Armitage Technologies Holding Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8213)

2009-2010

Annual Report

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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.

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Hong Kong Exchange and Clearing Limited and the Stock Exchange take no responsibility for the contents of this annual report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.

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 the information contained in this annual report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this annual report misleading.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Tang Sing Ming Sherman*
Mr. Lee Shun Hon, Felix

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Bhanusak Asvaintra#
Mr. Chan Kam Fai Robert#
Mr. Chung Kwok Keung Peter#

COMPANY SECRETARY

Mr. Ho King Yee, CPA

COMPLIANCE OFFICER

Mr. Tang Sing Ming Sherman*

AUDIT COMMITTEE

Mr. Bhanusak Asvaintra#
Mr. Chan Kam Fai Robert#
Mr. Chung Kwok Keung Peter#

RENUMERATION COMMITTEE

Mr. Chan Kam Fai Robert#
Mr. Tang Sing Ming Sherman*
Mr. Bhanusak Asvaintra#
Mr. Chung Kwok Keung Peter#

NOMINATION COMMITTEE

Mr. Chung Kwok Keung Peter#
Mr. Tang Sing Ming Sherman*
Mr. Bhanusak Asvaintra#
Mr. Chan Kam Fai Robert#

AUTHORISED REPRESENTATIVES

Mr. Tang Sing Ming Sherman*
Mr. Ho King Yee, CPA

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AUDITOR

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Certified Public Accountants
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Causeway Bay, Hong Kong

PRINCIPAL BANKERS

Nanyang Commercial Bank, Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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COMPANY'S WEBSITE ADDRESS

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

GEM STOCK CODE

8213

* Mr. Tang Sing Ming Sherman was appointed as an executive director on 18 February 2010. He was appointed as compliance officer. authorised representative on 18 March 2010 and as a member of remuneration committee and nomination committee on 23 April 2010.

Mr. Bhanusak Asvaintra, Mr. Chan Kam Fai Robert and Mr. Chung Kwok Keung Peter were appointed as independent non-executive directors and members of audit committee on 18 February 2010 and were appointed as members of remuneration committee and nomination committee on 23 April 2010.

CORPORATE PROFILE

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 I.T. 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.

Portfolio of our principal subsidiaries:

Armitage Technologies Limited

- Provision of I.T. 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 I.T. 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
- Sale and implementation of third party ERP application software package, ***IFS***, to customers in southern region of the PRC

Guangzhou Armitage Technologies Limited

- Sale of proprietary hotel management software package, ***Pegasus***, mainly to customers throughout the PRC

CHAIRMAN'S STATEMENT

I am pleased to present the financial results for Armitage Technologies Holding Limited and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 March 2010.

The financial year 2009/10 will be remembered as one of the most turbulent years in the history of the global financial services sector. It was a year characterised by financial corporate failures and unprecedented government bailouts. The international liquidity and credit crunch led to economic stagnation, and business activities only began to pick up steam in the last quarter of this fiscal year. The Group recorded a total turnover of HK$52.5 million, representing a decrease of 17% when compared with the previous year (2009: HK$63.1 million). Loss attributable to equity holders of the Group was HK$14.8 million, inclusive of loss amounting to HK$1.4 million in the discontinued magazine publication operations, as well as the impairment of development costs of HK$3.3 million in the year under review.

As the economic downturn has severely struck the transportation and logistics industry all over the world, revenue generated from this business sector slackened significantly in the fiscal year and is expected to extend into the coming fiscal year. In spite of all these adversaries, the Group was able to conclude a new long-term contract with the Hong Kong's largest air cargo terminal operator in the fourth fiscal quarter in providing off-shore development services for its air cargo handling operations system. It is an important milestone for the Group's Information Technology business as this will provide us the opportunity in acquiring business knowledge in the air cargo operations. Meanwhile, due to the robust property market activities and major events such as the Asian Games and World Expo 2010 held in the PRC, the prospect for the hospitality business from our PRC operations looks promising. Adhering to the Group's long-term strategy to establish relationships with chain hotel operations, the Group concluded a significant contract with a reputable international hotel chain operator with over 150 hotels in the PRC during the reporting period.

Due to the severe impact the financial tsunami had on the luxury product market that has significantly affected our advertising income in the first half of 2009, our management, after careful consideration and thorough analysis of the current business environment, decided to discontinue the operations of magazine publication and advertising services starting from August 1, 2009.

During the year under review, the Group has made its first attempt to tap into the food and beverage business by subscribing a convertible bond issued by a food and beverage management company. In addition, the Group has entered into agreements to acquire a Japanese restaurant franchise in Hong Kong after the fiscal year end. We are optimistic that the contribution from the food and beverage business will become a vital part of the Group in the coming years.

Looking ahead, whilst maintaining existing contacts with our customers, we will continue to closely monitor and study economic and market developments that could affect our financial stability. Even though the latest data have shown signs of improvement, there is still a great deal of uncertainties regarding the timing and pace of the economic recovery. Forseeing these challenges, we remain cautious in our management by keeping a lower fixed overhead and paying special attention to the cash flow of our operation.

Finally, I would like to express the Group's sincere gratitude to our board of directors and employees for their valuable contribution and dedications throughout the year, especially to Mr. Felix Lee, who is in charge of the I.T. business, for his past contributions in leading the board as the former Chairman of the Group. I also wish to extend my appreciation to our customers and business partners for their continuing support.

Tang Sing Ming Sherman
Chairman
Hong Kong, 21 June 2010

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 2010, 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 2010, 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. However, during the periods from 7 May 2009 to 3 June 2009 and from 28 July 2009 to 10 August 2009, Ms. Leung Mee Chun, Stella ("Mrs. Lee"), the spouse of Mr. Lee Shun Hon, Felix ("Mr. Lee"), the executive director of the Company, had dealt with the Company's shares during the blackout periods in 2009.

