# Armitage Technologies Holding Limited

( Incorporated in the Cayman Islands with Limited Liability )

( Stock Code: 8213 )

Annual Report 2008-2009

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**



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

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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. Lee Shun Hon, Felix
Ms. Jim Sui Fun
Mr. Lee Wai Yip, Alvin*

## 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:
Richards Butler
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
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

## REGISTERED OFFICE

Ugland House
PO Box 309 GT
South Church Street
George Town
Grand Cayman

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

10th Floor
Everwin Centre
72 Hung To Road
Kwun Tong
Kowloon
Hong Kong

## COMPANY'S WEBSITE ADDRESS

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

## GEM STOCK CODE

8213

* Mr. Lee Wai Yip, Alvin was appointed as an executive director on 2 February 2009

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 30 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

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 2009.

The 2008/2009 financial year was a year of challenges. Our business for the first half of the financial year was still robust, but conditions rapidly declined with the global financial meltdown towards the second half of 2008. The market environment became extremely harsh and business sentiment has remained skeptical since the beginning of 2009. Despite the turbulent economic environment in the year under review, the Group recorded a total turnover at HK$63.1 million, representing a moderate increase of 6% when compared with the previous year (2008: HK$59.4 million). Turnover generated from our Hong Kong operations was HK$42.0 million, representing an increase of 9% from HK$38.4 million recorded last year, whilst turnover derived from our PRC operations was HK$21.1 million (2008: HK$21.0 million). Earnings generated before interest, tax, depreciation and amortisation (EBITDA) from our IT business increased slightly by 3% to HK$6.4 million. Loss attributable to equity holders of the Group was HK$3.2 million, inclusive of HK$3.1 million of investment in ***e²Smart*** magazine and distribution costs, as well as the amortisation of development costs at HK$3.7 million in respect of ***AIMS*** and ***Pegasus*** application products in the year under review.

In the Hong Kong operations, successful implementation of a gasoline management system (GMS phase I and II) in our fiscal year has led us to believe that there exists great business opportunities for the Group in future development of a similar solution for other container terminal operators. In the PRC operations, our ***Mermaid*** solutions, to be launched soon, together with our reputable ***Pegasus*** group solutions, will further consolidate our position as one of the top three IT solutions providers in the PRC hospitality industry. With the continuing improvement of the living standard of the PRC citizens and the constant increase in the citizens' spending power, the Group believes that our application solutions in the PRC hospitality industry have immense potential to grow in the coming years.

The Group's strategy of diversity into the publishing and advertising industry in the PRC is still an undergoing process. Advertisement revenue generated from our magazine ***e²Smart*** increased by approximately 10% when compared with the corresponding period last year. The average advertisement page rate after discount has increased by 8% when compared with the page rate of the previous year, a sign of recognition from advertisers and an acknowledgement of ***e²Smart***'s growing position among other elite luxury magazines in the highly competitive media market in the PRC. However, in the last fiscal quarter, the global advertising industry faced a rapid downturn due to the luxury consumer goods market being deeply affected by the economic meltdown. Our advertising clients and prospects took a very cautious approach to marketing their products and most refused to commit to a long-term advertising budget. The Board is giving our utmost attention to and constantly reviewing the commercial viability of this business segment.

In the year under review, our research and development programme investment was HK$4.2 million, representing 7% of last year's total turnover. During the year under review, we completed development of the ***AIMS*** accounting module and the redevelopment of our ***Pegasus*** Food and Beverage system to cater for restaurants not directly attached to the hotels' operations. Furthermore, the core function requirements of ***Mermaid*** solutions, the high-end version of ***Pegasus***, were completed and are targeted to be launched in the coming fiscal year. Although ongoing research and development on our proprietary application products ***AIMS***, ***Pegasus*** and ***Mermaid*** is vital for our future growth, we will, nevertheless, invest sensibly. For these three products, we have budgeted approximately HK$3.4 million in the coming fiscal year, a reduction of 19% compared with the year under review.

Based on the outlook released in April 2009, financial conditions have improved gradually, and the latest data points to a slowing down of the global contraction, but there is still great uncertainty regarding the timing and pace of economic recovery. Looking ahead, although the financial meltdown appeared to be stabilising at the end of March 2009, we believe that the on-going global contraction will be with us for the next two or three years. Having foreseen these challenges, the Group has implemented further cost-effective strategies to minimise the possible impact on our operations. Blessed with strong cash support from our bank, and under the leadership of our well experienced management team, the Group is confident that we can weather the crisis and emerge from this financial turmoil by being even more competitive in our markets.

Finally, I would like to extend the Group's sincere thanks to our board of directors and employees for their valuable 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, 24 June 2009

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 2009, 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 2009, 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 2009.

## THE BOARD

### Board of Directors

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

The Company complied at all times during the financial year ended 31 March 2009 with the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors.

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 2009 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 2009 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 2009, 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% |
| Ms. Jim Sui Fun | 4 | 100% |
| Mr. Lee Wai Yip, Alvin (appointed on 2 February 2009) | 1 | 100% |
| **Non-executive director** | | |
| Dr. Liao, York | 4 | 100% |
| **Independent non-executive directors** | | |
| Mr. Anthony Francis Martin Conway | 2 | 50% |
| Mr. Chan Hang | 4 | 100% |
| Mr. Li Pak Ki | 4 | 100% |
| **Average Attendance Rate** | | 92% |

## THE BOARD (cont'd)

### Chairman and Chief Executive Officer

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

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

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

### Executive directors

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

### Non-executive directors

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

## THE BOARD (cont'd)

### Non-executive directors (cont'd)

Each of the non-executive directors (including independent non-executive directors) of the Company has signed a letter of appointment for a term of one year with the Company. The term of each of these appointment letters shall automatically be renewed each year unless terminated by either side on three months' prior written notice. The commencement 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 | 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 2009 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 terms 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 2009 is as follow:

| | | |
|---|---|---|
| **Number of Meetings** | 4 | |
| **Members of the Audit Committee** | **Meetings Attended** | **Attendance Rate** |
| Mr. Anthony Francis Martin Conway | 2 | 50% |
| Mr. Chan Hang | 4 | 100% |
| Mr. Li Pak Ki | 4 | 100% |
| **Average Attendance Rate** | | 83% |

Throughout the year under review, the Audit Committee discharged its responsibilities, reviewed and discussed the financial results and the internal control system of the Group. As regards external 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 2009, the auditor's remuneration was approximately HK$300,000 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 2009, the Board was mainly responsible for determining the Company's policy on the remuneration of the directors and the review and approval of all remuneration packages of the 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.

The directors have reviewed and considered the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions, and the Company's programmes and budget.

## LOOKING FORWARD

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

## BUSINESS REVIEW

The Group is principally providing IT services and application solutions in the industries of logistic, hospitality and manufacturing; selling of our proprietary application software, ***AIMS*** and ***Pegasus***, as well as advertising and publication businesses.

2008-09 was a year of extreme challenges. Businesses had been strong for the first half of the year as the market was still benefiting from the booming stock market from 2007, but conditions rapidly declined with the global financial meltdown towards the second half of 2008. The market environment became extremely harsh and business sentiment remained skeptical into the first three months of 2009. Despite the turbulent economic environment in the year under review, the Group had successfully managed to deliver pleasing results with increment when compared with the total turnover last year. For the year ended 31 March 2009, the Group's audited turnover amounted to HK$63.1 million (2008: HK$59.4 million), representing an increase of approximately 6% when compared with the corresponding period last year.

## 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$31.8 million, representing an increase of 11% from HK$28.7 million compared with last year. The strong relationship built with the Hong Kong's largest airline operator and the world's largest private container operator continued to be a steady income source to our Hong Kong operations.

Revenue generated from the two of our major existing clients has grown steadily for the first half of our fiscal year. We had successfully implemented the Roster System and Contractor Information Management System for our container terminal operator client in the first fiscal quarter, but business for this sector slowed significantly by the third fiscal quarter following the first wave of the financial tsunami. Since the logistics and transportation industry is among the hardest hit, projects that have not started had all been put on hold by clients until further notification. Prospective on setting up an e-Business team upon our clients' request had failed because we were not price-competitive enough. However, the Group has explored and opened up new business opportunities—we had successfully implemented the Gasoline Management System ("GMS") for the world's largest container operator and had completed Phase I by the end of the second fiscal quarter. The success of this project had led on to GMS Phase II, concluded by the end of the third fiscal quarter and is now under the installation process. Subsequently, GMS Phase II enhancement was signed by the end of the fourth fiscal quarter. The same could be applied to the Integrated Customer Enquiry System (ICES) for a reputable telecom company in Hong Kong, as the Group had successfully completed Phase I, with Phase II confirmed and is now under development. Headcounts have been added accordingly in the fourth fiscal quarter. The success and client's satisfaction has also led to various business opportunities from this account.

Meanwhile although economic downturn has seriously affected our Shenzhen operation in our fourth fiscal quarter, the Project and Outsourcing business units were performing very well in the three fiscal quarters. We had headcount growth for both our container terminal port clients as well as for the off-shore outsourcing testing project. In general, 2008-09 was a year of growth for our Shenzhen project team—we achieved a significant growth of approximately 58% when compared with previous year.

Currently, our strategy is to consolidate our position and strengthen relationship with our existing clients. Our Shenzhen operations, after several years of hard work selling, have infiltrated into all major container terminal operators in the region with promising success. Nonetheless, the economic downturn has undoubtedly affected the businesses of container terminal and airline operators and subsequently the Group's businesses. We are prepared to embrace the difficulties and proceed cautiously on cost-efficient and company restructuring strategies, as business environment will continue to be harsh and tough in the coming year.

