and will then be eligible for re-election.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES FOR ACCOUNTS

Statements of directors' responsibilities for preparing the financial statements and the external auditor's reporting responsibilities are set out in the Independent Auditor's Report as contained in this Annual Report.

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

INTERNAL CONTROL

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

LOOKING FORWARD

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavors to take the necessary actions to ensure compliance with the required practices and standards including the provisions of the Code.

BUSINESS REVIEW

2007/08 was a challenging yet rewarding year for the IT industry in Hong Kong and the PRC. The Group's audited consolidated turnover for the year ended 31 March 2008 amounted to HK\$59.4 million, representing an increase of 10 % compared to the previous year (2007: HK\$53.8 million). In the fiscal year under review, new labour law and employee retirement policies adopted by the PRC government, together with the appreciation of the Reminbi (the PRC currency) against the Hong Kong dollar and the continuous and aggressive price competition remained as the greatest challenges to our Group's operation. Nevertheless, operation costs remained under control, and the conclusion of a few major contracts helped the Group in meeting expectations.

HONG KONG OPERATIONS

Outsourcing and Information Solutions

During the year under review, the total turnover generated from the Outsourcing and Information Solutions Business Unit was HK\$28.5 million (exclusive of hardware sales of HK\$172,000), representing an increase of 16% from HK\$24.6 million (exclusive of hardware sales of HK\$1.2 million) compared to last year. The strong relationship built with the Hong Kong's largest airline operator and with the world's largest private container operator has contributed substantial revenue to the Hong Kong operations. We will continue our effort to expand our insourcing teams and explore additional business opportunities with these two major transportation and logistic accounts. During the year, the Group successfully concluded an outsourcing contract with one of the major Hong Kong telecommunication companies. Through our Shenzhen subsidiary, we provide offshore outsourcing services for this client. The successful completion of an online reservation system for a hotel in Hong Kong, a gas management system (GMS Phase I) for a container terminal operator in the PRC and the maintenance income from the two HKSAR government bureaus contributes steady growth of income for the year under review.

Our Shenzhen subsidiary has continued to perform well during the reported year. Insourcing service for two container terminal operators in Shenzhen is on-going, and we will continue to explore more opportunities for the above said accounts. We also secured an insourcing contract with the subsidiary of one of the largest listed conglomerate in the PRC. During the year, we had successfully completed a number of fixed price projects for the transportation and logistics industry, including the development and implementation of a Barge Berth Planning system, a roster system and the enhancement of a contractor information management system. The successful execution of these projects further strengthens our leading position in the Shenzhen IT industry.

Application Software Packages Solutions

During the year under review, turnover generated from the Group's proprietary ERP application software package, Armitage Industrial Management System ("**AIMS**") together with its previous version **Konto 21**, was HK\$6.9 million, a decrease of 20% when compared to last year. The disappointing figure resulted from the volatile market environment such as rising inflation rate, high oil price, new labour law and employee retirement policy implemented by the PRC government, all of which deferred buying decision from many prospective customers. Nevertheless, the Group was still able to secure contracts with ten new clients from different fields of manufacturing industries such as electronics, toys and premium industries. Furthermore, our Shenzhen subsidiary also concluded three contracts with local customers, and despite the relatively small contract amounts, was still encouraging. The continuing development in new features

for the consumer electronic and toys industries and the redevelopment of **AIMS** accounting module will greatly enhance our competitiveness and marketability. The Group has also formed partnership with value-added companies to increase our market exposure.

PRC OPERATIONS

During the year under review, total turnover for the Group's PRC operation under Guangzhou Armitage Technologies Limited amounted to HK\$21.0 million, representing a significant increase of 26% when compared to last year.

Pegasus Hotel Management System (“Pegasus”)

Total turnover for Hospitality Business Unit amounted to HK\$16.6 million (exclusive of hardware sales of HK\$903,000), representing an increase of 27% compared to last year. Northern Region performed better than expected whilst performance of Southern Region was affected by the sluggish performance of Sichuan and Yunan provinces.

During the year under review, a record of 311 **Pegasus** standard package licenses were sold, the highest record first been able to achieve since its initial launching dated back to 1992. The development of **Pegasus** PMS (Property Management System) Version 8.0 was completed by the end of the said financial year and the Group is anticipating its soft launching soon. The new version excelled the previous one by having substantial improvements on user interface design, stability, as well as user-friendliness. It has also included numerous new functions to suit the needs of high-end hotels. Instead of relying on third parties' solutions, we have developed our own Sauna System and PDA module for Food and Beverage system, which helped to reduce future license costs for subsequent sales with these modules.

Realising the importance to expand the Group's scope of business, we have explored into a new business mode by providing 'private label' solutions to an international hotel management group. Under this kind of arrangement, we will only be supplying licenses and providing second tier support services, and implementation and front line support will be carried out by client's own service provider. We believed that this kind of cooperation mode helps us to expand our business scope in the hospitality industry and we shall explore future opportunities to cooperate with other hotel management groups in a similar manner.

Stemming from the successful implementation of a solutions project for a major hotel group in Southern China in 2005, which includes a web-based central room reservation system, a membership loyalty program and a marketing program, the Group was able to generate several new contracts with a number of hotel groups. Many hotel groups also expressed interests in our group solutions system, which was designed to assist the effective booking of hotel rooms within hotels' internal internet portal. It is our intention to productise the group solutions system in the coming financial year and is expecting it to be a major source of our future revenue in the years to come.

Over the past decades, hotel managers in the PRC have changed in their emphasis from hotel management solutions to tools that can help selling rooms effectively. Being sensitive to client's needs and market changes, the Group entered into an important strategic partnership with ETravel Technologies Limited (“ETT”) in the third quarter of the financial year. ETT is one of the few entities providing hotel central reservation solutions in the PRC for global travel distributors like GDSs (Global Distribution System), IDSs (like Expedia, Travelocity) and domestic distributors such as online travel agents and travel management companies. ETT and the Group together successfully developed a two-way interface which connects hotel reservation bookings from ETT's central reservation system to **Pegasus** PMS for instant booking

transactions. This strategic alliance is important to our future development because currently, there is a lack of core B2B technology providers in the PRC hospitality industry and we took the lead to provide the platform for the suppliers (hotels) and the users (travel agents, websites, hotel booking centres etc.) with real time transaction room booking facility. Through the provision of this value-added service, we are optimistic that our hotel customer base could be expanded at a much faster pace.

During the year, revenue generated from maintenance has increased by 48% to HK\$2.5 million (2007: HK\$1.7 million). Although a significant increase was achieved, the percentage of participating customers in maintenance programme was only 40% of our existing customer base. We are confident that maintenance income should have a lot of room for improvement in the coming years.

Industrial and Financial System (“IFS”)

Total turnover generated from **IFS** was HK\$3.4 million (2007: HK\$2.9 million), representing a 18% increase when compared to the previous year. Revenue was mostly generated from recurrent projects in the paper manufacturing and electronics fields. A number of maintenance contracts from new customers were concluded and the Group had spent much effort to cultivate opportunities from existing customers and gained a number of minor enhancement assignments. The major concern for the ERP Business Unit was that no new major contract was concluded throughout the year. This was partly due to the internal restructuring of IFS Asia Pacific and its ambiguous market strategy during 2007. To address this issue, the Group is aggressively seeking for new potential customers by expanding the sales team and with our long term partnership with IFS, we will still receive full support from them and will work closely to seek for new prospects.

Magazine Publication & Advertising

The Group's magazine publishing and advertising business has topped a record high sales revenue, totalling HK\$1.1 million for the year, an increase of 25% when compared to the previous year.

During the year under review, our magazine **e²Smart** gained further recognition in the advertising industry among clients and partners. Following the success of the Basel supplement of the past year, we secured an increase of advertisement placements by a double in our Basel 07. After the publication of the first Macau supplement in September 07, we successfully gained the recognition and secured a major contract with the Macau Tourism Board in sponsoring the second Macau supplement to be published in the next fiscal year. Recognition of our magazine **e²Smart** was also shown in the appointment by a high-end event organiser in Shanghai to do the publication design and printing of its event booklet in September 07.

The acknowledgement of **e²Smart** as one of the most prestigious and recognised hotel magazine in the PRC could also be shown through the sponsoring of Switzerland Tourism Board to a media trip in Europe. For the first time, **e²Smart** was able to send over our own editor to Switzerland to interview eminent and famous watch brands in the Basel Watch Fair exhibition, where invitations to press parties and interviews could not be easily gained unless having a certain reputation in the media field.

Realising the importance to broaden our base of advertising clients and after careful strategic planning, we successfully secured advertising contracts with a world-wide insurance company, an audio-visual servicing company, as well as extending our services and generating income by selling our hotel distribution network. A world-wide renowned luxury jewelry and watch brand placed insertions in our Guangzhou networking hotels, confirming the Group's view that our distribution network is of an important value. This client subsequently also agreed to place advertisements in *e²Smart* in the coming issues.

FUTURE PROSPECTS

HONG KONG OPERATIONS

Outsourcing and Information Solutions

Business relationship with the two major transportation and logistics customers remained strong, and the Group is expecting a considerably growth from these two clients in the coming year. The effort spent on the Hong Kong's largest airline operator has created many opportunities to engage us in numerous fixed price projects. The successful completion of GMS Phase I for the largest container operator in Shenzhen by the last quarter of the previous year offered us the opportunity of the development of GMS Phase II, a much larger and complex project. The Group is in the final negotiation stage to develop a human resources system with a major container operator in Shenzhen and a preliminary discussion of cooperation with a leading terminal operator in Hong Kong. Also, the Group is under negotiation with our existing client, an education institution, to rewrite its billing system. Being the leading service provider with strong recognition and outstanding reputation in the transportation and logistics sector, the Group is confident that the Outsourcing and Information Solutions Business Unit will continue to prosper in the coming year.

The offshore outsourcing work approach we had done for a Hong Kong telecommunications company has given the Group insights onto our future business development model as costs significantly reduced whilst delivery quality could be maintained at a satisfying level. We will carefully review and analyse the result of this offshore outsourcing project and study whether it will be one of our future business directions to explore in the long run.

Application Software Packages Solutions

In order to improve sales performance for **AIMS**, the sales team and telemarketing team in Shenzhen have been formed, anticipating that it will be able to generate sales from the PRC private enterprises customers in the Pearl River Delta. Continuing effort will be put into strengthening the sales taskforces at both offices. Even though competition in this market is robust, we believed this still is a good potential market to be exploited. A special new version **AIMS EXPRESS** with a new user-friendly interface will be launched in the first quarter of the coming financial year. The redevelopment of **AIMS** accounting system, together with the enriched functions of the existing modules, will increase the competitiveness of **AIMS** in the market. On the promotion aspect, participations in exhibitions and seminars in Hong Kong and Shenzhen will continue in order to reach potential customers.

The Group is currently in the negotiation with a number of customers for the implementation of **AIMS/AIMS Express** and EAMS (Enterprise Asset Management System), a third party application package. The Group is reasonably optimistic to win a major EAMS contract from the Hong Kong largest air cargo terminal operator in the coming financial year.

PRC OPERATIONS

Pegasus Hotel Management System (“Pegasus”)

Having established a position as the dominant hospitality solutions provider in the PRC, our future goal and mission is to focus on the consolidation of our **Pegasus** products to target on the mass market. We planned to upgrade and strengthen our Food and Beverage system, back office system (Human Resources module) and membership system in the coming financial year. We shall also continue to enhance our group solutions system by adapting to the procedures and requirements of international hotel chains. Our strategic partnership with ETravel Technologies Limited has given us recognition and allowed us to be placed in a more advantageous position amongst our competitors and we are optimistic that performance of these established businesses shall continue to prosper in the future.