As Mr. Lee is financially independent from Mrs. Lee, he was not aware of such dealings until when he reviewed his associates' as well as his own shareholding positions for the purposes of the disposal of his controlling stake in the Company as announced by the Company on 6 November 2009. In the course of such review, it had come to the attention of Mr. Lee that Mrs. Lee had dealt in the shares of the Company during the blackout periods.

THE BOARD

Board of Directors

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

The Company complied at all times during the financial year ended 31 March 2010 with the requirements of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors.

Mr. Bhanusak Asvaintra, one of the independent non-executive directors 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 2010 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. Tang Sing Ming Sherman being the Chairman of the Board, 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 2010 to discuss the overall strategy as well as the operation and financial performance of the Group. During the year, the Board held five 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 2010, 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	5	
Members of the Board	**Meetings Attended**	**Attendance Rate**
Executive directors		
Mr. Tang Sing Ming Sherman (Chairman) (appointed on 18 February 2010)	1	100%
Mr. Lee Shun Hon, Felix	5	100%
Ms. Jim Sui Fun (resigned on 8 March 2010)	3	75%
Mr. Lee Wai Yip, Alvin (resigned on 8 March 2010)	4	100%
Non-executive director		
Dr. Liao, York (resigned on 8 March 2010)	4	100%
Independent non-executive directors		
Mr. Bhanusak Asvaintra (appointed on 18 February 2010)	1	100%
Mr. Chan Kam Fai Robert (appointed on 18 February 2010)	1	100%
Mr. Chung Kwok Keung Peter (appointed on 18 February 2010)	1	100%
Mr. Anthony Francis Martin Conway (resigned on 8 March 2010)	4	100%
Mr. Chan Hang (resigned on 8 March 2010)	4	100%
Mr. Li Pak Ki (resigned on 8 March 2010)	4	100%
Average Attendance Rate		97%

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. Tang Sing Ming Sherman is the Chairman of the Board and the Chief Executive Officer of the Company. 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. Tang Sing Ming Sherman as the Chairman of the Board and the Chief Executive Officer of the Company, 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 independent non-executive directors of the Company who was appointed on 18 February 2010 has signed a letter of appointment for a term of three years with the Company unless terminated by either side on one month's prior written notice. Each of the non-executive directors (including independent non-executive directors) of the Company who resigned on 8 March 2010 has signed a letter of appointment for a term of one year with the Company. The commencement dates of appointment for each of the non-executive directors are as follows:

	Commencement Date
Non-executive director	
Dr. Liao, York (resigned on 8 March 2010)	21 February 2002
Independent non-executive directors	
Mr. Bhanusak Asvaintra	18 February 2010
Mr. Chan Kam Fai Robert	18 February 2010
Mr. Chung Kwok Keung Peter	18 February 2010
Mr. Anthony Francis Martin Conway (resigned on 8 March 2010)	21 February 2002
Mr. Chan Hang (resigned on 8 March 2010)	16 September 2004
Mr. Li Pak Ki (resigned on 8 March 2010)	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 as at 31 March 2010, namely Mr. Bhanusak Asvaintra, Mr. Chan Kam Fai Robert and Mr. Chung Kwok Keung Peter who were appointed on 18 February 2010. Mr. Anthony Francis Martin Conway, Mr. Chan Hang and Mr. Li Pak Ki resigned on 8 March 2010. The Chairman of the Audit Committee is Mr. Bhanusak Asvaintra, who possesses the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 5.05(2) of the GEM Listing Rules.

A total of four Audit Committee meetings were held during the financial year ended 31 March 2010 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 2010 is as follow:

Number of Meetings	4	
Members of the Audit Committee	**Meetings Attended**	**Attendance Rate**
Mr. Bhanusak Asvaintra (appointed on 18 February 2010)	0	N/A
Mr. Chan Kam Fai Robert (appointed on 18 February 2010)	0	N/A
Mr. Chung Kwok Keung Peter (appointed on 18 February 2010)	0	N/A
Mr. Anthony Francis Martin Conway (resigned on 8 March 2010)	4	100%
Mr. Chan Hang (resigned on 8 March 2010)	4	100%
Mr. Li Pak Ki (resigned on 8 March 2010)	4	100%
Average Attendance Rate		100%

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

AUDITOR'S REMUNERATION

For the year ended 31 March 2010, the auditor's remuneration was approximately HK$315,000 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.

During the financial year ended 31 March 2010, the Company has not established a remuneration committee as required by this Code Provision considering the small size of the Board. During such financial year, 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 director and independent non-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.

However, the Company has established a Remuneration Committee on 23 April 2010 with written terms of reference in compliance with Code Provision B.1.3 under Appendix 15 of the GEM Listing Rules. The members of the Remuneration Committee consist of Mr. Tang Sing Ming Sherman and all independent non-executive directors of the Company. The Chairman of the Remuneration Committee is Mr. Chan Kam Fai Robert.

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. During the financial year ended 31 March 2010, the Company has not established a nomination committee considering the small size of the Board.

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.

However, the Company has established a Nomination Committee on 23 April 2010 with written terms of reference in compliance with paragraph A.4.5 of the recommended practices under Appendix 15 of the GEM Listing Rules. The members of the Nomination Committee consist of Mr. Tang Sing Ming Sherman and all independent non-executive directors of the Company. The Chairman of the Nomination Committee is Mr Chung Kwok Keung Peter.

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 financial year 2009/10 will be remembered as one of the most turbulent years in the history of the global financial services sector. It was a year characterised by financial corporate failures and unprecedented government bailouts. The international liquidity and credit tightening led to economic slowdown, and business activities only began to pick up steam in the last quarter of this fiscal year. The Group's Outsourcing and Information Solutions Business Unit was the hardest hit, business environment in the logistic and transportation industry remained skeptical all the way up to the last fiscal quarter. For the year ended 31 March 2010, the Group recorded a total turnover of HK$52.5 million (2009: HK$ 63.1 million), of which HK$52.4 million (2009: HK$61.8 million) is from continuing operations and HK$107,000 (2009: HK$1.3 million) is from discontinued operations. For the continuing operations, exclusive of hardware sales of HK$2.6 million (2009: HK$1.3 million), turnover decreased by 18% compared with previous year.