*Application Software Packages Solutions*

Sales revenue generated from the Group's proprietary ERP application software Armitage Industrial Management System ("***AIMS***"), together with its previous version ***Konto 21***, was HK$6.6 million, a 4% decrease when compared with HK$6.9 million of the corresponding period last year.

The total revenue generated from the entire application business unit was HK$9.0 million (2008: HK$8.6 million), representing a minor increase of 5% when compared with the corresponding period last year. Given unfavorable market conditions such as high oil price, new labour law and employee retirement policy implemented by the PRC government, all of which deferred buying decisions, together with the blow on our SME customers in the Pearl River Delta Region due to the financial crisis, the Group was still able to conclude a reasonable amount of new contracts together with a number of enhancement and additional services contracts from existing clients. Our Shenzhen subsidiary also concluded several ***AIMS*** contracts in the reported period with local regional companies.

To increase the competitiveness of ***AIMS***, the Group has successfully conducted and completed the feasibility study of the integration of an international environmental protection ordinance program, REACH, into ***AIMS***. At the same time, we had also endeavored effort during the reported period into the research and development on new features of ***AIMS*** that specialises in catering for the consumer electronic and toys industries, as well as the completion of the redevelopment of ***AIMS*** accounting module that the Group believes will greatly enhance our competitiveness and marketability.

Meanwhile, the Group has also formed partnership with value-added companies to increase our market exposure, and our outstanding performance had led to the Company being awarded the Best Performance Company Awards 2008-ERP Solutions Supplier (優質企業資源管理方案供應商) by the Hong Kong financial magazine Capital Weekly during the reporting period. This is an encouragement and recognition to the Group's effort in maintaining its leading position and reputation in the industry.

## PRC OPERATIONS

*Pegasus Hotel Management System ("Pegasus")*

The total turnover for the Group's PRC operations under Guangzhou Armitage Technologies Limited amounted to HK$18.3 million (exclusive of hardware sales of HK$1.3 million), representing an increase of 10% compared with last year.

The Group's hospitality business faced various challenges during the year under review—the government's tightening monetary measures; the devastating economic effects of the Sichuan earthquake in the first half of 2008; the century's worse economic downturn towards the second half of the year—all of which contributed to the slowing down of our business in the third fiscal quarter, yet despite all these challenges, the Group's hospitality business was still able to achieve an annual double-digit growth.

Realising that chain hotels operators normally use the same applications in all hotels under their management, the Group has been trying with tremendous efforts and with success in the past year to establish relationships with chain hotel operators as a means to secure a steady source of income and to reduce sales efforts. We had concluded three projects on group solutions (***Pegasus***, Central Reservation and Customer Relationship Management Systems) to chain hotel operators in the first and second fiscal quarters, one of which is a regional renowned Singaporean based hotel management group. Customers highly complimented on the Group's outstanding performance, which further consolidated the Group's belief that group solutions should and would be our future growth drivers in the hospitality industry.

Although maintenance income recorded HK$3.6 million, representing an increased of 44% (2008: HK$2.5 million), the rate of growth has significantly slowed down towards the third fiscal quarter because of the skepticism towards the outlook of the economy. As this directly affects the Group's income, we have been exploring various ways of incentives and add-on values in order to attract more customers to join our maintenance scheme. Meanwhile, extra efforts were exerted to raise our maintenance service qualities.

Product enhancement is vital for our success. The Group has continuously put immense efforts on product enhancement such as the addition of new features on the Central Reservation System and Customer Relationship Management System. The upgraded Version 8.0 of ***Pegasus*** was launched in the first fiscal quarter and feedbacks from clients are positive. The Group also reviewed our existing Food and Beverage system features and revamped the system to make it more suitable for restaurants not attached to hotels.

*Industrial and Financial System ("IFS")*

During the reporting period, turnover generated from ***IFS*** implementation amounted to HK$1.5 million (2008: HK$3.4 million), representing a decrease of 56% compared with the like period last year. No new contracts were concluded during the reporting year. Income was mainly generated from maintenance services provided to existing customers.

Since August 2008, the economic downturn has caused numerous factories in the Pearl River Delta ("PRD") to shut down. This had created an extremely difficult business environment for the Group in selling ERP solutions in the PRD region. After carefully consideration and consultation with the Board, the Group has decided to transfer the IFS technical team to our Shenzhen subsidiary under the Applications Business Unit starting from April 2009 for better utilisation of resources.

## Magazine Publication & Advertising

Revenue generated from the Group's magazine publishing and advertising business has once again marked new highs, totalling HK$1.2 million for this fiscal year, an increase of approximately 10% when compared with the previous year. The average advertisement page rate after discount has increased by 8% when compared with the page rate of the previous year, a sign of recognition from advertisers and the acknowledgement of ***e²Smart***'s position among other magazines in the highly competitive media market in the PRC.

The subsidiary's flagship magazine and major revenue contributor ***e²Smart*** continued to make progress in terms of the number of its advertisements, quality, and reputation. Advertising contracts with most of our existing clients were successfully secured and results were pleasing in the first three quarters of our fiscal year. We had been able to conclude contracts with new clients from different categories of consumer goods, such as with a Japanese high-end jewellery brand in our second fiscal quarter, or with the Macau Tourism Board, who had fully sponsored our two issues of Macau supplements published in April and September 2008 respectively. In the last fiscal quarter, however, the Group was faced with a rapid downturn of business, as the luxury consumer goods market was deeply affected by the economic downturn. Our advertising clients and prospects took on a cautious attitude on the market and most of them refused to commit to an annual advertising budget.

To fully utilise existing resources, the Group had started the co-publication of the newsletter with the Hong Kong Institute of Marketing in the first fiscal quarter hoping that through this, we could broaden our client database in Hong Kong. After the third issue however, this proved to be a wrong direction, as the newsletter failed in generating a meaningful amount of income. The Group had decided to cease cooperation with the Hong Kong Institute of Marketing, which will be effective starting in the second fiscal quarter of 2009/2010.

Having foreseen these challenges, the Group had taken on a few cost-efficient strategies to plan ahead. We have relocated our editorial team from Guangzhou to Shanghai in September 2008 in order to speed up communication and to improve operations efficiency. We had also negotiated and successfully reduced the rental price of our Shanghai office.

# FUTURE PROSPECTS

## HONG KONG OPERATIONS

*Outsourcing and Information Solutions*

The after-effects of the financial tsunami have surfaced towards the second half of our fiscal year and the impact on the transportation and logistic sector is extremely hard. Although the Group does not expect business generated from this sector to increase significantly in the coming fiscal year, it will undoubtedly continue to contribute as a steady and strong source of income. On the other hand, the successful implementation of GMS Phase I deemed to be highly promising and had provided insights to the Group on developing gas management solution for other container terminal operators. We believed that there exists immense business opportunities and that it can be a possible huge revenue contributor to the Group in the future. We will study and explore on this direction.

Meanwhile, our existing client whom we had implemented the ICES is very satisfied with our performance and has requested for our quotation for a contract renewal. At the same time, we are also bidding a long-term contract in providing consultancy services and project resources for an air cargo terminal operator which, if successful, may open up yet another pathway of related businesses into the air cargo servicing industry.

*Application Software Packages Solutions*

Although the financial meltdown seemed to have stabilised towards the end of the fourth fiscal quarter, the Group foresees that it will still take a while for our SME customers to recover and get back on track. The Group has acted correspondingly and has completed the study on ***Konto Express***, a similar version to ***AIMS Express*** that has newer and simpler interface with compacted functions and, most importantly, a very attractive price to boost our sales revenue. ***Konto Express*** is expected to be launched in the second fiscal quarter of 2009/2010. Meanwhile, we are also studying other incentives to help our sales team, such as the Leasing Scheme, as a means to expand our business base, and we hoped that with this new initiative, we will be able to capture a new tier of clients and open a new income source for our application business unit. Major R&D investment in our coming fiscal year will be put on hold for the time-being, but the Group will continue on enhancing new modules and features like Customs for import and export, handheld barcode or the Supply-Chain Management.

## PRC OPERATIONS

*Pegasus Hotel Management System ("Pegasus")*

Despite the fact that we are currently in the midst of global economic turmoil and that the hospitality industry, just like any other industries, is also affected, however, the living standards of the citizen in the PRC continue to improve with the constant increase in the citizens' spending power. We believed that the hospitality industry possesses immense potential in the long run. Furthermore, our ***Mermaid*** solutions, the high-end version of ***Pegasus*** that is targeted to be launched in the coming fiscal year, will be able to assist us in further consolidating our position as one of the top three solutions providers in the PRC hospitality industry. Equally important is that ***Pegasus*** group solutions and ***Mermaid*** could help and facilitate us in entering into the South East Asia hospitality market. We are confident that the PRC operation contribution to the Group's income will continue to grow in the years ahead.

With the constant improvement in the living standards of the people in the PRC, the food and beverage industry is thriving at a fast-growing pace. The Group has redeveloped our existing Food and Beverage System as a springboard to test and enter the food and beverage market in the second fiscal quarter. We had successfully modified the system by increasing its user-friendliness and enhanced the backend functions to fit the market needs. Further, the Group will continue to sustain partnership with suitable and reliable hardware vendors and local food and beverage corporations to increase our exposure in this dynamic and fast-moving business sector.

Leveraging on the Group's over 1,500 hotel users database, the Group had also been working on the development of a B2B platform which connects hotels and hotel distribution channels and corporate customers etc. This platform enables real-time hotel room booking and will greatly reduce manpower requirements from both ends. The Group continues to explore opportunities with major travel agencies for future cooperation in this respect.