The PRC's hosting of a series of upcoming international events such as the Beijing Olympics and the Shanghai World Expo has boosted tourism into a blooming industry. Both external and domestic tourism demands are expected to have an annual growth rate of over 10%, and we shall further expand our business scope to cover wider perspective into the hospitality industry. Our new initiatives will vary from new high-end software product to e-commerce portal listed as follows:

A new product line “Mermaid Solution”, targeting up-market hotels, shall be launched in the next financial year. Besides aiming at the high-end market in the PRC, the Group also intended to market “Mermaid Solution” in the South East Asia region.

Leveraging on our on-line real time hotel booking knowledge and the fact that the Group's **Pegasus** PMS had more than 1,300 hotel users, we are planning to host our own hotel booking portal for our **Pegasus** PMS customers. Hotels wishing to sell their rooms through our portal could achieve the real sense of e-commerce, as all transactions are carried out by electronic means through two-way interfaces connecting the room availability status from the **Pegasus** PMS to the portal, thus, greatly reducing their labour costs. Initially we will be treating this as a value-added service to customers using our maintenance services in order to promote customer loyalty; in the longer term, if the portal operated successfully, the commission charged on hotels could bring in additional revenue.

On the whole, the prospects of the hospitality industry are good, although there are still underlying potential hazards, which, specifically speaking, is the increase in labour and related costs. It is very important that we continue to observe strict cost control and to gather all efforts to further improve our efficiency and productivity in the years to come.

Industrial and Financial System (“IFS”)

The main concern of the ERP Business Unit is to identify prospective customers and to conclude new contracts. Currently we are under negotiations with several potential customers in the fields of ship building and paper manufacturing industries.

IFS has decided to switch its directions and reduce its efforts on direct sales. Its direction in the PRC is in qualifying new prospects and helping its partners to win new contracts. It had promised to give us their full support and will put extra effort in penetrating the ERP market. Therefore, we are hopeful and optimistic about the performance of **IFS** in the coming year.

Magazine Publication & Advertising

Apart from the existing two supplements (Basel and Christmas) and the six main issues of **e²Smart**, there will be two issues of Macau Supplement published in April and September 2008 respectively. These two supplements were targeted to the key advertisers in Macau in line with the rapid growth of their tourism industry. We have already successfully secure the sponsorship from the Macau Tourism Board for the supplements and we are confident that we would be able to generate more revenue from other clients.

In order to broaden our sources of revenue, we were done with negotiating into a partnership with the Hong Kong Institute of Marketing to cooperate on the project of its quarterly publication, the Marketing Excellence, to be started in April 2008. The Hong Kong Institute of Marketing would be assigning the Group as its partner in charge of the whole publication's design, production, printing as well as advertising sales in Hong Kong. This cooperation not only reflects the recognition in our quality of work, but also would be effective in building the client network and connections in Hong Kong, which we believe would also benefit **e²Smart**.

Furthermore, the Group is in the process of studying the possibility of forming a partnership with a content provider in Shanghai for resource sharing. This internal internet network is available for professional bankers in two of the major banks in the PRC, and if feasible, we would be selling magazine plus internet advertising. This unique e-services media channel bundling would increase our advertising revenue and resource sharing.

FINANCIAL REVIEW

Consolidated results of operations

For the year ended 31 March 2008, the Group recorded a total turnover at HK\$59.4 million (2007: HK\$53.8 million). Excluding revenue generated from hardware sales of HK\$1.6 million (2007: HK\$1.8 million), turnover increased by 11% compared to previous year.

Turnover generated from Hong Kong operations was HK\$38.4 million (2007: HK\$37.1 million). Exclusive of hardware sales of HK\$445,000 (2007: HK\$229,000), representing an increase of 3% compared to previous year. Revenue generated from information solutions projects increased by 11% to HK\$28.7 million (2007: HK\$25.8 million). Sales of the Group's proprietary application software packages **AIMS**, together with its previous version **Konto 21**, recorded a turnover of HK\$6.9 million, a decrease of 20% compared to HK\$8.6 million recorded last year.

Turnover generated from PRC operations was HK\$21.0 million (2007: HK\$16.7 million). Exclusive of hardware sales of HK\$1.1 million (2007: HK\$1.7 million), representing an increase of 33% compared to previous year. Sales of the Group's proprietary application software packages, **Pegasus** amounted to HK\$17.5 million. When compared to last year's HK\$13.8 million, there was an increase of 27%.

The Group's core business is provision of IT services and sales of application software packages ("IT business"). The EBITDA (earnings before interest, income tax, depreciation and amortisation) from the IT business was HK\$6.2 million (2007: HK\$4.3 million) an increase of 44%. The profit before tax generated from the Company's IT business for the year was HK\$1.1 million.

Net loss attributable to equity holders of the Company was HK\$2.7 million.

During the year, the Group acquired the outstanding 10% minority interest in a subsidiary. This subsidiary has now become a wholly-owned subsidiary of the Group. Goodwill of HK\$137,000 resulted from this acquisition.

Gross profit

The overall gross profit margin remained stable at 56% during the year. There was no material fluctuation from the previous year.

Other income

During the year, the Group made realised and unrealised gains on financial assets at fair value through profit or loss at HK\$110,000 (2007: HK\$237,000). This resulted from the volatility of the stock market.

Expenses

Total operating expenses increased by 1% to HK\$35.6 million (2007: HK\$35.1 million). The increase in expenses was mainly resulted from the appreciation of PRC renminbi ("renminbi").

Financial resources and liquidity

The Group generally relies on internally generated funds and facilities granted by its principal bankers to finance its operation.

As at 31 March 2008, current assets amounted to HK\$33.4 million (2007: HK\$34.0 million) of which HK\$11.9 million (2007: HK\$11.9 million) was cash and bank deposits and HK\$20.7 million (2007: HK\$20.3 million) was debtors, deposits and prepayments. The Group's current liabilities amounted to HK\$22.3 million (2007: HK\$22.4 million), including bank loans, overdrafts and obligation under finance lease in the amount of HK\$13.2 million (2007: HK\$14.2 million) and creditors, accruals and deposits received in the amount of HK\$9.1 million (2007: HK\$8.2 million).

Current ratio as at 31 March 2008 was 1.50 (2007: 1.52). Debt-to-equity capital ratio, expressed as a ratio of total debts less pledged time deposits and cash and bank balances to shareholders' funds, was 0.46 (2007: 0.39). The increase in debt-to-equity capital ratio mainly resulted from the continuous operating loss of the Group.

Foreign exchange

The Group received renminbi income from sales in the PRC. Fluctuations in exchange rates of renminbi currencies against foreign currencies can affect the Group's results of operations. During the reporting period, no hedging transactions or other exchange rate arrangements were made.

Charges on the Group's assets

As at 31 March 2008, the Group's time deposits of HK\$9.0 million (2007: HK\$9.0 million) and accounts receivable of HK\$1.7 million (2007: HK\$1.5 million) have been pledged to banks to secure general banking facilities granted to the Group.

Capital commitments

For both years under review, the Group had no material capital commitments.

Contingent liabilities

- (a) As at 31 March 2008, the Group had contingent liabilities in respect of performance bonds amounting to HK\$159,000 (2007: HK\$156,000) issued by a bank in favour of a customer for the due performance of contract works undertaken by the Group.
- (b) The Group has contingent liabilities in respect of possible future long service payments to employees under the Employment Ordinance in Hong Kong, with a maximum possible amount of HK\$1.4 million at 31 March 2008 (2007: HK\$1.5 million).

During both years under review, there was no on-going financial exposure to borrowers or other on-going matters of relevance as defined in Rules 17.22 to 17.24 of the GEM Listing Rules.

Employees and remuneration policies

As at 31 March 2008, the Group had 328 employees in Hong Kong and the PRC (2007: 299). Remuneration is determined by reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, are paid to employees as recognition and in reward of their contributions. Other fringe benefits such as medical subsidy, medical insurance, education/training subsidies and pension fund plans are offered to most employees. Share options are granted at the discretion of the Board under the terms and conditions of the Employees Share Option Scheme.

EXECUTIVE DIRECTORS

Mr. Lee Shun Hon, Felix, aged 67, is the Chairman of the Board of directors, the Chief Executive Officer and the founder of the Group. With over 30 years of experience in the IT industry, Mr. Lee has established a strong business network and close relationship with customers. Mr. Lee is currently in charge of strategic planning, business development and policy making of the Group. Mr. Lee is also responsible for the business activities of Hong Kong and Shenzhen operations.

Ms. Jim Sui Fun, aged 49, joined the Group in 1994. Ms. Jim is currently the Chief Executive Officer of Guangzhou Armitage Technologies Limited (“Guangzhou Armitage”). Assuming the position in April 2006, Ms. Jim is responsible for managing the whole operation of Guangzhou Armitage, which has 14 offices throughout China. Guangzhou Armitage develops and sells the Group’s sole proprietary product **Pegasus** Hotel Management Software. As a partner of **IFS**, it also distributes **IFS** licenses and implements **IFS** projects, mainly in the South China Region. She was previously the General Manager of the Group’s subsidiary, Guangzhou Eastern Express Advertising Limited and prior to that was the Vice President of Human Resources & Administration Department of the Group.

NON-EXECUTIVE DIRECTOR

Dr. Liao, York, SBS, JP aged 62, was appointed as a non-executive director in 2002. Dr. Liao is a non-executive director of Hang Lung Group Limited, as well as a non-executive director of the Securities and Futures Commission. He was appointed by the Hong Kong Government to a number of public service positions, including the Chairman of the Hong Kong Council for Academic Accreditation and Vocational Qualifications and a member of the Steering Committee on Innovation and Technology. Dr. Liao graduated from California Institute of Technology and he holds a Doctoral degree in applied physics from Harvard University.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Anthony Francis Martin Conway, aged 68, was appointed as an independent non-executive director in 2002. He is a fellow of The Hong Kong Institute of Directors, The Hong Kong Management Association and the Hong Kong Institution of Engineers. Mr. Conway has more than 40 years of experience in information technology and general management. He is currently an independent non-executive director of Polytec Asset Holdings Limited and Wing On Company International Limited, the shares of all of which are listed on the Stock Exchange of Hong Kong. He is also active in public service, being a Council Member of The Hong Kong Institute of Directors and The Hong Kong Management Association. He serves on a number of Hong Kong Institute of Certified Public Accountants committees and is a member of the Inland Revenue Board of Review. He has been Vice President of the Hong Kong Olympic Committee for more than fifteen years.

Mr. Chan Hang, aged 58, was appointed as an independent non-executive director in 2004. He is currently the director of Global Technology Integrator Limited. He is also an adjunct assistant professor at the Department of Information and Systems Management of the Hong Kong University of Science and Technology. Mr. Chan has over 25 years of experience in the information technology profession. Prior to joining Global Technology Integrator Limited, Mr. Chan had held various senior management positions at ComputerVision Corporation, Prime Computer (HK) Limited, Oracle Systems Hong Kong Limited, Stratus Computer (HK) Limited, PowerSoft Corporation, Cadence Design Systems Asia Limited. Mr. Chan holds a bachelor's (hon.) degree in mathematics (computer science) from the University of Waterloo in Canada.