HONG KONG OPERATIONS

Outsourcing and Information Solutions

During the year under review, total turnover generated from the Outsourcing and Information Solutions Business Unit was HK$22.5 million, representing a decrease of 29% when compared with HK$31.8 million recorded for the last year.

The after-effects of the economic downturn have affected the logistic and transportation industry severely during the first two quarters of our fiscal year. Insourcing contracts with the world largest private-owned container terminal operator and a global leading airline operator in Hong Kong continue but the revenue has dropped significantly by approximately 25%. However, our reputation in the industry has earned us a long-term contract with the Hong Kong's largest air cargo terminal operator in the fourth fiscal quarter. We have started the contract in March 2010, providing off-shore services to developing a critical cargo handling operations system. This is an important milestone for the Group in securing yet another long term contract that will be a steady source of income to the Group's revenue.

Following the successful installation of Integrated Customer Enquiry System (ICES) Phase II for a reputable telecom company in Hong Kong in the first fiscal quarter, the Group has subsequently concluded three new projects with the same client — the Learning Management System (LMS) and the Administration Jobs Request Handling System (AJRHS) by our Shenzhen offshore development team, and the code review project for Human Resources Management System (HRMS) by our Hong Kong team during the year under review.

During the first half of the fiscal year, our Shenzhen subsidiary has successfully completed the Gasoline Management System ("GMS") Phase II Stage I & II for a private container terminal operator in Yantian. Meanwhile, our subsidiary has also completed two projects, the Roster 4.0 and Miscellaneous Charges System Phase 2 (MCS2) for the same client.

All other insourcing contracts are still ongoing and will continue to provide a steady income to this business unit. The Group will continue to exert efforts to consolidate and expand business opportunities with these clients.

Application Software Packages Solutions

Turnover generated from the Group's proprietary ERP application software package Armitage Industrial Management System ("***AIMS***"), together with its previous version ***Konto 21***, decreased to HK$5.4 million, a 18% decrease when compared with HK$6.6 million of last year. Although a total of seven new contracts were concluded during the year under review, as well as a number of system enhancements and additional services contracts requested by existing ***AIMS/Konto*** clients, business significantly deteriorated towards the last fiscal quarter, explaining the decrease in revenue generated from this business unit.

Because of the extreme competitiveness in the ERP market, our research and development team has been working on developing similar but more cost-efficient systems. The sister version of ***AIMS Express***, the ***Konto Express***, was launched in the first fiscal quarter as planned. The Group believes that this simpler budget version of ***Konto*** will be able to attract new client in a different sector and bring in new businesses for the Group.

PRC OPERATIONS

The total turnover for the Group's PRC operations under Guangzhou Armitage Technologies Limited amounted to HK$20.0 million (exclusive of hardware sales of HK$2.6 million), representing an increase of 10% compared with last year.

Due to the global economic downturn, business in the first two fiscal quarters had been very difficult. Hotel development projects were postponed or cancelled and the license sale of ***Pegasus PMS*** (Property Management System) was affected. However, significant improvement was recorded towards the end of 2009 because of the prosperity in the property market and forthcoming major events such as the Asian Games 2010 in Guangzhou and the World Expo 2010 in Shanghai. A few notable cases included an agreement with a renowned budget chain hotel to develop their Central Reservation System and to implement ***Pegasus PMS*** for over a hundred hotels under their management. The subsidiary has also successfully entered into contract with a reputable hotel group in Beijing in the second fiscal quarter.

During the year under review, the Group has also successfully implemented the Asia Pacific Central Reservation System for a Singaporean chain hotel, as well as completed the implementation of ***Pegasus PMS*** for three of their hotels located in Bangkok, Thailand. It is an important step in signifying the Group's entry into the South East Asia hospitality market.

The Group will continue to exert effort on working towards the Group's long-term strategy on establishing relationships with chain hotel operators.

Meanwhile, the Group has organised several workshops and meetings with various customers from the central and northern region to strengthen business relationships. Feedbacks were positive, and we received a lot of valuable comments and suggestions from our clients.

FUTURE PROSPECTS

HONG KONG OPERATIONS

Outsourcing and Information Solutions

As our client, the largest airline operator in Hong Kong is in the process of restructuring it's Information Management department, projects with this client will be suspended upon completion of our current contract. Upon request from the largest private container terminal operators in Hong Kong and Shenzhen, the insourcing master contract for the coming year was renewed. However, due to negative business sentiment and unforeseeable economic uncertainties, client has to introduce cost justification and operation efficiency practices, hence, total contract value for this client has decreased accordingly. Willingness to listen to clients' needs is one of the Group's company values, and we are always more than willing to work closely with our valuable customers to meet their short-term challenges and long-term goal.

However, the business relationship with the Hong Kong's largest air cargo terminal operator (probably the world's largest in term of cargo tonnage volume), secured in the fourth fiscal quarter of the year under review, has opened a new dimension for the Group to acquire air cargo handling business knowledge. We are confident that revenue from this client will be steady and will be on a long-run basis.

With the consolidation of businesses in the eastern container terminal port of Shenzhen, the Group is expecting to expand our business scope to the western container terminal ports of Shenzhen. Being a leader of providing information technology ("I.T.") services in the container terminal port industry, our Shenzhen subsidiary will restructure the sales team in the coming fiscal year focusing on selling our unique services and products such as GMS and Roster system to respective clients in the transportation and logistic industries.