*Magazine Publication & Advertising*

Given that it will take a while for the luxury goods market to recover, advertisement prospects deemed to be negative. To prepare ourselves to face the hardest challenge ever since the starting of the business, the Group is going to take on a cost-saving approach that will lower our operating costs. We would convert our current cost centers to revenue-generating units to lower our operating costs by benefiting from the economies of scale. For example, we could extend our publishing business to the airplanes industries by publishing in-flight magazines using current existing resources and charging production and printing fees. We would be also providing copy-writing services for advertising clients and agencies in order to share current cost burdens. Most importantly, we would widen our business scope by not focusing solely on our printing business, but to leverage on our most valuable asset—our hotel network database—and make use of it by developing a catalogue-retailing service to our readers; lining up businesses between our network hotels and our advertising clients, such as roadshows or event organising; or develop the premium-selling business to hotels. As these businesses are all created within our existing structure, it can be set up with minimal costs for a trial period and only expand if positive feedbacks were received. Meanwhile, the Board and the Management are giving their utmost attention to review this matter continually.

## FINANCIAL REVIEW

### Consolidated results of operations

For the year ended 31 March 2009, the Group recorded a total turnover at HK$63.1 million (2008: HK$59.4 million). Excluding revenue generated from hardware sales of HK$1.3 million (2008: HK$1.6 million), turnover increased by 7% compared with previous year.

Turnover generated from Hong Kong operations was HK$42.0 million (2008: HK$38.4 million). Exclusive of hardware sales, representing an increase of 11% compared with previous year. Revenue generated from information solutions increased by 11% to HK$31.8 million (2008: HK$28.7 million). Sales of the Group's proprietary application software packages ***AIMS***, together with its previous version ***Konto 21***, recorded a turnover of HK$6.6 million, a decrease of 4% compared with HK$6.9 million recorded last year.

Turnover generated from PRC operations was HK$21.1 million (2008: HK$21.0 million). Exclusive of hardware sales of HK$1.3 million (2008: HK$1.1 million), representing a slight decrease of 1% compared with previous year. Sales of the Group's proprietary application software packages, ***Pegasus*** amounted to HK$19.6 million. When compared with last year's HK$17.5 million, there was an increase of 12%.

Net loss attributable to equity holders of the Company was recorded at HK$3.2 million (2008: HK$2.7 million), representing a 19% deterioration. With regard to the realised and unrealised loss on financial asset at fair value through profit or loss, this amounted to HK$450,000 (2008: gain of HK$110,000). In addition, the costs relating to restructuring incurred in the year under review amounted to HK$595,000 (2008: Nil). Besides, the impairment loss of development costs amounted to HK$157,000 (2008: Nil) had been made during the year under review. The Company has also granted share options to its directors and employees, the equity-settled share-based payment expenses recognised at HK$181,000 (2008: Nil). Excluding the realised and unrealised loss on financial assets at fair value through profit or loss, the costs related to restructuring, the impairment loss of the development costs and the recognition of equity-settled share-based payment expenses, the loss attributable to equity holders of the Company is adjusted to HK$1.8 million (2008: HK$2.8 million).

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$6.4 million (2008: HK$6.2 million) an increase of 3%. The profit before tax generated from the Company's IT business for the year was HK$1.1 million (2008: HK$1.1 million).

### Gross profit

The overall gross profit margin remained stable at 55% during the year . There was no material fluctuation from the previous year.

### Expenses

Total operating expenses increased by 4% to HK$37.1 million (2008: HK$35.6 million). After taking out the effects of the unrealised loss on financial assets at fair value through profit or loss, costs related to the restructuring, the impairment loss of development costs, the recognition of equity-settled share-based payment expenses and about 8% appreciation of Renminbi, the operating expenses is adjusted to HK$34.4 million (2008: HK$35.6 million), representing a decrease of 3% compared with the previous year.

### Financial resources and liquidity

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

As at 31 March 2009, current assets amounted to HK$30.4 million (2008: HK$33.4 million) of which HK$12.9 million (2008: HK$11.9 million) was cash and bank deposits and HK$17.1 million (2008: HK$20.7 million) was debtors, deposits and prepayments. The Group's current liabilities amounted to HK$22.9 million (2008: HK$22.3 million), including bank loans, overdrafts and obligation under finance lease in the amount of HK$14.2 million (2008: HK$13.2 million) and creditors, accruals and deposits received in the amount of HK$8.7 million (2008: HK$9.1 million).

Current ratio as at 31 March 2009 was 1.33 (2008: 1.50). Debt-to-equity capital ratio, expressed as a ratio of total debts less pledged time deposits, pledged bank balance and cash and bank balances to shareholders' funds, was 0.47 (2008: 0.46).

### 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 2009, the Group's time deposits of HK$9.0 million (2008: HK$9.0 million), bank balance of HK$80,000 (2008: Nil) and accounts receivable of HK$1.8 million (2008: HK$1.7 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 2009, the Group had contingent liabilities in respect of performance bonds amounting to HK$33,000 (2008: HK$159,000) 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$1.5 million at 31 March 2009 (2008: 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 2009, the Group had 309 employees in Hong Kong and the PRC (2008: 328). 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 68, 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 50, 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 Company's subsidiary, Guangzhou Eastern Express Advertising Limited and prior to that was the Vice President of Human Resources & Administration Department of the Group.

Mr. Lee Wai Yip, Alvin, aged 30, joined the Group in 2001. Mr. Lee is the General Manager of the Company'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 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.

## NON-EXECUTIVE DIRECTOR

Dr. Liao, York, SBS, JP aged 63, 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 69, 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 both companies are listed on the Stock Exchange of Hong Kong Limited. 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. He has been Vice President of the Hong Kong Olympic Committee for more than sixteen years.

Mr. Chan Hang, aged 59, was appointed as an independent non-executive director in 2004. He is currently the President of ParaDM Company 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 51, was appointed as an independent non-executive director in 2007. He is currently the audit partner of BDO Limited, Certified Public Accountants. 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 52, 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 27 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. Wong Ping Kuen, Ambrose, aged 47, 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 47, 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 Bellevue, Washington, United States.

Mr. Yeung Chun Lam, Cedric, aged 42, 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 33, 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 more than 10 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 34, joined the Group in 1998. Mr. Cai is the Assistant General Manager of the Company'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 44, 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 34, 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 41, 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 42, 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 2009.

## 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 2009 are set out in the consolidated income statement on page 35.

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2009.

## FINANCIAL SUMMARY

The summary of the results of the Group for each of the five years ended 31 March 2009 and the assets and liabilities of the Group as at 31 March 2005, 2006, 2007, 2008 and 2009 are set out on page 92.

## PLANT AND EQUIPMENT

The Group purchased and disposed of plant and equipment in the amount of approximately HK$1,048,000 and HK$760,000, respectively, during the year ended 31 March 2009. Detailed movements in plant and equipment 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 26 to the financial statements.

## RESERVES

Details of movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity on page 38 and note 23 to the financial statements respectively.

## DIRECTORS' INTERESTS IN CONTRACTS

Except for the transactions disclosed in note 30 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 Rules Governing the Listing of Securities ("Listing Rules") on the Growth Enterprise Market ("GEM") Listing Rules are set out in note 30 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 had 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)
Ms. Jim Sui Fun
Mr. Lee Wai Yip, Alvin (appointed as an executive director on 2 February 2009)

### Non-executive director:

Dr. Liao, York

### Independent non-executive directors:

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

In accordance with Articles 86(3) and 87(1) of the Company's Articles of Association, Mr. Lee Wai Yip, Alvin and Dr. Liao, York shall retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The term of non-executive and independent non-executive directorships of Dr. Liao, York and Mr. Anthony Francis Martin Conway under each of their respective 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 each of their respective 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, had entered into a service contract commencing from 18 March 2003 (the "Listing Date") which may be terminated by either party at any time by giving to the other not less than 6 months' written notice or payment of salary in lieu of notice.

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

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (cont'd)

The executive director, Mr. Lee Wai Yip, Alvin, had entered into a service contract commencing from 2 February 2009. The said service contract may be terminated by either party at any time by giving to the other not less than 2 months' written notice or payment of salary in lieu of notice.

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 GEM Listing Rules as at 31 March 2009 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 22 to 24 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 or her work experience, knowledge in the industry and other relevant factors, options ("Share 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 or her 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 2009, Share Options to subscribe for an aggregate of 20,700,000 shares (representing approximately 2.7% of the enlarged issued share capital of the Company) have been granted to a total of 16 directors and employees of the Group.