Mr. Li Pak Ki, aged 50, was appointed as an independent non-executive director in 2007. He is currently the audit director of Shu Lun Pan Horwath Hong Kong CPA Limited. He is a fellow member of the Association of Chartered Certified Accountants, United Kingdom and an associate member of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. Mr. Li has over 20 years of experience in the audit field and extensive experience in the audit of companies listed on the Stock Exchange of Hong Kong Limited. Mr. Li graduated from the Hong Kong Polytechnic University majoring in accounting.

SENIOR MANAGEMENT

Mr. Au On Pong, Calvin, aged 51, joined the Group in 2007. Mr. Au is the General Manager of Eastern Express Solutions Limited, responsible for the operation, business development, development and maintenance of the magazine distribution network as well as sales and marketing activities of **e²Smart**. He has over 26 years' experience in publishing and advertising industry. Prior to joining the Group, Mr. Au had held various senior management positions at 4A international companies and Oriental Press group of companies. Mr. Au holds a diploma of management for executive development from the Chinese University of Hong Kong.

Mr. Lee Wai Yip, Alvin, aged 29, joined the Group in 2001. Mr. Lee is the General Manager of the Group's subsidiary, Armitage Technologies (Shenzhen) Limited. Mr. Lee is responsible for the daily operation of the subsidiary. He is also in charge of the sales and marketing activities leading the subsidiary to pursue information solutions projects. Mr. Lee holds a bachelor of business administration degree in management from California State University, San Jose, in the United States. Mr. Lee Wai Yip, Alvin is the son of Mr. Lee Shun Hon, Felix, the Chairman of the Board and the Chief Executive Officer of the Group.

Mr. Wong Ping Kuen, Ambrose, aged 46, joined the Group in 1996. Mr. Wong is the Vice President for IT services for the Group's operation in Hong Kong and Shenzhen. He is responsible for managing technical teams in Hong Kong and Shenzhen to deliver business solutions and IT services to enterprise-wide clients in fixed-price and/or time and materials projects. He also acts as the Group's principal technical adviser to provide advice on the company wide IT standards and guidelines in projects management, system development and quality control to the Group. Mr. Wong holds a bachelor of science degree in computer science from the University of Wales (Swansea College) in the United Kingdom.

Mr. Lau Che Kin, Stephen, aged 46, joined the Group in 1996. Mr. Lau is the Vice President of customer services for the Group's operation in Hong Kong and Shenzhen. He leads the customer services team for providing after-sales technical support and implementation, enhancement and modifications on client's existing systems. He is also responsible for leading the research and development team of the Group. Mr. Lau holds a bachelor of science degree from City University of in Bellevue, Washington, United States.

Mr. Yeung Chun Lam, Cedric, aged 41, joined the Group in 1996. Mr. Yeung is the Vice President for sales and marketing for the Group's operation in Hong Kong and Shenzhen. He is responsible for the sales and marketing activities targeted towards pursuit of information solutions and outsourcing/insourcing in projects from the commercial sector in Hong Kong. He is also responsible for sourcing and liaising with appropriate insource project partners. Mr. Yeung holds a bachelor of science degree in physics from Hong Kong Baptist University and a master of business administration degree from Strathclyde University of Scotland.

Mr. Ho King Yee, Stephen, aged 31, joined the Group in 2006. He is the Financial Controller, Qualified Accountant and Company Secretary of the Group. Mr. Ho is responsible for financial management, reporting and control, compliance reporting and company secretarial affairs of the Group. He is also in charge of human resources and administration activities of Armitage Technologies Limited. He is an associate member of the Hong Kong Institute of Certified Public Accountants. He has several years of auditing and accounting experiences. Prior to joining the Group, he has worked in international certified public accountants firms. Mr. Ho holds a bachelor of arts degree in accountancy from Hong Kong Polytechnic University.

Mr. Samuel Cai, aged 33, joined the Group in 1998. Mr. Cai is the Assistant General Manager of the Group's subsidiary, Armitage Technologies (Shenzhen) Limited, responsible for providing outsourcing/insourcing and fixed-price IT services to customers in Hong Kong and Shenzhen. He is also in charge of recruitment and allocation of technical resources of the subsidiary. Mr. Cai holds a bachelor of science degree in mechanics from Zhongshan University, Guangdong, China.

Mr. Chen Chong Bin, aged 43, joined the Group in 1993. Mr. Chen is the General Manager (Southern Region) of Guangzhou Armitage Technologies Limited, stationed in Guangzhou headquarters. He is responsible for the sales and marketing of Pegasus Hotel Management System in the Southern Region. Mr. Chen has established an extensive business network and has in-depth business knowledge in the hospitality industry. Mr. Chen holds a bachelor degree in radio technology from South China University of Technology, Guangdong, China.

Mr. Fred Ruan, aged 33, joined the Group in 2005. Mr. Ruan is the General Manager (Northern Region) of Guangzhou Armitage Technologies Limited, stationed in Beijing. He was previously the Sales Manager for Northern China and was promoted to the current position in April 2006. Mr. Ruan has been working in the hospitality industry since 1998, mainly involved in selling and marketing hotel related products. Mr. Ruan holds a bachelor degree in tourism management from Harbin University of Commerce, Hei Long Jiang, China.

Ms. Flora Xie, aged 40, joined the Group since 1998. Ms. Xie is the Director of Administration, Finance and Human Resources of Guangzhou Armitage Technologies Limited. For the period from 1998 to 2003, she was the Manager of Administration, Finance and Human Resources of the Guangzhou Armitage Technologies Limited. She left in 2003 and joined the Development Group of Zhongshan University as Deputy Finance Manager. In October 2006, she rejoined the Group assuming the current position. Ms. Xie holds a bachelor degree in finance and accounting from Guangdong University of Business Studies, Guangdong, China.

Mr. Wu Yan, aged 41, joined the Group in 1998. Mr. Wu is the Principal Consultant for the ERP (**IFS**) Business Unit of Guangzhou Armitage Technologies Limited. He is responsible for the pre-sale support and provision of advice to the implementation team of the ERP projects. Mr. Wu was initially a Senior Consultant for Pegasus Hotel Management System in the Group. In 2001, the Group decided to set up a new Business Unit to distribute and implement **IFS**. Since then, Mr. Wu has been the head of the **IFS** application and technical consultant team. Mr. Wu holds a bachelor degree in computer science from Zhongshan University, Guangdong, China.

The directors are pleased to present to the shareholders their annual report together with the audited financial statements for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was investment holding and those of the subsidiaries are set out in note 15 to the financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 March 2008 are set out in the consolidated income statement on page 33.

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2008.

FINANCIAL SUMMARY

The summary of the results of the Group for each of the five years ended 31 March 2008 and the assets and liabilities of the Group as at 31 March 2004, 2005, 2006, 2007 and 2008 are set out on page 84.

FIXED ASSETS

The Group purchased and disposed of fixed assets in the amount of approximately HK\$1,506,000 and HK\$234,000 respectively during the year. Detailed movements in fixed assets of the Group are set out in note 12 to the financial statements.

SHARE OPTIONS

Details of the Company's share option schemes are set out in note 27 to the financial statements.

RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 36 and note 24 to the financial statements respectively.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the transactions disclosed in note 31 to the financial statements, no other contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

The details of connected transactions during the year under the GEM Listing Rules are set out in note 31 to the financial statements. These connected transactions fall under the definition of “connected transaction” in Chapter 20 of the GEM Listing Rules and the Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive directors:

Mr. Lee Shun Hon, Felix (Chairman)
 Mr. To Yung Yui, Steve (ceased on 3 August 2007)
 Ms. Jim Sui Fun

Non-executive director:

Dr. Liao, York

Independent non-executive directors:

Mr. Anthony Francis Martin Conway
 Mr. Chan Hang
 Mr. Li Pak Ki (appointed on 1 August 2007)

In accordance with Articles 86(3) and 87(1) of the Company's Articles of Association, Ms. Jim Sui Fun and Mr. Li Pak Ki shall retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The term of non-executive and independent non-executive directorships of Dr. Liao, York and Mr. Anthony Francis Martin Conway under each letter of appointment is 1 year from 1 April 2002 to 31 March 2003, which shall be automatically renewed each year unless terminated by either party giving to the other not less than 3 months' notice. The term of independent non-executive directorships of Mr. Chan Hang and Mr. Li Pak Ki under the letter of appointment is 1 year from 16 September 2004 to 15 September 2005 and from 1 August 2007 to 31 July 2008 respectively which shall be automatically renewed each year unless terminated by either party giving to the other not less than 3 months' notice.

The executive director, Mr. Lee Shun Hon, Felix has entered into a service contract commencing from 18 March 2003 (the “Listing Date”) and may be terminated by either party at any time by giving to the other of not less than 6 months' written notice or payment of salary in lieu of notice.

The executive director, Ms. Jim Sui Fun, has entered into a service contract for commencing from 27 January 2006. The respective service contract may be terminated by either party at any time by giving to the other of not less than 2 months' written notice or payment of salary in lieu of notice.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (cont'd)

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

Each of the independent non-executive directors has confirmed his independence to the Company pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM") (the "GEM Listing Rules") as at 31 March 2008 and the Company still considers the independent non-executive directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 21 to 23 of the Annual Report.

SHARE OPTIONS

Pursuant to the written resolutions passed by all the shareholders of the Company on 26 February 2003, the Company adopted the following share option scheme:

Share Option Scheme

The purpose of the Share Option Scheme (the "Scheme") is to provide the participants with an opportunity to acquire equity interests in the Company, thus providing them with an incentive to continue contributing to the success of the Company.

Subject to the terms of the Scheme, the committee (the "Committee") which was authorised and charged by the board of directors (the "Board") with the administration of the Scheme may, at any time offer to grant to any employee, agent, consultant or representative of the Company or any of its subsidiaries, including any executive or non-executive director of the Company or any subsidiary of the Company who, the Committee may determine in its absolute discretion, has made valuable contribution to the business of the Group based on his or her performance and/or years of service, or is regarded as valuable human resources of the Group based on his work experience, knowledge in the industry and other relevant factors, options to subscribe for such number of shares as the Committee may determine at the exercise price.

The maximum number of shares to be issued in respect of which options may be granted (together with shares in respect of which options are then outstanding under the Scheme or any other schemes of the Company) under the Scheme shall not exceed such number of shares as shall represent 30% of the issued share capital of the Company from time to time.

The maximum entitlement for any one participant (including both exercised and outstanding options) in any twelve-month period shall not exceed 1% of the total number of shares in issue.

SHARE OPTIONS (cont'd)**Share Option Scheme** (cont'd)

An option may be exercised in whole or in part in the manner provided in the Scheme by a grantee (or, as the case may be, by his legal personal representative) giving notice in writing to the Company after it has vested at any time during the period (the "Option Period") commencing one year after the date of the grant of the option, which shall be not less than three years nor more than ten years from the date an option is offered (the "Offer Date"). No performance target is required to be reached by the participant before any option can be exercised.

A sum of HK\$1 is payable by the participant on acceptance of the option offer.

The exercise price for the shares (the "Exercise Price") in relation to options to be granted under the Scheme shall be determined by the Committee and notified to a participant and shall be at least the higher of:

- (i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the Offer Date; and
- (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date (where the Company has been listed on the GEM of the Stock Exchange for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing).

provided that the Exercise Price shall not be lower than the nominal value of the shares.

As at 31 March 2008, no option under the Scheme has been granted or agreed to be granted.