Application Software Packages Solutions

The Group has been developing a new cost-efficient ERP system known as ***Tactics***, a combination of the previous ***AIMS Express*** and ***Konto Express***, in the last fiscal quarter of the year under review. It is expected to be launched this fiscal year, and we will aggressively promote and market the product accordingly. A new sales team designated to sell this system will be established soon. At the same time, we will continue our ongoing business strategies for our existing products such as ***AIMS*** and ***Konto***.

Food and Beverage

During the third fiscal quarter, the Group and First Glory Holdings Limited ("First Glory") entered into a subscription agreement whereby First Glory agreed to subscribe for a convertible bond at a principal amount of HK$52 million. Out of the gross proceeds of HK$52 million, approximately HK$16 million was utilised for the subscription of a convertible bond from PJ Partners Pte Limited, a food and beverage management company, and the balance amount of approximately HK$36 million will be utilised to finance the operation and development of the Group's existing I.T. businesses and for the general working capital of the Group. The transactions were completed on 10 February 2010. The transactions offer business opportunities to the Group to tap into the food and beverage business and resources to further develop the existing I.T. business.

After the end of the fiscal year, the Group has entered into agreements to acquire a Japanese restaurant franchise in Hong Kong. It is the first attempt of the Group to invest in restaurant business. The management is confident that the investment will bring a promising impact to the Group in the coming years. The management believes that this diversification will not only increase the sources of income but also will enhance the future development of the Group.

PRC OPERATIONS

In view of the potential of the hospitality industry in the PRC and its robust economy, the Group has been planning to develop a B2B platform which connects hotels and hotel distribution channels and corporate customers. This platform will enable real-time hotel room booking for instant room-booking confirmation through the internet. As this will greatly reduce manpower requirement from both ends and thus promotes economic efficiency, we believe that there exists good business opportunities once this platform is developed. In the last fiscal quarter, the Group has launched www.fangcoo.com (房庫) to act as a preliminary trial platform for our users. As this platform benefits ***Pegasus PMS*** users by connecting hotels to direct customers, this can, in the long run, assist us to accumulate hotel customers' database. We will continue to explore the most appropriate business model that can give us maximal result.

With the continuous improvement in the living standards in the PRC, the food and beverage industry is thriving at a fast-growing pace. It is estimated that there are over two million restaurants in first tier cities in the PRC. In order to cope with the markets' needs and requirements, the Group has decided to streamline the operation procedure of our existing ***Pegasus*** Food and Beverage System by increasing its user-friendliness and enhancing the backend functions to fit the market needs. With PRC's huge population, the increasing popularity of dining out, plus the fact that there is a lack of a major local I.T. player in the industry, we have good reasons supporting us to explore in this dynamic and fast-pace business sector.

FINANCIAL REVIEW

Consolidated results of operations

For the year ended 31 March 2010, the Group recorded a total turnover of HK$52.5 million (2009: HK$63.1 million), of which HK$52.4 million (2009: HK$61.8 million) is from continuing operations and HK$107,000 (2009: HK$1.3 million) is from discontinued operations. For the continuing operations, exclusive of hardware sales of HK$2.6 million (2009: HK$1.3 million), turnover decreased by 18% compared with the previous year.

Turnover generated from Hong Kong continuing operations was HK$29.8 million (2009: HK$40.7 million), representing a decrease of 27% compared with previous year. Revenue generated from information solutions decreased by 29% to HK$22.5 million (2009: HK$31.8 million). Sales of the Group's proprietary application software packages ***AIMS***, together with its previous version ***Konto 21***, recorded a turnover of HK$5.4 million, a decrease of 18% compared with HK$6.6 million recorded last year.

Turnover generated from PRC continuing operations was HK$22.6 million (2009: HK$21.1 million). Exclusive of hardware sales of HK$2.6 million (2009: HK$1.3 million), representing an increase of 10% compared with last year.

Losses for the year from continuing and discontinued operations were HK$13.5 million and HK$1.4 million respectively (2009: HK$753,000 and HK$2.5 million respectively). Net loss attributable to the equity holders of the Company was HK$14.8 million (2009: HK$3.2 million) which included approximately HK$3.3 million expenses in relation to the completion of general offer and approximately HK$3.3 million impairment loss on the development costs.

Gross profit

The gross profit margin from the continuing operations of the Group was 55% (2009: 56%), a slight decrease compared with last year.

Expenses

Total operating expenses increased by 21% to HK$41.5 million (2009: HK$34.3 million). After taking out the impairment loss on development costs of approximately HK$3.3 million (2009: HK$157,000) and the expenses in relation to the completion of general offer approximately amounted to HK$3.3 million, the operating expenses are adjusted to HK$34.9 million (2009: HK$34.1 million), representing an increase of 2%.

Financial resources and liquidity

The Group generally relies on internally generated funds and facilities granted by its principal banker to finance its operation. In addition, the Company issued convertible bonds in the principal amount of HK$52 million on 12 February 2010 to First Glory Holdings Limited. Out of the gross proceeds of HK$52 million, approximately HK$16 million has been invested in other financial assets and the balance amount of approximately HK$36 million will be utilised to finance the operation and development of the Group's existing I.T. businesses and for the general working capital of the Group.

As at 31 March 2010, current assets amounted to HK$45.5 million (2009: HK$30.4 million) of which HK$32.1 million (2009: HK$12.9 million) was cash and bank deposits and HK$12.5 million (2009: HK$17.1 million) was debtors, deposits and prepayments. The Group's current liabilities amounted to HK$15.1 million (2009: HK$22.9 million), including bank loans, overdraft and obligation under finance lease in the amount of HK$4.1 million (2009: HK$14.2 million) and creditors, accruals and deposits received in the amount of HK$10.7 million (2009: HK$8.7 million).

Current ratio as at 31 March 2010 was 3.01 (2009: 1.33). Debt-to-equity ratio, expressed as a ratio of total debts less pledged time deposits, pledged bank balance, time deposits and cash and bank balances to shareholders' funds, was 2.15 (2009: 0.47).