A summary of the Share Options granted to ellgible participants pursuant to the Scheme adopted on 26 February 2003 is as follow:

| | | | Number of underlying shares | | | |
|---|---|---|---|---|---|---|
| **Grantees** | **Exercisable period** | **Exercise price** | **Granted during the year** | **Reclassification** | **Lapsed during the year** | **As at 31.3.2009** |
| Executive directors | 10 October 2009 to 25 February 2013 | HK$0.055 | 7,400,000 | 5,500,000 | — | 12,900,000 |
| Senior management | 10 October 2009 to 25 February 2013 | HK$0.055 | 9,600,000 | (5,500,000) | — | 4,100,000 |
| Other employees | 10 October 2009 to 25 February 2013 | HK$0.055 | 4,100,000 | — | (400,000) | 3,700,000 |
| | | | 21,100,000 | — | (400,000) | 20,700,000 |

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

As at 31 March 2009, the interests or short positions of the directors of the Company in the shares and underlying 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 were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### (a) Long positions in the ordinary shares of the Company

| Name | Type of interests | Number of shares | | Approximate percentage of the issued share capital *(Note 4)* |
|---|---|---|---|---|
| Mr. Lee Shun Hon, Felix | Personal | 206,728,740 | | 27.56% |
| | Family | 56,607,651 | *(Note 1)* | 7.55% |
| | Corporate | 34,373,452 | *(Note 2)* | 4.58% |
| Ms. Jim Sui Fun | Personal | 3,034,786 | | 0.40% |
| Mr. Lee Wai Yip, Alvin | Personal | 29,190,595 | | 3.89% |
| Dr. Liao, York | Corporate | 29,988,007 | *(Note 3)* | 4.00% |

*Notes:*

1. These shares were held by Mr. Lee Shun Hon, Felix's wife, Ms. Leung Mee Chun, Stella and his daughter, Ms. Lee Sze Yee, Joyce and therefore Mr. Lee Shun Hon, Felix was deemed to have interests in these shares in which Ms. Leung Mee Chun, Stella, and Ms. Lee Sze Yee, Joyce were interested.

2. These shares were held by Kingspecial Investments Limited ("Kingspecial"), which was owned as to 30% by Mr. Lee Shun Hon, Felix and therefore Mr. Lee Shun Hon, Felix was deemed to have an interest in these shares in which Kingspecial was interested.

3. These shares were held by Winbridge Company Limited ("Winbridge"), which was owned as to 99% by Dr. Liao, York and therefore Dr. Liao, York was deemed to have an interest in these shares in which Winbridge was interested.

4. Based on 750,000,000 shares of the Company in issue as at 31 March 2009.

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

### (b) Long positions in underlying shares of equity derivatives of the Company

A summary of the share options granted to the directors pursuant to the Scheme adopted on 26 February 2003 is as follow:

| Name | Type of interests | Exercisable period | Exercise price | Number of underlying share |
|---|---|---|---|---|
| Ms. Jim Sui Fun | Personal | 10 October 2009 to 25 February 2013 | HK$0.055 | 7,400,000 |
| Mr. Lee Wai Yip, Alvin | Personal | 10 October 2009 to 25 February 2013 | HK$0.055 | 5,500,000 |
| | | | | 12,900,000 |

Save as disclosed herein, as at 31 March 2009, none of the directors of the Company had any interests or short positions in the shares and underlying 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 were 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 2009, other than the directors as disclosed above, the persons or companies who had an interest or a short position in the shares and underlying shares of the Company which were required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

### Long positions in the ordinary shares of the Company

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

*Notes:*

1. The issued share capital of Kingspecial Investments Limited was 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 had 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 2009.

Save as disclosed herein, so far as is known to the directors of the Company, as at 31 March 2009, no other persons or companies had interests or short positions in the shares and underlying shares of the Company which were required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO or were interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

## MANAGEMENT SHAREHOLDERS' INTERESTS

Save as disclosed under the sections headed "Directors' interests in the securities of the Company or any associated corporations" and "Persons who have an interest or a short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders" above, as at 31 March 2009, 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 during the year ended 31 March 2009.

## CHARITABLE CONTRIBUTIONS

During the year ended 31 March 2009, the Group made charitable contributions totalling HK$4,600.

## MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 45% of the total sales for the year and sales to the largest customer included therein amounted to approximately 28%. 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, 24 June 2009

PKF

Accountants &
business advisers

大信梁學濂(香港)會計師事務所

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**INDEPENDENT AUDITOR'S REPORT 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") and its subsidiaries (the "Group") set out on pages 35 to 91, which comprise the consolidated and Company balance sheets as at 31 March 2009, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated 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 consolidated 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 consolidated financial statements.

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

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2009 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, 24 June 2009

# CONSOLIDATED INCOME STATEMENT

*For the year ended 31 March 2009*

| | Note | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|---|
| Turnover | 4 | **63,074** | 59,367 |
| Cost of sales and services rendered | | **(28,163)** | (26,393) |
| Gross profit | | **34,911** | 32,974 |
| Other income | 5 | **252** | 1,192 |
| Operating expenses | | **(37,119)** | (35,646) |
| Operating loss | | **(1,956)** | (1,480) |
| Finance costs | 6(a) | **(1,001)** | (1,218) |
| Loss before income tax | 6 | **(2,957)** | (2,698) |
| Income tax expense | 8(a) | **(271)** | (12) |
| Loss for the year and attributable to equity holders of the Company | 9 | **(3,228)** | (2,710) |
| Dividend | 10 | **—** | — |
| Loss per share (HK cents) | | | |
| – Basic | 11 | **(0.43)** | (0.36) |
| – Diluted | 11 | **N/A** | N/A |

# BALANCE SHEETS

*As at 31 March 2009*

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2009** | 2008 | **2009** | 2008 |
| | *Note* | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| NON-CURRENT ASSETS | | | | | |
| Plant and equipment | 12 | **3,980** | 3,782 | **—** | — |
| Software | 13 | **—** | — | **—** | — |
| Trade mark | 14 | **76** | 82 | **—** | — |
| Interests in subsidiaries | 15 | **—** | — | **51,334** | 52,408 |
| Goodwill on consolidation | 16 | **1,721** | 1,721 | **—** | — |
| Development costs | 17 | **13,669** | 13,047 | **—** | — |
| Club debenture, at cost | | **200** | 200 | **—** | — |
| Deferred tax | 18 | **1,096** | 1,360 | **—** | — |
| | | **20,742** | 20,192 | **51,334** | 52,408 |
| CURRENT ASSETS | | | | | |
| Financial assets at fair value through profit or loss | 19 | **412** | 862 | **—** | — |
| Debtors, deposits and prepayments | 20 | **17,110** | 20,661 | **134** | 137 |
| Pledged time deposits | 28 | **9,000** | 9,000 | **—** | — |
| Pledged bank balance | 28 | **80** | — | **—** | — |
| Cash and bank balances | | **3,777** | 2,920 | **3** | 1 |
| | | **30,379** | 33,443 | **137** | 138 |
| DEDUCT: | | | | | |
| CURRENT LIABILITIES | | | | | |
| Bank overdrafts, secured | 28 | **11,815** | 10,368 | **—** | — |
| Bank loans, secured | 24 & 28 | **671** | 1,297 | **—** | — |
| Bank loan - factoring arrangement | 28 | **1,601** | 1,489 | **—** | — |
| Obligation under finance lease | 25 | **78** | 72 | **—** | — |
| Creditors, accruals and deposits received | 21 | **8,718** | 9,097 | **562** | 546 |
| | | **22,883** | 22,323 | **562** | 546 |
| NET CURRENT ASSETS/(LIABILITIES) | | **7,496** | 11,120 | **(425)** | (408) |

*As at 31 March 2009*

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2009** | 2008 | **2009** | 2008 |
| | *Note* | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **28,238** | 31,312 | **50,909** | 52,000 |
| NON-CURRENT LIABILITIES | | | | | |
| Obligation under finance lease | 25 | **21** | 99 | **—** | — |
| Bank loans, secured | 24 | **2,139** | 2,703 | **—** | — |
| | | **2,160** | 2,802 | **—** | — |
| NET ASSETS | | **26,078** | 28,510 | **50,909** | 52,000 |
| REPRESENTING: | | | | | |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | | | | |
| Share capital | 22 | **7,500** | 7,500 | **7,500** | 7,500 |
| Reserves | 23 | **18,578** | 21,010 | **43,409** | 44,500 |
| TOTAL EQUITY | | **26,078** | 28,510 | **50,909** | 52,000 |

**Approved and authorised for issue by the Board of Directors on 24 June 2009**

**Lee Shun Hon, Felix**
Director

**Jim Sui Fun**
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 March 2009*

| | 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 1.4.2007 | 7,500 | (24,538) | 42,836 | 3,801 | 706 | — | — | 30,305 |
| Exchange reserve arising from translation of financial statements of the People's Republic of China ("PRC") subsidiaries | — | — | — | — | 915 | — | 66 | 981 |
| Acquisition of minority interests | — | — | — | — | — | — | (66) | (66) |
| Loss for the year | — | (2,710) | — | — | — | — | — | (2,710) |
| At 31.3.2008 and 1.4.2008 | 7,500 | (27,248) | 42,836 | 3,801 | 1,621 | — | — | 28,510 |
| Exchange reserve arising from translation of financial statements of the PRC subsidiaries | — | — | — | — | 615 | — | — | 615 |
| Recognition of equity-settled share-based payment expenses – Note 26 | — | — | — | — | — | 181 | — | 181 |
| Loss for the year | — | (3,228) | — | — | — | — | — | (3,228) |
| **At 31.3.2009** | **7,500** | **(30,476)** | **42,836** | **3,801** | **2,236** | **181** | **—** | **26,078** |