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

As at 31 March 2008, the interests or short positions of the directors of the Company in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 under the Laws of Hong Kong), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the ordinary shares of the Company

Name	Type of interests	Number of shares	Approximate percentage of the issued share capital (Note 4)
Mr. Lee Shun Hon, Felix	Personal	206,188,740	27.49%
	Family	85,798,246 (Note 1)	11.44%
	Corporate	34,373,452 (Note 2)	4.58%
Ms. Jim Sui Fun	Personal	3,034,786	0.40%
Dr. Liao, York	Corporate	29,988,007 (Note 3)	4.00%

Notes:

- These shares are held by Mr. Lee Shun Hon, Felix's wife, Ms. Leung Mee Chun, Stella, his son, Mr. Lee Wai Yip, Alvin and his daughter, Ms. Lee Sze Yee, Joyce and therefore Mr. Lee Shun Hon, Felix is deemed to have interests in these shares in which Ms. Leung Mee Chun, Stella, Mr. Lee Wai Yip, Alvin and Ms. Lee Sze Yee, Joyce are interested.
- These shares are held by Kingspecial Investments Limited ("Kingspecial"), which is owned as to 30% by Mr. Lee Shun Hon, Felix and therefore Mr. Lee Shun Hon, Felix is deemed to have an interest in these shares in which Kingspecial is interested.
- These shares are held by Winbridge Company Limited ("Winbridge"), which is owned as to 99% by Dr. Liao, York and therefore Dr. Liao, York is deemed to have an interest in these shares in which Winbridge is interested.
- Based on 750,000,000 shares of the Company in issue as at 31 March 2008.

Save as disclosed herein, as at 31 March 2008, none of the directors of the Company had any interests or short positions in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

PERSONS WHO HAVE AN INTEREST OR A SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

So far as is known to the directors of the Company, as at 31 March 2008, other than the directors as disclosed above, the persons or companies who had an interest or a short position in the shares of the Company which were required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Long positions in the ordinary shares of the Company

Name	Type of interests	Number of shares	Approximate percentage of the issued share capital <i>(Note 3)</i>
Kingspecial Investments Limited	Corporate	114,578,176 <i>(Note 1)</i>	15.28%
Mr. Lee Shun Kwong	Corporate	34,373,452 <i>(Note 2)</i>	4.58%
	Personal	22,212,000	2.96%

Notes:

1. The issued share capital of Kingspecial Investments Limited is beneficially owned as to 30% by Mr. Lee Shun Hon, Felix, as to 30% by Mr. Lee Shun Kwong and as to 30% by Dr. Lee Shun Hung, Kelvin (both of whom are brothers of Mr. Lee Shun Hon, Felix) and as to 10% by Mrs. So Li Hang Lin, the sister of Mr. Lee Shun Hon, Felix.
2. Mr. Lee Shun Kwong has an attributable interest of 34,373,452 shares through his shareholding interest of 30% in Kingspecial Investments Limited.
3. Based on 750,000,000 shares of the Company in issue as at 31 March 2008.

Save as disclosed herein, so far as is known to the directors of the Company, as at 31 March 2008, no other persons or companies had interests or short positions in the shares of the Company which were required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO or were interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

MANAGEMENT SHAREHOLDERS' INTERESTS

Save as disclosed under the sections headed "Directors' interests in the securities of the Company or any associated corporations" and "Persons who have an interest or a short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders" above, as at 31 March 2008, no other person was able, as a practical matter, to direct or influence the management of the Company.

COMPETING INTERESTS

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

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 42% of the total sales for the year and sales to the largest customer included therein amounted to approximately 29%. The Group is engaged in the provision of services and therefore has no suppliers.

To the best knowledge of the directors, neither the directors, their associates, nor any shareholders, who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers during the year.

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

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

PRE-EMPTIVE RIGHTS

There are no provisions for the pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

AUDITOR

A resolution to re-appoint the retiring auditor, Messrs. PKF, is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Lee Shun Hon, Felix

Chairman

Hong Kong, 25 June 2008

**TO THE SHAREHOLDERS OF
ARMITAGE TECHNOLOGIES HOLDING LIMITED**

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Armitage Technologies Holding Limited (the "company") set out on pages 33 to 83, which comprise the consolidated and company balance sheets as at 31 March 2008, and consolidated income statement, consolidated statement of changes in equity and 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 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

It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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.

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.

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 March 2008

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 2008 and of the 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.

PKF

Certified Public Accountants

Hong Kong, 25 June 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Note	2008 HK\$'000	2007 HK\$'000
Turnover	4	59,367	53,782
Cost of sales and services rendered		(26,393)	(23,521)
Gross profit		32,974	30,261
Other income	5	1,192	896
Operating expenses		(35,646)	(35,051)
Operating loss		(1,480)	(3,894)
Finance costs	6(a)	(1,218)	(1,164)
Loss before income tax	6	(2,698)	(5,058)
Income tax (expense)/credit	8(a)	(12)	209
Loss for the year		(2,710)	(4,849)
Attributable to:			
Equity holders of the Company	9	(2,710)	(4,813)
Minority interests		—	(36)
Loss for the year		(2,710)	(4,849)
Dividend	10	—	—
Loss per share (HK cents)			
- Basic	11	(0.36)	(0.64)
- Diluted	11	N/A	N/A

BALANCE SHEETS

As at 31 March 2008

	Note	Group		Company	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
NON-CURRENT ASSETS					
Fixed assets	12	3,782	3,034	—	—
Software	13	—	—	—	—
Trade mark	14	82	88	—	—
Interests in subsidiaries	15	—	—	52,408	53,879
Goodwill on consolidation	16	1,721	1,584	—	—
Development costs	17	13,047	13,778	—	—
Club debenture, at cost		200	200	—	—
Deferred tax	18	1,360	1,343	—	—
		20,192	20,027	52,408	53,879
CURRENT ASSETS					
Financial assets at fair value					
through profit or loss	19	862	1,105	—	—
Debtors, deposits and prepayments	20	20,661	20,257	137	133
Income tax recoverable		—	723	—	—
Pledged time deposits	29	9,000	9,000	—	—
Cash and bank balances	21	2,920	2,914	1	1
		33,443	33,999	138	134
CURRENT LIABILITIES					
Bank overdrafts, secured	29	10,368	11,120	—	—
Bank loans, secured	25 & 29	1,297	1,686	—	—
Bank loan - factoring arrangement	29	1,489	1,370	—	—
Obligation under finance lease	26	72	—	—	—
Creditors, accruals and deposits received	22	9,097	8,177	546	648
		22,323	22,353	546	648
NET CURRENT ASSETS/(LIABILITIES)		11,120	11,646	(408)	(514)

BALANCE SHEETS

As at 31 March 2008

	Note	Group		Company	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
TOTAL ASSETS LESS					
CURRENT LIABILITIES		31,312	31,673	52,000	53,365
NON-CURRENT LIABILITIES					
Obligation under finance lease	26	99	—	—	—
Bank loans, secured	25	2,703	1,368	—	—
NET ASSETS		28,510	30,305	52,000	53,365
REPRESENTING :					
EQUITY ATTRIBUTABLE					
TO EQUITY HOLDERS					
OF THE COMPANY					
Share capital	23	7,500	7,500	7,500	7,500
Reserves	24	21,010	22,805	44,500	45,865
TOTAL EQUITY		28,510	30,305	52,000	53,365

**Approved and authorised for issue by
the Board of directors on 25 June 2008**

Lee Shun Hon, Felix

Director

Jim Sui Fun

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	Attributable to equity holders of the Company							
	Share capital HK\$'000	Accumulated losses HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Exchange reserve HK\$'000	Employee share-based compensation reserve HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1.4.2006	7,500	(22,863)	42,836	3,801	204	3,068	—	34,546
Exchange reserve arising from translation of financial statements of the People's Republic of China ("PRC") subsidiaries	—	—	—	—	502	—	36	538
Employee share options benefits	—	—	—	—	—	70	—	70
Reverse on lapse of unexercised share options	—	3,138	—	—	—	(3,138)	—	—
Loss for the year	—	(4,813)	—	—	—	—	(36)	(4,849)
At 31.3.2007 and 1.4.2007	7,500	(24,538)	42,836	3,801	706	—	—	30,305
Exchange reserve arising from translation of financial statements of the PRC subsidiaries	—	—	—	—	915	—	66	981
Acquisition of minority interests in a subsidiary	—	—	—	—	—	—	(66)	(66)
Loss for the year	—	(2,710)	—	—	—	—	—	(2,710)
At 31.3.2008	7,500	(27,248)	42,836	3,801	1,621	—	—	28,510

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	2008 HK\$'000	2007 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(2,698)	(5,058)
Adjustments for:		
Dividend income	(11)	(12)
Interest income	(375)	(373)
Interest on bank loans, factoring loans and overdrafts wholly repayable within 5 years	1,142	1,097
Finance charges on obligation under finance lease	7	—
Depreciation of fixed assets	742	726
Loss on disposal of fixed assets	37	242
Amortisation of intangible assets	4,358	4,723
Employee share options benefits	—	70
(Gain)/loss on financial assets at fair value through profit or loss		
– realised	(136)	—
– unrealised	26	(237)
Operating profit before working capital changes	3,092	1,178
Increase in debtors, deposits and prepayments	(82)	(1,609)
Decrease in pledged bank balance	—	1
Increase in creditors, accruals and deposits received	417	765
Cash generated from operations	3,427	335
Dividend received	11	12
Interest received	405	343
Interest on bank loans, factoring loans and overdrafts wholly repayable with 5 years	(1,142)	(1,097)
Finance charges on obligation under finance lease	(7)	—
Income tax refunded	723	—
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES	3,417	(407)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for acquisition of minority interests in a subsidiary	(137)	—
Payment for purchase of fixed assets	(1,307)	(290)
Sales proceeds from disposal of fixed assets	4	1
Sales proceeds from disposal of financial assets at fair value through profit or loss	395	—
Payment for purchase of financial assets at fair value through profit or loss	(42)	(14)
Increase in development costs	(2,833)	(2,352)
NET CASH USED IN INVESTING ACTIVITIES	(3,920)	(2,655)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	2008	2007
	HK\$'000	HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital element of finance lease rentals paid	(28)	—
Increase/(decrease) in bank loans	1,065	(177)
	<u>1,037</u>	<u>(177)</u>
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	1,037	(177)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	534	(3,239)
CASH AND CASH EQUIVALENTS AS AT 1 APRIL	(8,206)	(5,056)
EFFECT OF EXCHANGE RATE CHANGES	224	89
CASH AND CASH EQUIVALENTS AS AT 31 MARCH	<u>(7,448)</u>	<u>(8,206)</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	2,920	2,914
Bank overdrafts	(10,368)	(11,120)
	<u>(7,448)</u>	<u>(8,206)</u>

1. GENERAL INFORMATION

Armitage Technologies Holding Limited (the “Company”) was incorporated in the Cayman Islands on 13 November 2001 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The principal place of its business is 10/F., Everwin Centre, 72 Hung To Road, Kwun Tong, Kowloon, Hong Kong. The Company and its subsidiaries (collectively the “Group”) is engaged in the provision of information solutions and design, development, sales of application software packages and magazine publication and provision of advertising services.

The Company is listed on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. BASIS OF PREPARATION

(a) Compliance with Hong Kong Financial Reporting Standards

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (hereinafter collectively referred to as “Hong Kong Financial Reporting Standards”).