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 year under review, no hedging transactions or other exchange rate arrangements were made.

Charges on the Group's assets

As at 31 March 2010, a bank balance of HK$55,000 and accounts receivable of HK$896,000 have been pledged to a bank to secure general banking facilities granted to the Group. As at 31 March 2009, there were time deposits of HK$9.0 million, bank balance of HK$80,000 and accounts receivable of HK$1.8 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

As at 31 March 2010, 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$1.6 million (2009: HK$1.5 million).

Subsequent events

(a) On 21 April 2010, First Glory converted 25% of its convertible bonds, equivalent to the principal amount of HK$13,000,000, to 200,000,000 ordinary shares of the Company at a conversion price of HK$0.065 per share.

(b) On 17 May 2010, Marvel Success Limited ("Marvel Success"), a wholly-owned subsidiary of the Company, entered into two separate share purchase agreements with Strong Venture Limited ("Strong Venture") and Caddell Investments Limited ("Caddell") respectively, pursuant to which Marvel Success conditionally agreed to acquire (i) Strong Venture's 75% equity interest in Netaria Limited ("Netaria") and Strong Venture's loan to Netaria amounting to HK$1,721,367 at a total cash consideration of HK$7,000,000; and (ii) Caddell's 25% equity interest in Netaria at a consideration of HK$3,000,000, which will be settled by issuing of 15,000,000 ordinary shares of the Company. The transactions have not yet been completed up to the date of the annual report.

(c) On 18 May 2010, First Glory and the Company entered into a placing agreement with a placing agent pursuant to which the placing agent agreed to place First Glory's 110,000,000 ordinary shares in the Company at a placing price of HK$0.20 per share to not less than six placees ("Placing Transaction"). On the same date, First Glory entered into a subscription agreement with the Company pursuant to which First Glory agreed to subscribe newly issued 110,000,000 ordinary shares of the Company at a price of HK$0.20 per share ("Subscription"). The Placing Transaction and Subscription were completed on 20 May 2010 and 27 May 2010 respectively.

Other financial assets

On 10 February 2010, Marvel Success subscribed at face value, a two-year 5% convertible bond in the principal amount of US$2,000,000 issued by PJ Partners Pte Limited ("PJ Partners"), a company which is incorporated in Singapore with limited liability and is engaged in food and beverage management business. According to the terms of the subscription agreement, the conversion price is lower of the net asset value per share and 2.5 times P/E of PJ Partners at the time of conversion. Although the conversion price may vary in along with the net asset value per share or P/E, Marvel Success is allowed to use US$2,000,000 to convert to common shares of PJ Partners up to 75% or minimum 25%.

At initial recognition, the loan receivable component of convertible bond was recognised at fair value of HK$16,217,000 which was estimated by discounted cash flows method using a market interest rate for a similar investment plus allocated transaction costs. The loan receivable is carried at amortised cost in subsequent measurement.

For derivative component of convertible bond, the fair value at initial recognition was HK$633,000, which was estimated by the difference between the consideration paid and the fair value of loan receivable component at initial recognition. In the opinion of the directors, since this derivative financial assets are linked to the shares of PJ Partners, which do not have a quoted market price in an active market and whose fair value cannot be reliable measured, and must be settled by delivery of the shares of PJ Partners, it is carried at cost less impairment in subsequent measurement.

Save as disclose above, 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 2010, the Group had 282 employees in Hong Kong and the PRC (2009: 309). 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. Tang Sing Ming Sherman, aged 53, is the Chairman of the Board of directors and the Chief Executive Officer of the Company. He completed his tertiary education in the United States of America and is a seasoned entrepreneur in hospitality management and consultancy services. He owns a well-established hospitality group in Hong Kong which creates and operates a wide variety of food and beverage concepts. He has extensive experience in investment and operation of restaurants, cafes and bars. He is currently in charge of strategic planning, business development and policy making of the Group.

Mr. Lee Shun Hon, Felix, aged 69, is the founder of the Group. Mr. Lee completed his tertiary and post graduate education at the University of California, Berkeley, in the United States of America. With over 30 years of experience in the I.T. industry, Mr. Lee has established a strong business network and close relationship with customers. Mr. Lee is currently in charge of the I.T. business of the Group. Mr. Lee is also responsible for the business activities of Shenzhen operations.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Bhanusak Asvaintra, aged 65, obtained degrees from University of Pennsylvania and University of Chicago. Mr. Asvaintra held senior executive positions with the Chase Manhattan Bank group in New York, Hong Kong and Singapore in the 1970s. In 1980, Mr. Asvaintra joined the Charoen Pokphand group of companies (the "Pokphand Group") and retired as the chief executive officer of the Pokphand Group in 1998. Mr. Asvaintra is currently an independent non-executive director of Dickson Concepts (International) Limited, a company incorporated in Bermuda and the shares of which are listed on The Stock Exchange of Hong Kong Limited (Stock Code: 113), since he was appointed to the post in September 2004.

Mr. Chan Kam Fai Robert, aged 53, has over 30 years' experience in international advertising agencies and multi-media operations, both in Hong Kong and mainland China. He is currently a managing director of an outdoor media specialist company.

Mr. Chung Kwok Keung Peter, aged 56, has over 20 years' experience in manufacturing business. He was a director of Racing Champions Corporation, the shares of which are listed on the NASDAQ Stock Market in the United States of America, from April 1996 to May 2008. Mr. Chung is currently an operating partner of a private equity business.

SENIOR MANAGEMENT

Ms. Jim Sui Fun, aged 51, 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 strategic planning and 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. She was the Vice President of Human Resources & Administration Department of the Group.

Mr. Lee Wai Yip, Alvin, aged 31, 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. With effect from 1 April 2010, Mr. Lee becomes the chief executive officer of the the Company's subsidiary, Armitage Technology Limited. Mr. Lee will then be responsible for the strategic planning and the operation of the subsidiary. Mr. Lee holds a bachelor of business administration degree in management from California State University, San Jose, in the United States of America. Mr. Lee Wai Yip, Alvin is the son of Mr. Lee Shun Hon, Felix, the executive director of the Company.