*For the year ended 31 March 2009*

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before income tax | **(2,957)** | (2,698) |
| Adjustments for: | | |
| Dividend income | **(12)** | (11) |
| Interest income | **(141)** | (375) |
| Interests on bank loans, factoring loans and overdrafts wholly repayable within 5 years | **921** | 1,142 |
| Finance charge on obligation under finance lease | **12** | 7 |
| Depreciation of plant and equipment | **811** | 742 |
| Loss on disposal of plant and equipment | **25** | 37 |
| Amortisation of intangible assets | **3,676** | 4,358 |
| Impairment loss on development costs | **157** | — |
| Equity-settled share-based payment expenses | **181** | — |
| (Gain)/loss on financial assets at fair value through profit or loss | | |
| – realised | **—** | (136) |
| – unrealised | **450** | 26 |
| Operating profit before working capital changes | **3,123** | 3,092 |
| Decrease/(increase) in debtors, deposits and prepayments | **3,873** | (82) |
| (Decrease)/increase in creditors, accruals and deposits received | **(577)** | 417 |
| Cash generated from operations | **6,419** | 3,427 |
| Dividend received | **12** | 11 |
| Interest received | **141** | 405 |
| Interests on bank loans, factoring loans and overdrafts wholly repayable with 5 years | **(921)** | (1,142) |
| Finance charges on obligation under finance lease | **(12)** | (7) |
| Income tax refunded | **—** | 723 |
| NET CASH FLOW FROM OPERATING ACTIVITIES | **5,639** | 3,417 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Payment for acquisition of minority interests in a subsidiary | **—** | (137) |
| Payment for purchase of plant and equipment | **(1,048)** | (1,307) |
| Sales proceeds from disposal of plant and equipment | **—** | 4 |
| 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) |
| Increase in development costs | **(4,072)** | (2,833) |
| Increase in pledged bank balance | **(80)** | — |
| NET CASH USED IN INVESTING ACTIVITIES | **(5,200)** | (3,920) |

# CONSOLIDATED CASH FLOW STATEMENT

*For the year ended 31 March 2009*

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Capital element of finance lease rentals paid | **(72)** | (28) |
| (Decrease)/increase in bank loans | **(1,078)** | 1,065 |
| NET CASH (USED IN)/FROM FINANCING ACTIVITIES | **(1,150)** | 1,037 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | **(711)** | 534 |
| CASH AND CASH EQUIVALENTS AT 1 APRIL | **(7,448)** | (8,206) |
| EFFECT OF EXCHANGE RATE CHANGES | **121** | 224 |
| CASH AND CASH EQUIVALENTS AT 31 MARCH | **(8,038)** | (7,448) |
| ANALYSIS OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | **3,777** | 2,920 |
| Bank overdrafts, secured | **(11,815)** | (10,368) |
| | **(8,038)** | (7,448) |

## 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:

| | |
|---|---|
| HK(IFRIC)-Int 12 | Service Concession Arrangements |
| HK(IFRIC)-Int 14 | HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction |
| Amendments to HKAS 39 and HKFRS 7 | Reclassification of Financial Assets |
| Amendments to HKAS 39 and HKFRS 7 | Reclassification of Financial Assets – Effective Date and Transition |

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

## 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 2009 have not been applied in the preparation of the Group's consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1 April 2008:

| | |
|---|---|
| HKAS 1 (Revised) | Presentation of Financial Statements [1] |
| HKAS 23 (Revised) | Borrowing Costs [1] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements [3] |
| HKFRS 1 (Revised) | First-time Adoption of Hong Kong Financial Reporting Standards [3] |
| HKFRS 3 (Revised) | Business Combinations [3] |
| HKFRS 8 | Operating Segments [1] |
| HK(IFRIC)-Int 13 | Customer Loyalty Programmes [1] |
| HK(IFRIC)-Int 15 | Agreements for the Construction of Real Estate [1] |
| HK(IFRIC)-Int 16 | Hedges of a Net Investment in a Foreign Operation [1] |
| HK(IFRIC)-Int 17 | Distributions of Non-cash Assets to Owners [3] |
| HK(IFRIC)-Int 18 | Transfers of Assets from Customers [2] |
| Amendments to HKAS 32 and HKAS 1 | Puttable Financial Instruments and Obligations Arising on Liquidation [1] |
| Amendments to HKAS 39 | Eligible Hedged Items [3] |
| Amendments to HKFRS 1 and HKAS 27 | Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [1] |
| Amendments to HKFRS 2 | Share-based Payment - Vesting Conditions and Cancellations [1] |
| Amendments to HKFRS 7 | Improving Disclosures about Financial Instruments [1] |
| Amendments to HK(IFRIC)-Int 9 and HKAS 39 | Embedded Derivatives [1] |
| Improvements to HKFRSs [4] | |

[1] Effective for annual periods beginning on or after 1 April 2009

[2] Effective for annual periods beginning on or after 1 July 2009

[3] Effective for annual periods beginning on or after 1 April 2010

[4] Except for the amendments to paragraphs 8A, 36A and 44C of HKFRS 5 and paragraphs 34C and 47L of HKFRS 1 effective for annual period beginning on or after 1 April 2010, others effective for annual period beginning on or after 1 April 2009.

## 2. BASIS OF PREPARATION (cont'd)

### (c) Hong Kong Financial Reporting Standards in issue but not yet effective (cont'd)

The directors of the Company anticipate that the adoption of following standards will affect the Group's accounting policies and presentation of the consolidated financial statements as follows:

HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

HKFRS 8, which will replace HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers.

The directors of the Company anticipate that the application of other standards or interpretations will not have material impact on the results and the financial position of the Group.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### (a) Measurement basis

The consolidated financial statements have been prepared on 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 2009. 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.

On acquisition of additional interests in subsidiaries, goodwill was calculated as the difference between the consideration paid for the additional interests and the carrying amount of the net assets attributable to the additional interests acquired. If the additional interests in the net assets of the subsidiaries exceeds the consideration paid for the additional interests, the excess is recognised immediately in the consolidated income statement.

## 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 consolidated 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 consolidated 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (d) Plant and equipment

Plant and equipment are stated at cost less aggregate 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. Expenditure incurred after the plant and equipment have been put into operation, such as repairs and maintenance, is charged to the consolidated income statement in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the plant and equipment, the expenditure is capitalised as an additional cost of the asset.

Depreciation is calculated to write down the cost of plant and equipment to their estimated residual values on a straight-line basis over their estimated useful lives at following annual rates and bases:

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

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

Gain or loss arising from the retirement or disposal of an asset is determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and is recognised in the consolidated income statement on the date of retirement or disposal.

### (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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (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 follows:

| | |
|---|---|
| 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) Investments

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

*(i) Financial assets at fair value through profit or loss*

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

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

*(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year, the Group did not hold any investments in this category.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (h) Investments (cont'd)

*(iv) Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date-the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the consolidated income statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the consolidated income statement as gains or losses from investment securities.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated income statement – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

## 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 initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, unless the effect of discounting would be immaterial in which case they are stated at cost.

### (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

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units).

## 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 consolidated income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes consolidated 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 consolidated 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (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.

*(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 the consolidated income statement 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 the consolidated income statement 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 the consolidated income statement 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 the consolidated income statement in the accounting period in which they are incurred.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (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.

### (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 consolidated 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 consolidated 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### (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.

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 judgements

In the process of applying the Group's accounting policies, judgements that can significantly affect the amounts recognised in the consolidated 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) whether the discount rates used to calculate the recoverable amount of goodwill and other assets are appropriate 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:

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Provision of information solutions | | |
| – System development and integration | **30,572** | 27,495 |
| – Maintenance and enhancement income | **1,248** | 1,165 |
| Sales of application software packages and related maintenance income | **30,011** | 29,590 |
| Publishing and advertising income | **1,243** | 1,117 |
| | **63,074** | 59,367 |

## 5. OTHER INCOME

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Dividend income from listed investments | **12** | 11 |
| Interest income | **141** | 375 |
| Management fee income | **31** | 29 |
| Net realised and unrealised gains on financial assets at fair value through profit or loss | **—** | 110 |
| Exchange gain | **—** | 596 |
| Miscellaneous items | **68** | 71 |
| | **252** | 1,192 |

## 6. LOSS BEFORE INCOME TAX

| | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|
| Loss before income tax is arrived at after charging/(crediting): | | |
| (a) Finance costs: | | |
| Interests on bank loans, factoring loans and overdrafts repayable with 5 years | **921** | 1,142 |
| Finance charge on obligation under finance lease | **12** | 7 |
| Other bank charges | **68** | 69 |
| | **1,001** | 1,218 |
| (b) Other items: | | |
| Amortisation of development costs | **3,670** | 4,352 |
| Amortisation of trade mark | **6** | 6 |
| Depreciation | **889** | 796 |
| Less: Amounts capitalised as development costs | **(78)** | (54) |
| | **811** | 742 |
| Auditor's remuneration | **300** | 307 |
| Operating lease rentals for properties | **2,320** | 1,915 |
| Less: Amounts capitalised as development costs | **(145)** | (110) |
| | **2,175** | 1,805 |
| Directors' remuneration – Note 7(a) | **2,640** | 2,907 |
| Other staff salaries and benefits | **38,746** | 34,999 |
| Retirement scheme contributions | **2,986** | 2,868 |
| Equity-settled share-based payment expenses – Note 26 | **68** | — |
| | **41,800** | 37,867 |
| Less: Amounts capitalised as development costs | **(3,443)** | (2,256) |
| Other staff costs | **38,357** | 35,611 |
| Impairment loss on trade debtors | **21** | 66 |
| Impairment loss on development costs | **157** | — |
| Unrealised loss on financial assets at fair value through profit or loss | **450** | — |
| Loss on disposal of plant and equipment | **25** | 37 |
| Exchange loss | **5** | — |