(b) Initial application of Hong Kong Financial Reporting Standards

In the current year, the Group initially applied the following Hong Kong Financial Reporting Standards:

HKAS 1	Presentation of Financial Statements
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 - Group and Treasury Share Transactions

The initial application of these Hong Kong Financial Reporting Standards does not necessitate material changes in the Group’s accounting policies or retrospective adjustments of the comparatives presented.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

2. BASIS OF PREPARATION (cont'd)

(c) Hong Kong Financial Reporting Standards in issue but not yet effective

The following Hong Kong Financial Reporting Standards in issue at 31 March 2008 have not been applied in the preparation of the Group's consolidated financial statements for the year ended 31 March 2008 since they were not yet effective for the annual period beginning on 1 April 2007:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 27 (Revised)	Consolidated and Separate Financial Statements
Amendments to HKFRS 2	Share-based Payment - Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combinations
HKFRS 8	Operating Segments
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group is required to initially apply HK(IFRIC)-Int 12 and HK(IFRIC)-Int 14 in its annual consolidated financial statements beginning on 1 April 2008, to initially apply HKAS 1 (Revised), HKAS 23 (Revised), amendments to HKFRS 2, HKFRS 8 and HK(IFRIC)-Int 13 in its annual consolidated financial statements beginning on 1 April 2009, and to initially apply HKAS 27 (Revised) and HKFRS 3 (Revised) in its annual consolidated financial statements beginning on 1 April 2010.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Measurement basis

The consolidated financial statements are prepared under the historical cost basis as modified by revaluation of financial assets at fair value through profit or loss.

(b) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2008. The results of subsidiaries acquired or disposed of during the year are dealt with in the consolidated income statement from the dates of acquisition or to the dates of disposal respectively. All significant intra-group transactions and balances have been eliminated on consolidation.

Minority interests represent the results and net assets of the subsidiary attributable to equity interests not owned, directly or indirectly, by the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Revenue recognition

Revenue from provision of system development services is recognised when the services are provided.

Revenue from provision of system integration services is recognised in the income statement by reference to the percentage of services performed to date bear to the total services to be performed.

Revenue from maintenance service contracts, which is received or receivable from customers once the maintenance service contracts are signed, is amortised and credited to the income statement on a straight line basis over the terms of the maintenance service contracts.

Revenue from system enhancement is recognised upon acceptance by the customer.

Revenue from sale of application software packages is recognised when the goods are delivered at the customers' premises, which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

Advertising income is recognised when the advertisements are published in the magazine.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Dividend income is recognised when the Company's right to receive payment is established.

(d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use.

Repair and maintenance costs are charged to the income statement in the period in which it is incurred.

Depreciation is calculated to write off the costs of fixed assets to their estimated residual values over their estimated useful lives on a straight line basis at the following annual rates:

Furniture, fixtures and equipment	– 10% to 50% or over the lease term whichever is the shorter
Motor vehicles	– 10%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Goodwill

Goodwill represents the excess of the cost of an acquisition over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities at the date of acquisition.

Goodwill is carried at cost less accumulated impairment losses.

On disposal of a subsidiary, any attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal recognised in the consolidated income statement.

(f) Intangible assets (other than goodwill)

Intangible assets are stated at cost less accumulated amortisation and impairment losses.

Development costs are capitalised only when it can be demonstrated that completing the development is technically and financially feasible, the product under development will generate probable future economic benefits through sale or use, and the development expenditure can be measured reliably. Development costs which do not meet these criteria are expensed when incurred.

Amortisation is calculated to write off the costs of intangible assets over their estimated useful lives on a straight line basis as follow:

Development costs	5 years
Software acquired	5 years
Trade mark acquired	20 years

(g) Interests in subsidiaries

A subsidiary is an entity that is controlled by the Company.

Interests in subsidiaries are stated in the Company's balance sheet at cost less any identified impairment loss. Income from subsidiaries is recognised in the Company's financial statements on the basis of dividends declared by the subsidiaries.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Financial assets

A financial asset is recognised when the Group becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets are recognised using trade date accounting.

Financial assets held for trading are financial assets acquired principally for the purposes of selling in the short term. Derivatives are classified as financial assets held for trading unless they are designated as hedges. Financial assets held for trading are carried at fair value. Gains and losses arising from changes in the fair value of financial assets held for trading are included in the income statement in the period in which they arise.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses.

When the fair value of financial assets cannot be reliably measured, the financial assets are stated at cost less any identified impairment losses.

The fair values of financial assets that are actively traded are determined by reference to market prices at the close of business on the balance sheet date. For financial assets where there is no active market, fair value is determined by using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are classified as non-current unless they are held for trading or expected to be realised within twelve months after the balance sheet date.

If there is an objective evidence that a financial asset is impaired, impairment loss is recognised in the income statement.

The amount of impairment loss for loans and receivables is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate of the financial asset computed at initial recognition. Impairment losses are reversed in subsequent periods when the decrease of impairment loss can be related objectively to an event occurring after the impairment was recognised.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(j) Borrowings and payables

Borrowings and payables are stated at amortised cost using the effective interest method.

(k) Employee benefits

Salaries, annual bonuses and annual leave entitlements are accrued in the year in which the associated services are rendered by employees of the Group.

Obligations for contributions to defined contribution retirement plans are recognised as an expense in the consolidated income statement as incurred.

The fair value of share options granted to employees measured at the grant date and adjusted for the estimated number of shares that will eventually be vested is recognised as an employee cost on a straight-line basis over the vesting period, with a corresponding increase in an employee share-based compensation reserve.

For the purposes of diluted earnings per share, the exercise price of the options is adjusted for the cost of employee services to render in the remaining vesting period.

(l) Impairment of assets

At each balance sheet date, the Group determines whether there is any indication of impairment of assets. If there is any indication of impairment, the recoverable amount of the relevant asset or group of assets is estimated and compared with the carrying amount. Goodwill is subject to annual impairment review.

If the recoverable amount of an asset or a group of assets is less than its carrying amount, the carrying amount of the asset or group of assets is reduced to the recoverable amount. Impairment loss is recognised as an expense in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Borrowing costs

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

(n) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable when the Group recovers or settles the carrying amounts of assets or liabilities recognised in the financial statements.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or asset is realised.

Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(o) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(p) Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) *Classification of assets leased to the Group*

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Leases (cont'd)

(ii) *Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligation under finance lease. Depreciation is provided at rates which write off the cost of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 3(d). Impairment losses are accounted for in accordance with the accounting policy as set out in note 3(l). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) *Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(q) Related parties

An individual is related to the Group if the individual (i) has, directly or indirectly, control or joint control or significant influence over the Group, or (ii) is a member of the key management personnel of the Group, or (iii) if the individual is a close member of the family of the individuals in (i) or (ii).

An entity is related to the Group if the entity (i) has, directly or indirectly, control or joint control or significant influence over the Group, or (ii) is controlled by or under common control with the Group, or (iii) is an associate or jointly controlled entity of the Group, or (iv) is controlled, jointly-controlled or significantly influenced by an individual related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Foreign currency translation

The consolidated financial statements are presented in Hong Kong dollar, which is also the Company's functional currency. The functional currency of the Company or its subsidiaries is the currency of the primary economic environment in which the Company or its subsidiaries operates.

Foreign currency transactions of the Company or its subsidiaries are initially recorded in the functional currency using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing at the balance sheet date and the exchange differences arising are recognised in the income statement. Non-monetary items carried at fair value denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined and the exchange differences arising are recognised in the income statement, except for the exchange component of a gain or loss that is recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Company's foreign operations are translated into the presentation currency of the Company at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising are recognised as a separate component of equity. Such translation differences are recognised in the consolidated income statement for the year in which the foreign operation is disposed of.

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Inter-segment pricing is based on similar terms as those available to other external parties.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment assets consist primarily of fixed assets, receivables and operating cash, income tax recoverable and deferred tax assets. Segment liabilities comprise operating liabilities, income tax payable and deferred tax liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(s) Segment reporting (cont'd)

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items may comprise financial and corporate assets, interest-bearing loans, corporate and financing expenses and minority interests.

(t) Significant judgement

In the process of applying the Group's accounting policies, judgements that can significantly affect the amounts recognised in the financial statements are made in determining:

- (i) whether there is an indication of impairment of assets;
- (ii) the expected manner of recovery of the carrying amount of assets;
- (iii) the discount rates used to calculate the recoverable amount of goodwill and other assets for the purposes of impairment review; and
- (iv) the valuation method used to calculate the fair value of share options at the measurement date.

4. TURNOVER

Turnover represents revenue recognised in respect of the provision of information solutions and application software packages sold and publishing and advertising income, net of discounts and business tax, during the year. An analysis of the turnover recorded for the year is set out below:

	2008 HK\$'000	2007 HK\$'000
Provision of information solutions		
System development and integration	27,495	23,916
Maintenance and enhancement income	1,165	1,932
Sales of application software packages and related maintenance income	29,590	27,039
Publishing and advertising income	1,117	895
	<u>59,367</u>	<u>53,782</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

5. OTHER INCOME

	2008	2007
	HK\$'000	HK\$'000
Dividend income	11	12
Interest income	375	373
Management fee income	29	24
Net realised and unrealised gains on financial assets at fair value through profit or loss	110	237
Exchange gain	596	33
Reversal of impairment loss on trade debtors	—	68
Miscellaneous items	71	149
	<hr/> 1,192 <hr/>	<hr/> 896 <hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

6. LOSS BEFORE INCOME TAX

	2008 HK\$'000	2007 HK\$'000
Loss before income tax is arrived at after charging/(crediting):		
(a) Finance cost:		
Interest on bank loans, factoring loans and overdrafts repayable within five years	1,142	1,097
Finance charge on obligation under finance lease	7	—
Other bank charges	69	67
	<u>1,218</u>	<u>1,164</u>
(b) Other items:		
Amortisation of development costs	4,352	4,387
Amortisation of software	—	330
Amortisation of trade mark	6	6
Depreciation	796	768
Less: Amounts capitalised as development costs	(54)	(42)
	742	726
Auditor's remuneration	307	347
Operating lease rentals for properties	1,915	2,167
Less: Amounts capitalised as development costs	(110)	(129)
	1,805	2,038
Directors' remuneration - Note 7(a)	2,907	3,387
Other staff salaries and benefits	34,999	32,737
Retirement scheme contributions	2,868	1,756
	<u>37,867</u>	<u>34,493</u>
Less: Amount capitalised as development costs	(2,256)	(2,011)
Other staff costs	35,611	32,482
Loss on disposal of fixed assets	37	242
Impairment loss on trade debtors	66	—
Dividend income from listed investments	(11)	(12)
	<u>35,611</u>	<u>32,482</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

7. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

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

	Fees HK\$'000	Basic salaries, allowances and other benefits HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
2008				
<i>Executive directors:</i>				
Mr. Lee Shun Hon, Felix	—	1,494	—	1,494
Mr. To Yung Yui, Steve	—	487	5	492
Ms. Jim Sui Fun	—	642	12	654
	<u>—</u>	<u>2,623</u>	<u>17</u>	<u>2,640</u>
<i>Non-executive director:</i>				
Dr. Liao, York	70	—	—	70
	<u>70</u>	<u>—</u>	<u>—</u>	<u>70</u>
<i>Independent non-executive directors:</i>				
Mr. Anthony Francis Martin Conway	80	—	—	80
Mr. Chan Hang	70	—	—	70
Mr. Li Pak Ki	47	—	—	47
	<u>197</u>	<u>—</u>	<u>—</u>	<u>197</u>
	<u>267</u>	<u>2,623</u>	<u>17</u>	<u>2,907</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

7. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS (CONT'D)