Ms. Cheung Nga Kuen, aged 47, joined the Group in 2010. Ms. Cheung is the Manager, Corporate Development, of the Group. She is responsible for the business development in Hong Kong and the PRC. She also oversees the human resources and administration affairs of the Group. Prior to joining the Group, she has been engaged in corporate development and management for over 10 years in different businesses. Ms. Cheung holds a master of business administration degree and is a graduate member of The Hong Kong Institute of Chartered Secretaries.

Mr. Wong Ping Kuen, Ambrose, aged 48, joined the Group in 1996. Mr. Wong is the Vice President for I.T. 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 48, joined the Group in 1996. Mr. Lau is the Vice President of development and services for the Group's operation in Guangzhou. 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 in the subsidiary. Mr. Lau holds a bachelor of science degree from City University of Bellevue, Washington, United States.

Mr. Yeung Chun Lam, Cedric, aged 43, 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 34, joined the Group in 2006. He is the Financial Controller 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. Fred Ruan, aged 35, 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.

The directors are pleased to present to the shareholders their annual report together with the audited consolidated financial statements for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the year was investment holding and those of the subsidiaries are set out in note 16 to the consolidated financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 March 2010 are set out in the consolidated statement of comprehensive loss on pages 32 and 33.

The directors do not recommend the payment of any dividend in respect of the year ended 31 March 2010.

FINANCIAL SUMMARY

The summary of the results of the Group for each of the five years ended 31 March 2010 and the assets and liabilities of the Group as at 31 March 2006, 2007, 2008, 2009 and 2010 are set out on pages 97 and 98.

PLANT AND EQUIPMENT

The Group purchased and disposed of plant and equipment in the amount of approximately HK$240,000 and HK$338,000, respectively, during the year ended 31 March 2010. Detailed movements in plant and equipment of the Group are set out in note 13 to the consolidated financial statements.

CONVERTIBLE BONDS

Details of the convertible bonds are set out in note 28 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in note 25 to the consolidated financial statements. Shares were issued during the year on exercise of share options.

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 37 and note 26 to the consolidated financial statements respectively.

DIRECTORS' INTERESTS IN CONTRACTS

Except for the transactions disclosed in note 34 to the consolidated 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 34 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. Tang Sing Ming Sherman (Chairman) (appointed as an executive director on 18 February 2010)
Mr. Lee Shun Hon, Felix
Ms. Jim Sui Fun (resigned as an executive director on 8 March 2010)
Mr. Lee Wai Yip, Alvin (resigned as an executive director on 8 March 2010)

Non-executive director:

Dr. Liao, York (resigned as non executive director on 8 March 2010)

Independent non-executive directors:

Mr. Bhanusak Asvaintra (appointed as an independent non-executive director on 18 February 2010)
Mr. Chan Kam Fai Robert (appointed as an independent non-executive director on 18 February 2010)
Mr. Chung Kwok Keung Peter (appointed as an independent non-executive director on 18 February 2010)
Mr. Anthony Francis Martin Conway (resigned as an independent non-executive director on 8 March 2010)
Mr. Chan Hang (resigned as an independent non-executive director on 8 March 2010)
Mr. Li Pak Ki (resigned as an independent non-executive director on 8 March 2010)

In accordance with Articles 86(3) and 87(1) of the Company's Articles of Association, Mr. Tang Sing Ming Sherman, Mr. Bhanusak Asvaintra, Mr. Chan Kam Fai Robert and Mr. Chung Kwok Keung Peter shall retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The term of independent non-executive directorships of Mr. Bhanusak Asvaintra, Mr. Chan Kam Fai Robert and Mr. Chung Kwok Keung Peter under each of their respective letter of appointment is 3 years from 18 February 2010 to 17 February 2013 unless terminated by either party giving to the other not less than 1 month's notice.

The executive director, Mr. Tang Sing Ming Sherman, had entered into a service contract for 3 years commencing from 18 February 2010. The said service contract may be terminated by either party at any time by giving to the other not less than 1 month written notice or payment of salary in lieu of notice.

The executive director, Mr. Lee Shun Hon, Felix, had entered into a service contract for 1 year commencing from 14 December 2009 which 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)

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 2010 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 19 to 21 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 2010, Share Options to subscribe for an aggregate of 2,000,000 shares (representing approximately 0.3% of the enlarged issued share capital of the Company) have been granted to an employee of the Group.

Detailed movements of share options granted under the Share Option Scheme are set out in note 30 to the consolidated financial statements.

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

As at 31 March 2010, the interests or short positions of the directors or chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 under the Laws of Hong Kong), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have 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 relating to securities transactions by directors 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 2)*
Mr. Tang Sing Ming Sherman	Corporate	432,845,290	*(Note 1)*	56.19%
Mr. Lee Shun Hon, Felix	Personal	100,000		0.01%

Notes:

1. These shares are held by First Glory Holdings Limited ("First Glory") which is wholly and beneficially owned by Mr. Tang Sing Ming Sherman ("Mr. Tang"). First Glory also holds convertible bonds ("Convertible Bonds") issued by the Company in the aggregate principal amount of HK$52 million pursuant to which a total of 800,000,000 shares of the Company will be issued upon full conversion assuming that there is no adjustment to the initial conversion price of HK$0.065 per share. Mr. Tang is the sole legal and beneficial owner of First Glory. Mr. Tang is deemed to be interested, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), in the said 432,845,290 shares and the Convertible Bonds which First Glory is interested in.