## 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$'000 | Equity-settled share-based payment expenses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| 2008 | | | | | |
| *Executive directors:* | | | | | |
| Mr. Lee Shun Hon, Felix | — | 1,494 | — | — | 1,494 |
| Mr. To Yung Yui, Steve | — | 487 | 5 | — | 492 |
| Ms. Jim Sui Fun | — | 642 | 12 | — | 654 |
| | — | 2,623 | 17 | — | 2,640 |
| *Non-executive director:* | | | | | |
| Dr. Liao, York | 70 | — | — | — | 70 |
| | 70 | — | — | — | 70 |
| *Independent non-executive directors:* | | | | | |
| Mr. Anthony Francis Martin Conway | 80 | — | — | — | 80 |
| Mr. Chan Hang | 70 | — | — | — | 70 |
| Mr. Li Pak Ki | 47 | — | — | — | 47 |
| | 197 | — | — | — | 197 |
| | 267 | 2,623 | 17 | — | 2,907 |

## 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$'000 | Equity-settled share-based payment expenses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **2009** | | | | | |
| *Executive directors:* | | | | | |
| Mr. Lee Shun Hon, Felix | — | 1,497 | — | — | 1,497 |
| Mr. Lee Wai Yip, Alvin | — | 48 | 2 | 48 | 98 |
| Ms. Jim Sui Fun | — | 678 | 12 | 65 | 755 |
| | **—** | **2,223** | **14** | **113** | **2,350** |
| *Non-executive director:* | | | | | |
| Dr. Liao, York | 70 | — | — | — | 70 |
| | **70** | **—** | **—** | **—** | **70** |
| *Independent non-executive directors:* | | | | | |
| Mr. Anthony Francis Martin Conway | 80 | — | — | — | 80 |
| Mr. Chan Hang | 70 | — | — | — | 70 |
| Mr. Li Pak Ki | 70 | — | — | — | 70 |
| | **220** | **—** | **—** | **—** | **220** |
| | **290** | **2,223** | **14** | **113** | **2,640** |

No directors waived any emoluments during the year.

## 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:

| | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|
| Basic salaries, allowances and benefits in kind | **1,829** | 1,288 |
| Equity-settled share-based payment expenses | **20** | — |
| Retirement scheme contributions | **36** | 24 |
| | **1,885** | 1,312 |

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

| | 2009 | 2008 |
|---|---|---|
| Nil - HK$1,000,000 | **3** | 2 |

## 8. INCOME TAX EXPENSE

(a) Taxation in the consolidated income statement represents:

| | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|
| Current tax | **—** | — |
| Deferred tax – Note 18 | | |
| – current year | **208** | (219) |
| – attributable to change in tax rates | **63** | 231 |
| | **271** | 12 |
| Income tax expense | **271** | 12 |

## 8. INCOME TAX EXPENSE (cont'd)

(a) Taxation in the consolidated income statement represents: (cont'd)

(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 the British Virgin Islands.

(ii) The Company'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 16.5% and 25% respectively (2008: 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 each of two years ended 31 March 2008 and 2009.

(iii) On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in the Hong Kong Profits Tax rate by 1% from 17.5% to 16.5% effective for the year of assessment 2008/09. The change in the carrying amount of the deferred 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 2009.

(iv) 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 was 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, changed from 33% to 25% with effect from 1 January 2008.

(a) As approved by the relevant PRC tax authority, Guangzhou Armitage Technologies Limited ("GZATL") 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, GZATL was exempted from EIT for the fiscal years 2007 and 2008. For the following three fiscal years from 2009 to 2011, GZATL is subject to EIT at the rate of 15%. Starting from the fiscal year 2012, GZATL will be subject to EIT at the unified rate of 25% under the transitional arrangement of the New Tax Law.

(b) Armitage Technologies (Shenzhen) Limited ("ATL(SZ)") being engaged in the research and development of IT solutions and provision of customers services was granted a preferential EIT rate of 15%. ATL(SZ) 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, ATL(SZ) 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.

## 8. INCOME TAX EXPENSE (cont'd)

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

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| Loss before income tax | (2,957) | (2,698) |
| Tax effect at the Hong Kong profits tax rate of 16.5% (2008: 17.5%) | (488) | (472) |
| Hong Kong and PRC tax rates differential | 187 | 112 |
| Tax effect of income that is not taxable | (916) | (1,333) |
| Tax effect of expenses that are not deductible | 1,515 | 1,312 |
| Effect on opening deferred tax balances resulting from change in applicable tax rates | 63 | 231 |
| Effect on tax losses and decelerated depreciation allowances not recognised | 467 | 441 |
| Tax holiday | (557) | (279) |
| Income tax expense | 271 | 12 |

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

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| Deductible temporary differences (Note 8(c)(i)) | | |
| Unutilised tax losses (Note 8(c)(ii)) | 10,484 | 12,740 |
| Decelerated depreciation allowances | — | 16 |
| | 10,484 | 12,756 |

(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$160,000 (2008: 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$10,324,000 (2008: approximately HK$7,576,000) 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$1,272,000 (2008: approximately HK$1,365,000) which has been dealt with in the financial statements of the Company.

## 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 2008 and 2009 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 2008 and 2009.

## 12. PLANT AND EQUIPMENT

| | 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 |

## 12. PLANT AND EQUIPMENT (cont'd)

| | Furniture, fixtures and equipment HK$'000 | Motor vehicles HK$000 | Total HK$'000 |
|---|---|---|---|
| Cost: | | | |
| At 1.4.2008 | 11,043 | 500 | 11,543 |
| Exchange adjustment | 143 | 10 | 153 |
| Additions | 882 | 166 | 1,048 |
| Disposals | (760) | — | (760) |
| **At 31.3.2009** | **11,308** | **676** | **11,984** |
| Accumulated depreciation: | | | |
| At 1.4.2008 | 7,731 | 30 | 7,761 |
| Exchange adjustment | 88 | 1 | 89 |
| Charge for the year | 841 | 48 | 889 |
| Written back on disposals | (735) | — | (735) |
| **At 31.3.2009** | **7,925** | **79** | **8,004** |
| Net book value: | | | |
| **At 31.3.2009** | **3,383** | **597** | **3,980** |

## 13. SOFTWARE

| | HK$'000 |
|---|---|
| Cost: | |
| **At 1.4.2007, 31.3.2008 and 31.3.2009** | **3,880** |
| Accumulated amortisation: | |
| **At 1.4.2007, 31.3.2008 and 31.3.2009** | **3,880** |
| Net book value: | |
| **At 31.3.2008 and 31.3.2009** | **—** |

## 14. TRADE MARK

| | HK$'000 |
|---|---|
| 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 |
| Cost: | |
| **At 1.4.2008 and 31.3.2009** | **110** |
| Accumulated amortisation: | |
| At 1.4.2008 | 28 |
| Charge for the year | 6 |
| **At 31.3.2009** | **34** |
| Net book value: | |
| **At 31.3.2009** | **76** |

## 15. INTERESTS IN SUBSIDIARIES

| | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|
| Unlisted shares | **11,187** | 11,006 |
| Amounts due from subsidiaries – Note 15(b) | **40,656** | 41,911 |
| | **51,843** | 52,917 |
| Less: Impairment loss on amount due from a subsidiary | **(509)** | (509) |
| | **51,334** | 52,408 |

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.

(a) Details of the subsidiaries are as follows:

| Name of company | Place of incorporation/ establishment | Attributable proportion of equity interest held by the Company | | Issued/ registered capital | Principal activities |
|---|---|---|---|---|---|
| | | Directly | Indirectly | | |
| 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 provision of customer services |

## 15. INTERESTS IN SUBSIDIARIES (cont'd)

(a) Details of the subsidiaries are as follows: (cont'd)

| Name of company | Place of incorporation/ establishment | Attributable proportion of equity interest held by the Company | | Issued/ registered capital | Principal activities |
|---|---|---|---|---|---|
| | | Directly | Indirectly | | |
| 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 and provision of advertising services and publication of magazine |
| Guangzhou Eastern Express Solutions Limited | PRC | — | 100 | RMB3,000,000 | Investment holding (liquidated on 12 May 2009) |
| 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 1.4.2007 | 1,584 |
| Arising from acquisition of minority interests in a subsidiary | 137 |
| **At 31.3.2008 and 31.3.2009** | **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 5.25%.

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.

## 17. DEVELOPMENT COSTS

| | HK$'000 |
|---|---|
| Cost: | |
| At 1.4.2007 | 37,533 |
| Exchange adjustment | 1,593 |
| Additions | 2,887 |
| At 31.3.2008 | 42,013 |
| Accumulated amortisation: | |
| At 1.4.2007 | 11,662 |
| Exchange adjustment | 576 |
| Charge for the year | 4,352 |
| At 31.3.2008 | 16,590 |
| Accumulated impairment losses: | |
| At 1.4.2007 | 12,093 |
| Exchange adjustment | 283 |
| At 31.3.2008 | 12,376 |
| Net book value: | |
| At 31.3.2008 | 13,047 |

## 17. DEVELOPMENT COSTS (cont'd)

| | HK$'000 |
|---|---|
| Cost: | |
| At 1.4.2008 | 42,013 |
| Exchange adjustment | 559 |
| Additions | 4,150 |
| **At 31.3.2009** | **46,722** |
| Accumulated amortisation: | |
| At 1.4.2008 | 16,590 |
| Exchange adjustment | 255 |
| Charge for the year | 3,670 |
| **At 31.3.2009** | **20,515** |
| Accumulated impairment losses: | |
| At 1.4.2008 | 12,376 |
| Exchange adjustment | 5 |
| Impairment for the year | 157 |
| **At 31.3.2009** | **12,538** |
| Net book value: | |
| **At 31.3.2009** | **13,669** |