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

	Fees HK\$'000	Basic salaries, allowances and other benefits HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
2007				
<i>Executive directors:</i>				
Mr. Lee Shun Hon, Felix	—	1,506	—	1,506
Mr. To Yung Yui, Steve	—	888	12	900
Ms. Jim Sui Fun	—	600	12	612
	<u>—</u>	<u>2,994</u>	<u>24</u>	<u>3,018</u>
<i>Non-executive director:</i>				
Dr. Liao, York	70	89	—	159
	<u>70</u>	<u>89</u>	<u>—</u>	<u>159</u>
<i>Independent non-executive directors:</i>				
Mr. Anthony Francis Martin Conway	70	—	—	70
Professor Tsang Hin Pok, Herbert	70	—	—	70
Mr. Chan Hang	70	—	—	70
	<u>210</u>	<u>—</u>	<u>—</u>	<u>210</u>
	<u>280</u>	<u>3,083</u>	<u>24</u>	<u>3,387</u>

No directors waived any emoluments during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

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

(b) Five highest paid individuals

The remuneration of employees who were not directors during the year and who were amongst the five highest paid individuals of the Group are as follows:

	2008 HK\$'000	2007 HK\$'000
Basic salaries, allowances and benefits in kind	1,288	1,241
Retirement scheme contributions	24	24
	<hr/> 1,312 <hr/>	<hr/> 1,265 <hr/>

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

	2008	2007
Nil - HK\$1,000,000	2 <hr/>	2 <hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

8. INCOME TAX EXPENSE/(CREDIT)

(a) Taxation in the consolidated income statement represents:

	2008	2007
	HK\$'000	HK\$'000
Current tax	—	—
Deferred tax - Note 18	12	(209)
Income tax expense/(credit)	12	(209)

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.
- (ii) The Group's subsidiaries incorporated/established in Hong Kong and PRC are subject to Hong Kong Profits Tax and PRC Enterprise Income Tax ("EIT") at the rates of 17.5% and 33% respectively. No provision for Hong Kong Profits Tax and EIT has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax and EIT for the each of two years ended 31 March 2007 and 2008.
- (iii) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("New Tax Law") which has become effective on 1 January 2008. As a result of the New Tax Law, the statutory income tax rate adopted by the PRC entities, other than the aforesaid subsidiaries below, will be changed from 33% to 25% with effect from 1 January 2008.
- (a) As approved by the relevant PRC tax authority, Guangzhou Armitage Technologies Limited was entitled to a two-year exemption from EIT followed by 50% tax exemption for the next three years, commencing from the first cumulative profit-making year in 2007. Therefore, Guangzhou Armitage Technologies Limited was exempted from EIT for the fiscal years 2007 and 2008. For the following three fiscal years from 2009 to 2011, Guangzhou Armitage Technologies Limited is subject to EIT at the rate of 15%. Starting from the fiscal year 2012, Guangzhou Armitage Technologies Limited will be subject to EIT at the unified rate of 25% under the transitional arrangement of the New Tax Law.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

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

- (b) Armitage Technologies (Shenzhen) Limited being engaged in the research and development of IT solutions and provision of customers services was granted a preferential EIT rate of 15%. Armitage Technologies (Shenzhen) Limited enjoyed preferential policy in the form of reduced tax rate shall have five years from the time when the New Tax Law takes effect to transit progressively to the new statutory tax rate. During this period, the Armitage Technologies (Shenzhen) Limited that enjoyed the EIT rate of 15% shall be subject to the 18% tax rate for the year 2008, 20% for the year 2009, 22% for the year 2010, 24% for the year 2011, and 25% for the year 2012.

The change in the carrying amount of the deferred tax assets and liabilities, as a result of the change in tax rate, is recognised in the consolidated income statement of the Group for the year ended 31 March 2008.

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

	2008	2007
	HK\$'000	HK\$'000
Loss before income tax	(2,698)	(5,058)
Tax effect at the Hong Kong Profits Tax rate of 17.5%	(472)	(885)
Hong Kong and PRC tax rates differential	(43)	34
Tax effect of income that is not taxable	(987)	(717)
Tax effect of expenses that are not deductible	842	990
Effect on opening deferred tax balances resulting from a decrease in applicable tax rate	231	—
Effect of tax loss and decelerated depreciation allowances not recognised	441	369
Income tax expense/(credit)	12	(209)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

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

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

	2008	2007
	HK\$'000	HK\$'000
Deductible temporary differences (Note 8(c)(i))		
Unutilised tax losses (Note 8(c)(ii))	12,740	10,217
Decelerated depreciation allowances	16	17
	12,756	10,234

- (i) Deductible temporary differences have not been recognised owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences.
- (ii) The unutilised tax losses accumulated in the PRC subsidiaries amounted to approximately HK\$5,164,000 (2007: approximately HK\$5,164,000) would expire in five years from the respective year of loss. The unutilised tax losses accumulated in the Hong Kong subsidiaries amounted to approximately HK\$7,576,000 (2007: approximately HK\$5,053,000) can be carried forward indefinitely.

9. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Loss attributable to equity holders of the Company includes a loss of approximately HK\$1,365,000 (2007: approximately HK\$1,637,000) which has been dealt with in the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

10. DIVIDEND

No dividend has been paid or declared by the Company since the date of its incorporation.

11. LOSS PER SHARE

The calculation of basic loss per share for each of the two years ended 31 March 2007 and 2008 is based on the Group's loss attributable to equity holders of the Company and 750,000,000 ordinary shares in issue during the year.

Diluted loss per share has not been disclosed as no dilutive potential equity shares in existence as at 31 March 2007 and 2008.

12. FIXED ASSETS

	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$000	Total HK\$'000
Cost:			
At 1.4.2006	9,861	220	10,081
Exchange adjustment	107	—	107
Additions	290	—	290
Disposals	(503)	—	(503)
At 31.3.2007	9,755	220	9,975
Accumulated depreciation:			
At 1.4.2006	6,195	170	6,365
Exchange adjustment	68	—	68
Charge for the year	756	12	768
Written back on disposals	(260)	—	(260)
At 31.3.2007	6,759	182	6,941
Net book value:			
At 31.3.2007	2,996	38	3,034

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

12. FIXED ASSETS (cont'd)

	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$000	Total HK\$'000
Cost:			
At 1.4.2007	9,755	220	9,975
Exchange adjustment	296	—	296
Additions	1,006	500	1,506
Disposals	(14)	(220)	(234)
At 31.3.2008	11,043	500	11,543
Accumulated depreciation:			
At 1.4.2007	6,759	182	6,941
Exchange adjustment	217	—	217
Charge for the year	761	35	796
Written back on disposals	(6)	(187)	(193)
At 31.3.2008	7,731	30	7,761
Net book value:			
At 31.3.2008	3,312	470	3,782

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

13. SOFTWARE

	HK\$'000
Cost:	
At 1.4.2006	3,815
Exchange adjustment	65
	<hr/>
At 31.3.2007	3,880
	<hr style="border-top: 1px dashed black;"/>
Accumulated amortisation:	
At 1.4.2006	3,485
Exchange adjustment	65
Charge for the year	330
	<hr/>
At 31.3.2007	3,880
	<hr style="border-top: 1px dashed black;"/>
Net book value:	
At 31.3.2007	—
	<hr style="border-top: 3px solid black;"/>
Cost :	
At 1.4.2007 and 31.3.2008	3,880
	<hr style="border-top: 1px dashed black;"/>
Accumulated amortisation:	
At 1.4.2007 and 31.3.2008	3,880
	<hr style="border-top: 1px dashed black;"/>
Net book value:	
At 31.3.2008	—
	<hr style="border-top: 3px solid black;"/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

14. TRADE MARK

	HK\$'000
Cost:	
At 1.4.2006 and 31.3.2007	110
Accumulated amortisation:	
At 1.4.2006	16
Charge for the year	6
At 31.3.2007	22
Net book value:	
At 31.3.2007	88
Cost :	
At 1.4.2007 and 31.3.2008	110
Accumulated amortisation:	
At 1.4.2007	22
Charge for the year	6
At 31.3.2008	28
Net book value:	
At 31.3.2008	82

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

15. INTERESTS IN SUBSIDIARIES

	2008	2007
	HK\$'000	HK\$'000
Unlisted shares	11,006	11,006
Amounts due from subsidiaries - <i>Note 15(b)</i>	41,911	43,382
	<hr/>	<hr/>
	52,917	54,388
Less: Impairment loss on amount due from a subsidiary	(509)	(509)
	<hr/>	<hr/>
	52,408	53,879
	<hr/>	<hr/>

The carrying value of the Company's interests in the subsidiaries is determined by the directors on the basis of the underlying assets of the subsidiaries at the time they were acquired by the Company pursuant to the reorganisation which took place on 6 December 2001.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

15. INTERESTS IN SUBSIDIARIES (cont'd)

(a) Details of the subsidiaries are as follows:

Name of company	Place of incorporation/ establishment	Attributable equity interest %		Issued/ registered capital	Principal activities
		Direct	Indirect		
Armitage Technologies Holding (BVI) Limited	British Virgin Islands	100	—	HK\$1,020,130	Investment holding
Armitage Holdings Limited	Hong Kong	—	100	HK\$1,020,130	Investment holding
Armitage Technologies Limited	Hong Kong	—	100	HK\$996,000	Provision of information solutions and sales of application software packages and investment holding
Armitage Technologies (Shenzhen) Limited	PRC	—	100	RMB5,000,000	Research and development of IT solutions and provision of customer services
Guangzhou Armitage Technologies Limited	PRC	—	100	RMB6,800,000	Design, development and sales of application software packages and provision of information solutions
Eastern Express Solutions Limited	Hong Kong	—	100	HK\$100	Investment holding, provision of advertising services and publication of magazine
Guangzhou Eastern Express Solutions Limited	PRC	—	100	RMB3,000,000	Publication of hotel magazine and investment holding
廣州市東驛廣告有限公司	PRC	—	100	RMB1,500,000	Provision of advertising services and publication of magazine

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

16. GOODWILL ON CONSOLIDATION

	HK\$'000
Cost:	
At 1.4.2006 and 31.3.2007	1,584
Cost:	
At 1.4.2007	1,584
Arising from acquisition of minority interests in a subsidiary	137
At 31.3.2008	1,721

Impairment test for goodwill

The recoverable amount has been determined based on a value in use calculation using cash flow projection which is based on financial budget approved by management covering a period of five years. The discounted rate applied to cash flow projection is 7.25%.