2. Based on 770,300,000 shares of the Company in issue as at 31 March 2010.

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

(b) Interests and short positions in underlying shares of equity derivatives of the Company

Name	Type of interests	Number of shares	Approximate percentage of the issued share capital *(Note 2)*
Tang Sing Ming Sherman	corporate	800,000,000 *(Note 1)*	103.86%

Note:

1. The said 800,000,000 shares represent the total number of shares which will be issued upon full conversion of the Convertible Bonds held by First Glory in the aggregate principal amount of HK$52 million, assuming that there is no adjustment to the initial conversion price of HK$0.065 per share. According to the terms of the Convertible Bonds, conversion of the Convertible Bonds is subject to compliance with the GEM Listing Rules and the Code on Takeovers and Mergers, and any such conversion shall not result in the shareholding of the Company held by the public being less than the then minimum public float requirements as stipulated in the GEM Listing Rules at the time of such conversion. Mr. Tang is deemed to be interested, within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), in the Convertible Bonds held by First Glory.

2. Based on 770,300,000 shares of the Company in issue as at 31 March 2010.

(c) Interests in the shares of associated corporations of the Company

Name of Director	Name of associated corporation	Capacity	Number of ordinary shares	Approximate percentage of attributable interest in corporation
Tang Sing Ming Sherman	First Glory Holdings Limited	Beneficial owner	1	100%

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

(d) Interests in debentures of the Company

Name	Type of interests	Amount of Debentures
Tang Sing Ming Sherman	corporate	HK$52 million *(Note 1)*

Note:

1. The said HK$52 million represents the aggregate outstanding principal amount of the Convertible Bonds held by First Glory, which is wholly-owned by Mr. Tang. Assuming that there is no adjustment to the initial conversion price of HK$0.065 per share, a total of 800,000,000 shares will be issued upon full conversion of the Convertible Bonds.

Save as disclosed herein, as at 31 March 2010, none of the directors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they 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 relating to securities transactions by directors 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

Save as disclosed under the section headed "Directors' interests in the securities of the Company or any associated corporations", so far as is known to the directors and chief executives of the Company, as at 31 March 2010, 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 2010, 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 2010.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 38% of the total sales for the year and sales to the largest customer included therein amounted to approximately 27%. 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

Tang Sing Ming Sherman
Chairman

Hong Kong, 21 June 2010

PKF

Accountants &
business advisers

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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 (collectively referred to as the "Group") set out on pages 32 to 96, which comprise the consolidated and Company statements of financial position as at 31 March 2010, and the consolidated statement of comprehensive loss, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and the true and fair presentation of these 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 and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the 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 consolidated 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 2010 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, 21 June 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the year ended 31 March 2010

	Note	**2010 HK$'000**	2009 HK$'000
Continuing operations			
Turnover	4	**52,429**	61,831
Cost of sales and services rendered		**(23,586)**	(27,223)
Gross profit		**28,843**	34,608
Other income	5	**549**	197
Operating expenses		**(38,177)**	(34,131)
Impairment loss on development costs	18	**(3,319)**	(157)
Operating (loss)/profit		**(12,104)**	517
Finance costs	6(a)	**(1,432)**	(999)
Loss before income tax	6	**(13,536)**	(482)
Income tax credit/(expense)	8(a)	**70**	(271)
Loss for the year from continuing operations		**(13,466)**	(753)
Discontinued operations			
Loss for the year from discontinued operations	9	**(1,359)**	(2,475)
Loss for the year and attributable to equity holders of the Company	10	**(14,825)**	(3,228)
Other comprehensive (loss)/income, net of tax			
Exchange (loss)/gain arising from translation of financial statements of foreign operations		**(20)**	615
Total comprehensive loss for the year and attributable to equity holders of the Company		**(14,845)**	(2,613)

CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

For the year ended 31 March 2010

	Note	**2010** **HK cents**	2009 HK cents
Loss per share	12		
From continuing and discontinued operations			
- Basic		**(1.97)**	(0.43)
- Diluted		**N/A**	N/A
From continuing operations			
- Basic		**(1.79)**	(0.10)
- Diluted		**N/A**	N/A
From discontinued operations			
- Basic		**(0.18)**	(0.33)
- Diluted		**N/A**	N/A

The notes on pages 40 to 96 form part of these consolidated financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 March 2010

		Group		Company	
		2010	2009	**2010**	2009
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
NON-CURRENT ASSETS					
Plant and equipment	13	**3,180**	3,980	**—**	—
Software	14	**—**	—	**—**	—
Trade mark	15	**70**	76	**—**	—
Interests in subsidiaries	16	**—**	—	**52,043**	51,334
Goodwill on consolidation	17	**1,721**	1,721	**—**	—
Development costs	18	**11,354**	13,669	**—**	—
Club debenture, at cost		**200**	200	**—**	—
Deferred tax	19	**1,617**	1,096	**—**	—
Other financial assets	20	**16,850**	—	**—**	—
		34,992	20,742	**52,043**	51,334
CURRENT ASSETS					
Financial assets at fair value through profit or loss	21	**870**	412	**—**	—
Debtors, deposits and prepayments	22	**12,478**	17,110	**143**	134
Pledged time deposits	32	**—**	9,000	**—**	—
Pledged bank balance	32	**55**	80	**—**	—
Time deposits	23	**10,000**	—	**—**	—
Cash and bank balances	23	**22,076**	3,777	**17,756**	3
		45,479	30,379	**17,899**	137

		Group		Company	
		2010	2009	**2010**	2009
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
DEDUCT:					
CURRENT LIABILITIES					
Bank overdrafts, secured	23 & 32	**119**	11,815	**—**	—
Bank loans, secured	27 & 32	**3,186**	671	**—**	—
Bank loan - discounting arrangement, secured	32	**806**	1,601	**—**	—
Obligation under finance lease	29	**21**	78	**—**	—
Creditors, accruals and deposits received	24	**10,650**	8,718	**2,927**	562
Income tax payable		**332**	—	**—**	—
		15,114	22,883	**2,927**	562
NET CURRENT ASSETS/(LIABILITIES)		**30,365**	7,496	**14,972**	(425)
TOTAL ASSETS LESS CURRENT LIABILITIES		**65,357**	28,238	**67,015**	50,909
NON-CURRENT LIABILITIES					
Obligation under finance lease	29	**—**	21	**—**	—
Convertible bonds	28	**47,410**	—	**47,410**	—
Bank loans, secured	27 & 32	**2,585**	2,139	**—**	—
		49,995	2,160	**47,410**	—
NET ASSETS		**15,362**	26,078	**19,605**	50,909