## 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 | Impairment losses on trade debtors HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1.4.2007 | (1,179) | 231 | (395) | (1,343) |
| Exchange adjustment | (1) | — | (28) | (29) |
| (Credit)/charge for the year – Note 8(a) | (183) | (40) | 4 | (219) |
| Effect of change in tax rate – Note 8(a) | 5 | — | 226 | 231 |
| At 31.3.2008 and 1.4.2008 | (1,358) | 191 | (193) | (1,360) |
| Exchange adjustment | — | — | (7) | (7) |
| Charge/(credit) for the year – Note 8(a) | 276 | (36) | (32) | 208 |
| Effect of change in tax rate – Note 8(a) | 74 | (11) | — | 63 |
| **At 31.3.2009** | **(1,008)** | **144** | **(232)** | **(1,096)** |

## 19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **2009 HK$'000** | 2008 HK$'000 |
|---|---|---|
| Listed shares in Hong Kong, at market value | **412** | 862 |

## 20. DEBTORS, DEPOSITS AND PREPAYMENTS

Debtors, deposits and prepayments comprise:

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Trade debtors | **16,139** | 18,970 | **—** | — |
| Less: Accumulated impairment losses – Note 20(c) | **(1,448)** | (1,380) | **—** | — |
| | **14,691** | 17,590 | **—** | — |
| Rental and utility deposits | **506** | 354 | **—** | — |
| Prepayments | **825** | 762 | **134** | 137 |
| Other debtors | **1,088** | 1,955 | **—** | — |
| | **17,110** | 20,661 | **134** | 137 |

(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 accumulated impairment losses) at the balance sheet date:

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 - 30 days | **11,126** | 13,814 |
| 31 - 60 days | **228** | 275 |
| 61 - 90 days | **732** | 1,718 |
| 91 - 180 days | **716** | 289 |
| 181 - 365 days | **793** | 845 |
| Over 1 year | **1,096** | 649 |
| | **14,691** | 17,590 |

(b) As at 31 March 2009, accounts receivable of approximately HK$1,779,000 (2008: HK$1,654,000) has been assigned to a bank with recourse as collateral under factoring arrangement (Note 28).

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

(c) Movements of the accumulated impairment losses during the year are as follows:

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| At 1 April | **1,380** | 1,195 |
| Impairment loss for the year | **21** | 66 |
| Exchange adjustment | **47** | 119 |
| At 31 March | **1,448** | 1,380 |

(d) Trade debtors that are not impaired

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

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| Neither past due nor impaired | **10,857** | 12,487 |
| Past due but not impaired: | | |
| 0 - 30 days | **269** | 1,327 |
| 31 - 60 days | **228** | 275 |
| 61 - 90 days | **732** | 1,718 |
| 91 - 180 days | **716** | 289 |
| 181 - 365 days | **793** | 845 |
| Over 1 year | **1,096** | 649 |
| | **3,834** | 5,103 |
| | **14,691** | 17,590 |

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.

## 21. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

Creditors, accruals and deposits received comprise:

| | Group | | Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Trade creditors | **1,449** | 1,559 | **—** | — |
| Deferred enhancement and maintenance income – Note | **1,843** | 1,876 | **—** | — |
| Accruals and provisions | **5,157** | 5,505 | **562** | 546 |
| Deposits received | **—** | 7 | **—** | — |
| Other creditors | **269** | 150 | **—** | — |
| | **8,718** | 9,097 | **562** | 546 |

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:

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| 0 - 30 days | **548** | 372 |
| 31 - 60 days | **76** | 27 |
| 61 - 90 days | **—** | 33 |
| 91 - 180 days | **97** | 700 |
| Over 180 days | **728** | 427 |
| | **1,449** | 1,559 |

## 22. 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, 31.3.2008 and 31.3.2009 | 2,000,000,000 | 20,000 |
| Issued and fully paid: | | |
| Ordinary shares of HK$0.01 each at 1.4.2007, 31.3.2008 and 31.3.2009 | 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, pledged bank balance and cash and bank balances. Equity capital comprises all components of equity (i.e. share capital, share premium, accumulated losses and other reserves). The debt-to-equity capital ratios at 31 March 2008 and at 31 March 2009 are as follows:

| | **2009**<br>**HK$'000** | 2008<br>HK$'000 |
|---|---|---|
| Total debt | **25,043** | 25,125 |
| Less: Pledged time deposits | **(9,000)** | (9,000) |
| Pledged bank balance | **(80)** | — |
| Cash and bank balances | **(3,777)** | (2,920) |
| Net debt | **12,186** | 13,205 |
| Total equity | **26,078** | 28,510 |
| Debt-to-equity capital ratio | **0.47** | 0.46 |

## 23. RESERVES

| | Share premium HK$'000 | Accumulated losses HK$'000 | Employee share-based compensation reserve HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **The Company** | | | | |
| At 1.4.2007 | 52,822 | (6,957) | — | 45,865 |
| Loss for the year | — | (1,365) | — | (1,365) |
| At 31.3.2008 and 1.4.2008 | 52,822 | (8,322) | — | 44,500 |
| Recognition of equity-settled share-based payment expenses – Note 26 | — | — | 181 | 181 |
| Loss for the year | — | (1,272) | — | (1,272) |
| **At 31.3.2009** | **52,822** | **(9,594)** | **181** | **43,409** |

(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 2009, in the opinion of the directors, the reserves of the Company available for distribution to the shareholders amounted to approximately HK$43,409,000 (2008: approximately HK$44,500,000), subject to the restrictions stated in Note 23(a) above.

## 24. BANK LOANS – SECURED

| | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|
| Amounts repayable | | |
| – within one year | **671** | 1,297 |
| – one year to two years | **692** | 1,333 |
| – two years to five years | **1,447** | 1,370 |
| | **2,810** | 4,000 |
| Less: Amounts repayable within twelve months (shown under current liabilities) | **671** | 1,297 |
| Non-current portion of bank loans | **2,139** | 2,703 |

## 25. OBLIGATION UNDER FINANCE LEASE

As at 31 March 2009, the Group had obligation under finance lease repayable as follow:

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | **2009 HK$'000** | 2008 HK$'000 | **2009 HK$'000** | 2008 HK$'000 |
| Amounts payable: | | | | |
| Within one year | **84** | 84 | **78** | 72 |
| In the second to fifth years | **21** | 105 | **21** | 99 |
| | **105** | 189 | **99** | 171 |
| Less: Future finance charges | **6** | 18 | **—** | — |
| Present value of lease obligation | **99** | 171 | **99** | 171 |

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

## 26. 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.

During the year ended 31 March 2009, 21,100,000 options were granted on 10 October 2008. The estimated fair values of the options granted at the grant date are at an average of approximately HK$0.019.

The closing price of the Company's shares immediately before 10 October 2008, being the grant date of the share options was HK$0.03.

## 26. SHARE OPTIONS (cont'd)

(a) Detailed movements of share options granted under the Share Option Scheme during the year are as follows:-

| | | | | Number of share options | | | | |
|---|---|---|---|---|---|---|---|---|
| **Name of director** | **Date of grant** | **Exercisable period** | **Exercise price per share HK$** | **Outstanding at 31.3.2008** | **Granted during the year** | **Reclassification** | **Lapsed during the year** | **Outstanding at 31.3.2009** |
| Category 1: Director | | | | | | | | |
| Ms. Jim Sui Fun | 10.10.2008 | 10.10.2009 - 25.2.2013 | 0.055 | — | 7,400,000 | — | — | **7,400,000** |
| Mr. Lee Wai Yip, Alvin | 10.10.2008 | 10.10.2009 - 25.2.2013 | 0.055 | — | — | 5,500,000 | — | **5,500,000** |
| Category 2: Employees | 10.10.2008 | 10.10.2009 - 25.2.2013 | 0.055 | — | 13,700,000 | (5,500,000) | (400,000) | **7,800,000** |
| Total of all categories | | | | — | 21,100,000 | — | (400,000) | **20,700,000** |

Note: Mr. Lee Wai Yip, Alvin was appointed as an executive director on 2 February 2009.

## 26. SHARE OPTIONS (cont'd)

(b) Fair value of share options granted during the year

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on Black-Scholes option pricing model. The inputs into the model were as follows:

| | **At 10.10.2008** |
|---|---|
| Share price | HK$0.036 |
| Exercise price | HK$0.055 |
| Expected volatility | 105.7% |
| Expected dividend | Nil |
| Risk-free interest rate | 1.552% |

The expected volatility is based on the historical volatility (calculated based on the expected life of the share options), adjusted for any expected changes to future volatility due to public available information. Expected dividends are based on historical dividends. Changes in subjective input assumptions could materially affect the fair value estimate. Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants. However, the management has taken into consideration of historical staff turnover pattern for the estimation of expected option life.

The estimated fair value at measurement date was HK$398,000. For the year ended 31 March 2009, total equity-settled share-based payment expenses recognised are as follows:

| | **2009**<br>**HK$000** |
|---|---|
| Total equity-settled share-based payment expenses | **398** |
| Amortisation for the year | **(181)** |
| Options lapsed during the year | **(8)** |
| At 31 March 2009 | **209** |

## 27. CONTINGENT LIABILITIES

As at 31 March 2009, the Group had contingent liabilities in respect of performance bonds amounted to approximately HK$33,000 (2008: approximately HK$159,000) 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 approximately HK$1,483,000 at 31 March 2009 (2008: approximately HK$1,377,000). 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.