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

Key assumptions used in value in use calculations

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

— *Budgeted turnover*

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

— *Budgeted gross margins*

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

— *Business environment*

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

17. DEVELOPMENT COSTS

	HK\$'000
Cost:	
At 1.4.2006	34,603
Exchange adjustment	536
Additions	2,394
	<hr/>
At 31.3.2007	37,533
	<hr style="border-top: 1px dashed black;"/>
Accumulated amortisation:	
At 1.4.2006	7,160
Exchange adjustment	115
Charge for the year	4,387
	<hr/>
At 31.3.2007	11,662
	<hr style="border-top: 1px dashed black;"/>
Accumulated impairment loss:	
At 1.4.2006	11,983
Exchange adjustment	110
	<hr/>
At 31.3.2007	12,093
	<hr style="border-top: 1px dashed black;"/>
Net book value:	
At 31.3.2007	13,778
	<hr style="border-top: 3px double black;"/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

17. DEVELOPMENT COSTS (cont'd)

	HK\$'000
Cost:	
At 1.4.2007	37,533
Exchange adjustment	1,593
Additions	2,887
	<hr/>
At 31.3.2008	42,013
	<hr style="border-top: 1px dashed black;"/>
Accumulated amortisation:	
At 1.4.2007	11,662
Exchange adjustment	576
Charge for the year	4,352
	<hr/>
At 31.3.2008	16,590
	<hr style="border-top: 1px dashed black;"/>
Accumulated impairment loss:	
At 1.4.2007	12,093
Exchange adjustment	283
	<hr/>
At 31.3.2008	12,376
	<hr style="border-top: 1px dashed black;"/>
Net book value:	
At 31.3.2008	13,047
	<hr style="border-top: 3px solid black;"/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

18. DEFERRED TAX

The following is deferred tax (assets)/liabilities recognised by the Group and movements thereon during the year are as follows:

	Tax losses HK\$'000	Accelerated depreciation allowances HK\$'000	Allowance for doubtful debts HK\$'000	Total HK\$'000
At 1.4.2006	(1,040)	328	(401)	(1,113)
Exchange adjustment	(5)	—	(16)	(21)
(Credit)/charge to the income statement for the year – Note 8(a)	(134)	(97)	22	(209)
At 31.3.2007 and 1.4.2007	(1,179)	231	(395)	(1,343)
Exchange adjustment	(1)	—	(28)	(29)
(Credit)/charge to the income statement for the year – Note 8(a)	(178)	(40)	230	12
At 31.3.2008	(1,358)	191	(193)	(1,360)

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008 HK\$'000	2007 HK\$'000
Listed shares in Hong Kong, at market value	862	1,105

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

20. DEBTORS, DEPOSITS AND PREPAYMENTS

Debtors, deposits and prepayments comprise:

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Trade debtors	18,970	19,074	—	—
Less: Allowance for doubtful debts (note 20(c))	(1,380)	(1,195)	—	—
	<u>17,590</u>	<u>17,879</u>	<u>—</u>	<u>—</u>
Rental and utility deposits	354	684	—	—
Prepayments	762	702	137	133
Other debtors	1,955	992	—	—
	<u>20,661</u>	<u>20,257</u>	<u>137</u>	<u>133</u>

(a) Aging analysis

The Group allows its customers credit period of 30 days to 60 days depending on their creditworthiness. The following is an aging analysis of trade debtors (net of allowance for doubtful debts) at the balance sheet date:

	2008 HK\$'000	2007 HK\$'000
0 - 30 days	13,814	13,975
31 - 60 days	275	385
61 - 90 days	1,718	304
91 - 180 days	289	323
181 - 365 days	845	2,511
Over 1 year	649	381
	<u>17,590</u>	<u>17,879</u>

- (b) As at 31 March 2008, a sum of trade accounts receivables of approximately of HK\$1,654,000 (2007: HK\$1,522,000) has been assigned to a bank with recourse as collateral under factoring arrangement (note 29).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

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

(c) The movement of the allowance for doubtful debts during the year is as follow:

	2008	2007
	HK\$'000	HK\$'000
At 1 April	1,195	1,215
Impairment loss for the year	66	—
Reversal of impairment loss	—	(68)
Exchange adjustment	119	48
	<hr/>	<hr/>
At 31 March	1,380	1,195
	<hr/>	<hr/>

(d) Trade debtors that are not impaired

The aging analysis of trade debtors that are not considered to be impaired are as follows:

	2008	2007
	HK\$'000	HK\$'000
Neither past due nor impaired	12,487	11,868
	<hr/>	<hr/>
Past due but not impaired:		
1 - 30 days	1,327	2,107
31 - 60 days	275	385
61 - 90 days	1,718	304
91 - 180 days	289	323
181 - 365 days	845	2,511
Over 1 year	649	381
	<hr/>	<hr/>
	5,103	6,011
	<hr/>	<hr/>
	17,590	17,879
	<hr/>	<hr/>

Trade debtors that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Trade debtors that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

21. CASH AND BANK BALANCES

At 31 March 2008, the cash and bank balances of the Group denominated in Renminbi amounted to approximately HK\$2,696,000 (2007: approximately HK\$2,267,000).

22. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

Creditors, accruals and deposits received comprise:

	Group		Company	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Trade creditors	1,559	1,408	—	—
Deferred enhancement and maintenance income – Note	1,876	1,699	—	—
Accruals and provisions	5,505	4,516	546	648
Deposits received	7	—	—	—
Other creditors	150	554	—	—
	9,097	8,177	546	648

Note:

Deferred maintenance income represents after-sales maintenance service income from customers in respect of system development and integration projects and sales of application software packages. After the completion of the system development project or sales of application software packages, the Group charged its customers the maintenance service fee in advance.

The following is an aging analysis of trade creditors:

	2008 HK\$'000	2007 HK\$'000
0 - 30 days	372	591
31 - 60 days	27	193
61 - 90 days	33	21
91 - 180 days	700	112
Over 180 days	427	491
	1,559	1,408

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

23. CAPITAL AND RESERVES ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

(a) Share Capital

	Number of shares	HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each at 1.4.2007 and 31.3.2008	2,000,000,000	20,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1.4.2007 and 31.3.2008	750,000,000	7,500

(b) Capital Management

The Group's equity capital management objectives are to safeguard the Group's ability to continue as a going concern and to provide an adequate return to shareholders commensurately with the level of risk. To meet these objectives, the Group manages the equity capital structure and makes adjustments to it in the light of changes in economic conditions by paying dividends to shareholders, issuing new equity shares, and raising or repaying debts as appropriate.

The Group's equity capital management strategy, which was unchanged from the previous periods, was to maintain a reasonable proportion in total debts and equity capital. The Group monitors equity capital on the basis of the debt-to-equity capital ratio, which is calculated as net debt over equity capital. Net debt is calculated as total debt less pledged time deposits and cash and bank balances. Equity capital comprises all components of equity (i.e. share capital, share premium, accumulated losses and reserves). The debt-to-equity capital ratios at 31 March 2008 and at 31 March 2007 are as follows:

	2008 HK\$'000	2007 HK\$'000
Total debt	25,125	23,721
Less: pledged time deposits	(9,000)	(9,000)
Less: cash and bank balances	(2,920)	(2,914)
Net debt	13,205	11,807
Total equity	28,510	30,305
Debt-to-equity capital ratio	0.46	0.39

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

24. RESERVES

	Share premium HK\$'000	Accumulated losses HK\$'000	Employee share-based compensation reserve HK\$'000	Total HK\$'000
The Company				
At 1.4.2006	52,822	(7,156)	1,747	47,413
Employee share options benefit	—	—	89	89
Reverse on lapse of unexercised share options	—	1,836	(1,836)	—
Loss for the year	—	(1,637)	—	(1,637)
At 31.3.2007 and 1.4.2007	52,822	(6,957)	—	45,865
Loss for the year	—	(1,365)	—	(1,365)
At 31.3.2008	52,822	(8,322)	—	44,500

- (a) The share premium of the Company includes (i) shares issued at premium and (ii) the difference between the nominal value of the shares of the Company issued in exchange for the entire issued share capital of Armitage Technologies Holding (BVI) Limited and the value of the underlying net assets of Armitage Technologies Holding (BVI) Limited and its subsidiaries at the date they were acquired by the Company. Under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.
- (b) As at 31 March 2008, in the opinion of the directors, the reserves of the Company available for distribution to the shareholders amounted to approximately HK\$44,500,000 (2007: approximately HK\$45,865,000), subject to the restrictions stated in note 24(a) above.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

25. BANK LOANS - SECURED

	2008	2007
	HK\$'000	HK\$'000
Amounts repayable		
- within one year	1,297	1,686
- one year to two years	1,333	697
- two years to five years	1,370	671
	4,000	3,054
Less: Amounts repayable within twelve months (shown under current liabilities)	1,297	1,686
Non-current portion of bank loans	2,703	1,368

26. OBLIGATION UNDER FINANCE LEASE

As at 31 March 2008, the Group had obligation under finance lease repayable as follow:

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable:				
Within one year	84	—	72	—
In the second to fifth years	105	—	99	—
	189	—		
Less: Future finance charges	18	—		
Present value of lease obligation	171	—	171	—

The average lease term is about three years. No arrangements have been entered into for contingent rental payments.

27. SHARE OPTIONS

The Company operates a share option scheme, namely the Share Option Scheme, adopted on 26 February 2003.

The committee (the "Committee") which was authorised and charged by the board of directors (the "Board") with the administration of the Share Option Scheme, are authorised, at their discretion, to invite employees of the Group, including any executive director or non-executive director of the Company or other eligible employees to take up options to subscribe for the shares of the Company.

A sum of HK\$1 is payable by the participant on acceptance of the option offer.

The exercise price of the shares (the "Exercise Price") in relation to options to be granted under the Share Option Scheme shall be determined by the Committee and notified to a participant and shall be at least the higher of:

- (i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the date an option is offered (the "Offer Date"); and
- (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Offer Date (where the Company has been listed on the GEM of the Stock Exchange for less than five business days, the new issue price shall be used as the closing price for any business day falling within the period before listing).

provide that the Exercise Price shall not be lower than the nominal value of the shares.

As at 31 March 2008, no option under the Share Option Scheme has been granted or agreed to be granted.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

28. CONTINGENT LIABILITIES

As at 31 March 2008, the Group had contingent liabilities in respect of performance bonds amounted to approximately HK\$159,000 (2007: approximately HK\$156,000) issued by a bank in favour of a customer for the due performance of contract works undertaken by the Group.

Under the Employment Ordinance, the Group is obliged to make lump sum payments upon cessation of employment in certain circumstances to certain employees who have completed at least five years of service with the Group. The amount payable is dependent on the employee's final salary and years of service, and is reduced by entitlements accrued under the Group's retirement plan that are attributable to contributions made by the Group. The Group does not set aside any assets to fund any remaining obligations.

The Group has contingent liabilities in respect of possible future long service payments to employees under the Employment Ordinance, with a maximum possible amount of HK\$1,377,000 at 31 March 2008 (2007: HK\$1,518,000). The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. No provision has been recognised for employees in respect of such possible payments, as it is not considered probable that the situation will result in material future outflow of resources from the Group.

29. BANKING FACILITIES

As at 31 March 2008, the Group had banking facilities to the extent of HK\$26,033,000 (2007: HK\$26,733,000) which were secured by the Group's time deposits of HK\$9,000,000 (2007: HK\$9,000,000), bank current account designated for the settlement of factored trade accounts receivables as mentioned below, properties of Supercom Investments Limited ("Supercom") in which a director, Mr. Lee Shun Hon, Felix has controlling interest and corporate guarantees executed by the Company.

Included in the above, the Group obtained a trade accounts receivable factoring facility of HK\$8,000,000 (2007: HK\$8,000,000). Under the facility, the Group will receive with recourse from the bank advances representing 90% of the Group's trade accounts receivables due from selected customers within the factoring limit of HK\$8,000,000 (2007: HK\$8,000,000) (less service and monthly discounting charges). As at 31 March 2008, the Group utilised the factoring facility amounted to approximately HK\$1,489,000 (2007: HK\$1,370,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

30. OPERATING LEASE ARRANGEMENTS

As at 31 March 2008, the Group had outstanding commitments for future minimum leases payments under non-cancellable operating leases, which fall due as follows:

	2008	2007
	HK\$'000	HK\$'000
Within one year	1,928	1,914
After one year but within five years	1,075	2,233
	3,003	4,147

Operating lease payments represent rentals payable by the Group for the use of office premises, staff quarters and a carpark. Leases are negotiated for terms of half year to two years with fixed monthly rentals.

31. RELATED PARTY AND CONNECTED TRANSACTIONS

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

	<i>Note</i>	2008	2007
		HK\$'000	HK\$'000
(i) Rentals paid to Supercom	(a)	512	444
(ii) Pledge of properties of Supercom to secure banking facilities of the Group as detailed in note 29 to the financial statements.			