## 28. BANKING FACILITIES

As at 31 March 2009, the Group had banking facilities to the extent of HK$24,033,000 (2008: HK$26,033,000) which were secured by the Group's time deposits of HK$9,000,000 (2008: HK$9,000,000), a bank balance of approximately HK$80,000 (2008: Nil) designated for the settlement of factored accounts receivable 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 accounts receivable factoring facility of HK$6,000,000 (2008: 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 receivable due from selected customers within the factoring limit of HK$6,000,000 (2008: HK$8,000,000) (less service and monthly discounting charges). As at 31 March 2009, the Group utilised the factoring facility amounted to approximately HK$1,601,000 (2008: HK$1,489,000).

## 29. OPERATING LEASE ARRANGEMENTS

As at 31 March 2009, the Group had outstanding commitments for future minimum leases payments under non-cancellable operating leases, which fall due as follows:

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| Within one year | **1,897** | 1,928 |
| After one year but within five years | **1,005** | 1,075 |
| | **2,902** | 3,003 |

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.

## 30. RELATED PARTY AND CONNECTED TRANSACTIONS

The Group had the following material transactions with its related parties in which a director, Mr. Lee Shun Hon, Felix has controlling interest under the GEM Listing Rules during the year:

| | Note | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|---|
| (i) Rentals paid to Supercom | (a) | **512** | 512 |
| (ii) Management fee income from Supercom | (b) | **16** | 14 |
| (iii) Management fee income from Kingspecial | (b) | **16** | 14 |

(iv) Pledge of properties of Supercom to secure banking facilities of the Group as detailed in note 28 to the financial statements.

Notes:

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

(b) The amounts were predetermined by both parties.

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** | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| Fees for key management personnel | **—** | — |
| Salaries, allowances and other benefits in kind | **6,419** | 6,577 |
| Retirement scheme contributions | **175** | 167 |
| Equity-settled share-based payment expenses | **149** | — |
| | **6,743** | 6,744 |

## 31. RETIREMENT BENEFIT COSTS

Two Hong Kong operating subsidiaries of the Company 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.

## 32. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS

### (a) Credit risk

Credit risk is the risk that a party to a 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 2009, which represented the Group's significant exposure to credit risks, are as follows:

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Debtors and deposits | **15,232** | 18,070 |
| Pledged time deposits | **9,000** | 9,000 |
| Pledged bank balance | **80** | — |
| Cash and bank balances | **3,777** | 2,920 |
| | **28,089** | 29,990 |

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 bank deposits and cash and bank balances is minimal as the balances are placed with financial institutions with high credit ratings.

## 32. 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 certain concentration of credit risk as 27% (2008: 8%) and 48% (2008: 19%) of the total trade debtors was due from the largest customer 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 2009 are as follows:

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| Total amounts of contractual undiscounted obligations: | | |
| Bank overdrafts, secured | **11,815** | 10,368 |
| Bank loans, secured | **2,810** | 4,000 |
| Bank loans - factoring arrangement | **1,601** | 1,489 |
| Obligation under finance lease | **105** | 189 |
| Creditors and accruals | **6,877** | 7,214 |
| | **23,208** | 23,260 |
| Due for payment: | | |
| Within one year | **21,048** | 20,452 |
| In the second to fifth years | **2,160** | 2,808 |
| | **23,208** | 23,260 |

## 32. 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 Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. The exposure arising from the current accounts among the Company and its subsidiaries which are form part of net investment in foreign operations is excluded.

| | **2009** | | 2008 | |
|---|---|---|---|---|
| | **United States Dollars** | **Renminbi** | United States Dollars | Renminbi |
| | **'000** | **'000** | '000 | '000 |
| Debtors, deposits and prepayments | **44** | **—** | — | — |
| Cash and bank balances | **82** | **—** | 6 | — |
| Creditors, accruals and deposits received | **(45)** | **(620)** | (11) | (1,699) |
| Net exposure arising from recognised assets and liabilities | **81** | **(620)** | (5) | (1,699) |

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.

## 32. 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.

| | **2009** | | 2008 | |
|---|---|---|---|---|
| | **Increase/ (decrease) in foreign exchange rates** | **Increase/ (decrease) in loss after tax and accumulated losses** | Increase/ (decrease) in foreign exchange rates | Increase/ (decrease) in loss after tax and accumulated losses |
| | | **HK$'000** | | HK$'000 |
| Renminbi | **5%** | **34** | 10% | 170 |
| | **(5%)** | **(34)** | (10%) | (170) |

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.

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

### (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.

(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.

| | **2009** | | 2008 | |
|---|---|---|---|---|
| | **Weighted average effective interest rate per annum** | | Weighted average effective interest rate per annum | |
| | **%** | **HK$'000** | % | HK$'000 |
| Fixed rate financial assets | | | | |
| – Pledged time deposits | **0.70** | **9,000** | 1.33 | 9,000 |
| Fixed rate financial liabilities | | | | |
| – Obligation under finance lease | **8.99** | **(99)** | 8.99 | (171) |
| Variable rate financial liabilities | | | | |
| – Bank loans, secured | **3.00** | **(2,810)** | 2.75 | (4,000) |
| – Bank overdrafts, secured | **5.26** | **(11,815)** | 6.00 | (10,368) |
| – Bank loan – factoring arrangement | **5.00** | **(1,601)** | 5.25 | (1,489) |
| Net financial liabilities | | **(7,325)** | | (7,028) |

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

### (d) Interest rate risk (cont'd)

(ii) 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 ended 31 March 2009 and accumulated losses by approximately HK$73,000 (2008: HK$70,000).

The sensitivity analysis above has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. The analysis is prepared assuming the amount of asset and liability outstanding at the balance sheet date was outstanding for the whole year. 100 basis points increase are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the reasonably possible change in interest rates.

### (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 2009, 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 2009 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 2009 would be decreased and the loss for the year would be increased by HK$41,000 (2008: HK$86,000).

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.

## 33. 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.

## 33. 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 | |
|---|---|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Turnover | **41,963** | 38,392 | **21,111** | 20,975 | **—** | — | **63,074** | 59,367 |
| Cost of sales and services rendered | **(23,583)** | (20,833) | **(4,580)** | (5,560) | **—** | — | **(28,163)** | (26,393) |
| Gross profit | **18,380** | 17,559 | **16,531** | 15,415 | **—** | — | **34,911** | 32,974 |
| Other income | **224** | 1,126 | **28** | 66 | **—** | — | **252** | 1,192 |
| Operating expenses | **(20,936)** | (21,582) | **(16,183)** | (14,064) | **—** | — | **(37,119)** | (35,646) |
| Operating (loss)/profit | **(2,332)** | (2,897) | **376** | 1,417 | **—** | — | **(1,956)** | (1,480) |
| Finance costs | **(987)** | (1,204) | **(14)** | (14) | **—** | — | **(1,001)** | (1,218) |
| (Loss)/profit before income tax | **(3,319)** | (4,101) | **362** | 1,403 | **—** | — | **(2,957)** | (2,698) |
| Income tax (expense)/credit | **(303)** | 228 | **32** | (240) | **—** | — | **(271)** | (12) |
| (Loss)/profit for the year | **(3,622)** | (3,873) | **394** | 1,163 | **—** | — | **(3,228)** | (2,710) |
| Attributable to equity holders of the Company | **(3,622)** | (3,873) | **394** | 1,163 | **—** | — | **(3,228)** | (2,710) |
| Depreciation and amortisation | **3,213** | 3,674 | **1,274** | 1,426 | **—** | — | **4,487** | 5,100 |
| Capital expenditure incurred during the year | **2,730** | 1,943 | **2,468** | 2,450 | **—** | — | **5,198** | 4,393 |
| Segment assets and total assets | **50,218** | 57,091 | **17,880** | 19,356 | **(16,977)** | (22,812) | **51,121** | 53,635 |
| Segment liabilities and total liabilities | **(39,830)** | (23,439) | **(3,910)** | (33,114) | **18,697** | 31,428 | **(25,043)** | (25,125) |

## 33. 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 | |
|---|---|---|---|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Revenue from external customers | **61,830** | 58,250 | **1,244** | 1,117 | **—** | — | **63,074** | 59,367 |
| Segment assets | **50,122** | 52,784 | **630** | 688 | **369** | 163 | **51,121** | 53,635 |
| Capital expenditure incurred during the year | **5,134** | 4,289 | **64** | 104 | **—** | — | **5,198** | 4,393 |

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

# FINANCIAL SUMMARY

## RESULTS

| | Years ended 31 March | | | | |
|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008 | **2009** |
| | HK$'000 | HK$000 | HK$'000 | HK$000 | **HK$000** |
| Turnover | 50,594 | 57,406 | 53,782 | 59,367 | **63,074** |
| Loss for the year | (13,039) | (3,427) | (4,849) | (2,710) | **(3,228)** |

## ASSETS AND LIABILITIES

| | At 31 March | | | | |
|---|---|---|---|---|---|
| | 2005 | 2006 | 2007 | 2008 | **2009** |
| | HK$'000 | HK$000 | HK$'000 | HK$000 | **HK$000** |
| NON-CURRENT ASSETS | 25,014 | 22,497 | 20,027 | 20,192 | **20,742** |
| CURRENT ASSETS | 39,501 | 32,111 | 33,999 | 33,443 | **30,379** |
| DEDUCT: | | | | | |
| CURRENT LIABILITIES | 24,929 | 19,007 | 22,353 | 22,323 | **22,883** |
| NET CURRENT ASSETS | 14,572 | 13,104 | 11,646 | 11,120 | **7,496** |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 39,586 | 35,601 | 31,673 | 31,312 | **28,238** |
| NON-CURRENT LIABILITIES | (2,032) | (1,055) | (1,368) | (2,802) | **(2,160)** |
| NET ASSETS | 37,554 | 34,546 | 30,305 | 28,510 | **26,078** |