Note :

(a) The transaction was entered into with reference to market rate as appraised by independent professional valuers.

The directors have reviewed the above related party and connected transactions and are of the opinion that these transactions were effected on normal commercial terms (or better to the Group) and in the ordinary course of the business of the Group.

Key management compensation

	2008	2007
	HK\$'000	HK\$'000
Fees for key management personnel	—	—
Salaries, allowances and other benefits in kind	6,577	5,896
Retirement scheme contributions	167	99
	6,744	5,995

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

32. RETIREMENT BENEFIT COSTS

Two Hong Kong operating subsidiaries of the Group had participated in the Mandatory Provident Fund Scheme ("MPF Scheme"). The assets of the MPF Scheme are held separately in an independently managed and administered fund. Contributions to the MPF Scheme are made by both the employer and employees at 5% on the employees' salaries or HK\$1,000 whichever is the lower.

The Company's subsidiaries in the PRC had participated in the state-sponsored retirement plan, contributions are made by the subsidiaries to the plan based on 11% to 21% of the applicable payroll costs. The Group has no other obligation other than the above-mentioned contributions.

33. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS

(a) Credit risk

Credit risk is the risk that a party to financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group has a credit policy in place and exposure to the credit risk is monitored on an ongoing basis. The carrying amounts of financial assets as at 31 March 2008, which represents the Group's significant exposure to credit risks, are as follows:

	2008 HK\$'000	2007 HK\$'000
Trade debtors	17,590	17,879
Pledged time deposits	9,000	9,000
Cash and bank balances	2,920	2,914
	<u>29,510</u>	<u>29,793</u>

In respect of trade debtors individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Debtors are due within 30 - 60 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The directors consider that the credit risk from pledged time deposits and cash and bank balances is minimal as the balances are placed with financial institutions with high credit ratings.

33. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (cont'd)

(a) Credit risk (cont'd)

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the balance sheet date, the Group has a certain concentration of credit risk as 8% (2007: 11%) and 19% (2007: 22%) of the total trade debtors was due from the largest customers and five largest customers respectively.

The Group does not provide any guarantees which would expose the Group or the Company to credit risk.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risks by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of the Group to meet its financial obligations, measured by the debt-to-equity capital ratio.

Maturities of the financial liabilities of the Group as at 31 March 2008 are as follows:

	2008	2007
	HK\$'000	HK\$'000
Total amounts of contractual undiscounted obligations:		
Bank overdrafts, secured	10,368	11,120
Bank loans, secured	4,000	3,054
Bank loan – factoring arrangement	1,489	1,370
Obligation under finance lease	171	—
Trade creditors	1,559	1,408
	17,587	16,952
Due for payment:		
Within one year	14,785	15,584
In the second to fifth years	2,802	1,368
	17,587	16,952

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

33. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (cont'd)

(c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The following table details the Groups' exposure as at 31 March 2008 that the currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	2008		2007	
	United States Dollars '000	Renminbi '000	United States Dollars '000	Renminbi '000
Debtors, deposits and prepayment	—	20,762	—	20,078
Cash and bank balances	6	—	24	—
Creditors, accruals and deposits received	(11)	(6,134)	(11)	(6,043)
Gross exposure arising from recognised assets and liabilities	(5)	14,628	13	14,035

The Company did not have any exposure to currency risk as all the financial assets and liabilities were denominated in its functional currency as at 31 March 2007 and 2008.

The Group operates in Hong Kong and PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Since Hong Kong dollars is pegged to United States dollars, material fluctuations in the exchange rates of Hong Kong dollars against United States dollars are remote.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

33. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (cont'd)

(c) Currency risk (cont'd)

The following table indicates the approximate change in the Group's loss after tax and accumulated losses in response to reasonably possible changes in foreign exchange rates, except for the exchange rate of Hong Kong dollars against United States dollars, to which the Group has significant exposure at the balance sheet date. The sensitivity analysis includes balances between group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or borrower.

	2008		2007	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in loss after tax and accumulated losses HK\$'000	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in loss after tax and accumulated losses HK\$'000
Renminbi	10%	(1,461)	10%	(1,276)
	<u>(10%)</u>	<u>1,461</u>	<u>(10%)</u>	<u>1,276</u>

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group entities' exposure to currency risk for financial instruments in existence at that date, with all other variables remain constant.

The Group does not use financial derivatives to hedge against the currency risk. However, the currency risk of the Group is closely monitored by the management to ensure that the net exposure is kept to an acceptable level, by buying and selling foreign currencies at spot rates where necessary to address short-term imbalances.

(d) Interest rate risk

The Group's interest rate risk arises primarily from bank loans, bank overdraft, obligation under finance lease and pledged time deposits. Except for the obligation under finance lease and pledged time deposits which are held at fixed interest rates, all the bank loans and bank overdraft are held at variable rates. The Group does not use financial derivatives to hedge against the interest rate risk. However, the interest rate profile of the Group is closely monitored by the management and may enter into appropriate swap contracts, when it is considered significant and cost-effective, to manage the interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

33. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (cont'd)

(d) Interest rate risk (cont'd)

(i) Effective interest profile

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date.

	2008		2007	
	Effective interest rate %	HK\$'000	Effective interest rate %	HK\$'000
Fixed rate financial assets				
– Pledged time deposits	1.33	9,000	3.88	9,000
Fixed rate financial liabilities				
– Obligation under finance lease	8.99	171	—	—
Variable rate financial liabilities				
– Bank loans, secured	2.75	4,000	5.25	3,054
– Bank overdrafts, secured	6.00	10,368	8.50	11,120
– Bank loan – financial arrangement	5.25	1,489	7.75	1,370
Net financial liabilities		(7,028)		(6,544)

- (ii) At 31 March 2008, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the Group's loss for the year and accumulated losses by approximately HK\$70,000 (2007: HK\$65,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for variable rate borrowings in existence at that date all other variables remain constant.

33. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (cont'd)

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument traded in the market will fluctuate because of changes in market prices. As at 31 March 2008, the Group is exposed to market price risk arising from listed equity investments classified as financial assets at fair value through profit or loss.

The Group's listed equity investments are listed on the Stock Exchange of Hong Kong. The decisions to buy or sell listed equity investments are based on monitoring of the performance of individual securities compared to that of the Hang Seng Index, other listed equity investments within the same industry and other industry indicators, as well as the Group's liquidity needs.

Should the market prices of the financial assets at fair value through profit or loss as at 31 March 2008 decreased by 10%, the carrying amount of financial assets at fair value through profit or loss would be decreased, the equity as at 31 March 2008 would be decreased and the loss for the year would be decreased by HK\$86,000 (2007: HK\$111,000).

The sensitivity analysis has been determined assuming that the change in market price had occurred at the balance sheet date and had been applied to the exposure to market price risk for the financial assets at fair value in existence at that date with all other variables remain constant.

34. SEGMENT REPORTING

Segment information is presented by way of two segment formats: (a) on a primary segment reporting basis, by geographical segment; and (b) on a secondary segment reporting basis, by business segment.

(a) Geographical segments by the location of customers and by the location of assets

The Group's business can be subdivided into the Hong Kong and PRC markets.

The Group's geographical segments are classified according to the location of the customers. No separate disclosure of the Group's geographical segments according to the location of assets has been made as there is no material difference between the Group's geographical segments classified by location of customers or by location of assets.

Management considers that all items in the consolidated income statement and assets included in the consolidated balance sheet can be reasonably allocated to each geographical segment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

34. SEGMENT REPORTING (cont'd)

(a) Geographical segments by the location of customers and by the location of assets (cont'd)

	Hong Kong		PRC		Inter-segment		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Turnover	38,392	37,085	20,975	16,697	—	—	59,367	53,782
Cost of sales and services rendered	(20,833)	(18,856)	(5,560)	(4,665)	—	—	(26,393)	(23,521)
Gross profit	17,559	18,229	15,415	12,032	—	—	32,974	30,261
Other income	1,126	839	66	57	—	—	1,192	896
Operating expenses	(21,582)	(23,198)	(14,064)	(11,853)	—	—	(35,646)	(35,051)
Operating profit/(loss)	(2,897)	(4,130)	1,417	236	—	—	(1,480)	(3,894)
Finance costs	(1,204)	(1,149)	(14)	(15)	—	—	(1,218)	(1,164)
Profit/(loss) before income tax	(4,101)	(5,279)	1,403	221	—	—	(2,698)	(5,058)
Income tax (expense)/credit	228	388	(240)	(179)	—	—	(12)	209
Profit/(loss) for the year	(3,873)	(4,891)	1,163	42	—	—	(2,710)	(4,849)
Attributable to:								
Equity holders of the Company	(3,873)	(4,891)	1,163	78	—	—	(2,710)	(4,813)
Minority interests	—	—	—	(36)	—	—	—	(36)
Profit/(loss) for the year	(3,873)	(4,891)	1,163	42	—	—	(2,710)	(4,849)
Depreciation and amortisation	3,674	4,048	1,426	1,401	—	—	5,100	5,449
Capital expenditure incurred during the year	1,943	1,454	2,450	1,230	—	—	4,393	2,684
Segment assets and total assets	57,091	56,710	19,356	16,155	(22,812)	(18,839)	53,635	54,026
Segment liabilities and total liabilities	(23,439)	(22,280)	(33,114)	(29,251)	31,428	27,810	(25,125)	(23,721)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

34. SEGMENT REPORTING (cont'd)

(b) Business segments

The Group principally operates in two business segments, (i) provision of information solutions and design, development and sales of application software packages and (ii) magazine publication and provision of advertising services.

	Provision of information solutions and design, development and sales of application software packages		Magazine publication and provision of advertising services		Unallocated		Consolidated	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Revenue from external customers	58,250	52,887	1,117	895	—	—	59,367	53,782
Segment assets	52,784	51,354	688	466	163	140	53,635	51,960
Capital expenditure incurred during the year	4,289	2,681	104	3	—	—	4,393	2,684

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

FINANCIAL SUMMARY

RESULTS

	Years ended 31 March				2008 HK\$000
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$000	
Turnover	<u>52,733</u>	<u>50,594</u>	<u>57,406</u>	<u>53,782</u>	<u>59,367</u>
Loss for the year	<u>(8,745)</u>	<u>(13,039)</u>	<u>(3,427)</u>	<u>(4,849)</u>	<u>(2,710)</u>

ASSETS AND LIABILITIES

	At 31 March				2008 HK\$000
	2004 HK\$'000	2005 HK\$'000	2006 HK\$'000	2007 HK\$000	
NON-CURRENT ASSETS	<u>32,446</u>	<u>25,014</u>	<u>22,497</u>	<u>20,027</u>	<u>20,192</u>
CURRENT ASSETS	46,431	39,501	32,111	33,999	33,443
DEDUCT :					
CURRENT LIABILITIES	<u>27,615</u>	<u>24,929</u>	<u>19,007</u>	<u>22,353</u>	<u>22,323</u>
NET CURRENT ASSETS	<u>18,816</u>	<u>14,572</u>	<u>13,104</u>	<u>11,646</u>	<u>11,120</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	51,262	39,586	35,601	31,673	31,312
NON-CURRENT LIABILITIES	<u>(1,748)</u>	<u>(2,032)</u>	<u>(1,055)</u>	<u>(1,368)</u>	<u>(2,802)</u>
NET ASSETS	<u>49,514</u>	<u>37,554</u>	<u>34,546</u>	<u>30,305</u>	<u>28,510</u>