STATEMENTS OF FINANCIAL POSITION

As at 31 March 2010

		Group		Company	
		2010	2009	**2010**	2009
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
REPRESENTING:					
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
Share capital	25	**7,703**	7,500	**7,703**	7,500
Reserves	26	**7,659**	18,578	**11,902**	43,409
TOTAL EQUITY		**15,362**	26,078	**19,605**	50,909

The notes on pages 40 to 96 form part of these consolidated financial statements.

Approved and authorised for issue by
the Board of directors on 21 June 2010 and signed on its behalf by:

Tang Sing Ming Sherman
Director

Lee Shun Hon, Felix
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2010

	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	Convertible bonds equity reserve HK$'000	Total HK$'000
At 1.4.2008	7,500	(27,248)	42,836	3,801	1,621	—	—	28,510
Recognition of equity-settled share-based payment expenses – Note 30	—	—	—	—	—	181	—	181
Total comprehensive loss for the year	—	(3,228)	—	—	615	—	—	(2,613)
At 31.3.2009 and 1.4.2009	7,500	(30,476)	42,836	3,801	2,236	181	—	26,078
Exercise of share options	203	—	1,303	—	—	(389)	—	1,117
Recognition of equity-settled share-based payment expenses – Note 30	—	—	—	—	—	212	—	212
Recognition of equity component of convertible bonds – Note 28	—	—	—	—	—	—	2,800	2,800
Total comprehensive loss for the year	—	(14,825)	—	—	(20)	—	—	(14,845)
At 31.3.2010	**7,703**	**(45,301)**	**44,139**	**3,801**	**2,216**	**4**	**2,800**	**15,362**

The notes on pages 40 to 96 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax			
– continuing operations		**(13,536)**	(482)
– discontinued operations		**(1,359)**	(2,475)
Adjustments for:			
Dividend income		**(8)**	(12)
Interest income		**(38)**	(141)
Interests on bank loans, factoring loans and overdrafts wholly repayable within five years		**936**	921
Interest expense on convertible bonds		**214**	—
Imputed interest on convertible bonds	28	**210**	—
Finance charge on obligation under finance lease		**6**	12
Depreciation of plant and equipment		**772**	811
Loss on disposal of plant and equipment		**181**	25
Amortisation of intangible assets		**2,294**	3,676
Impairment loss on development costs		**3,319**	157
Equity-settled share-based payment expenses		**212**	181
Impairment loss on trade debtors		**484**	21
Unrealised (gain)/loss on financial assets at fair value through profit or loss		**(455)**	450
Operating (loss)/profit before working capital changes		**(6,768)**	3,144
Decrease in debtors, deposits and prepayments		**4,148**	3,852
Increase/(decrease) in creditors, accruals and deposits received		**1,932**	(577)
Cash (used in)/generated from operations		**(688)**	6,419
PRC income tax paid		**(119)**	—
Dividend received		**8**	12
Interest received		**38**	141
Interests on bank loans, factoring loans and overdrafts wholly repayable within five years paid		**(936)**	(921)
Interest expense on convertible bonds paid		**(214)**	—
Finance charge on obligation under finance lease paid		**(6)**	(12)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		**(1,917)**	5,639

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2010

	Note	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of plant and equipment		**(240)**	(1,048)
Sales proceeds from disposal of plant and equipment		**7**	—
Payment for purchase of other financial assets	20	**(16,850)**	—
Payment for purchase of financial assets at fair value through profit or loss		**(3)**	—
Increase in development costs		**(3,212)**	(4,072)
Decrease/(increase) in pledged time deposits and bank balance		**9,025**	(80)
NET CASH USED IN INVESTING ACTIVITIES		**(11,273)**	(5,200)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of convertible bonds	28	**50,000**	—
Proceeds from exercise of share options		**1,117**	—
Capital element of finance lease rentals paid		**(78)**	(72)
New secured bank loans raised		**6,000**	—
Repayment of secured bank loans		**(3,834)**	(1,078)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**53,205**	(1,150)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**40,015**	(711)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**(8,038)**	(7,448)
EFFECT OF EXCHANGE RATES CHANGES		**(20)**	121
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	23	**31,957**	(8,038)

The notes on pages 40 to 96 form part of these consolidated financial statements.

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. In prior years, the Group was also engaged in magazine publication and provision of advertising services. Those operations were discontinued during the year ended 31 March 2010. For details of discontinued operations, please refer to Note 9.

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) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

(b) Initial application of Hong Kong Financial Reporting Standards

In the current year, the Group initially applied the following new or revised HKFRSs ("new HKFRSs") issued by HKICPA, which are effective for the Group's financial year beginning on 1 April 2009:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC) - Int 13	Customer Loyalty Programmes
HK(IFRIC) - Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) - Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) - Int 18	Transfers of Assets from Customers
Amendments to HKAS 32 and HKAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to HKAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to HKFRS 2	Share-based payment - Vesting Conditions and Cancellations
Amendments to HKFRS 7	Improving Disclosures about Financial Instruments
Amendments to HK(IFRIC) – Int 9 and HKAS 39	Embedded Derivatives
Amendment to HK - Int 4	Leases - Determination of the Length of Lease Term in respect of Hong Kong Land Leases
HKFRSs	Improvements to HKFRSs (2008) - Other than amendments to HKFRS 5

2. BASIS OF PREPARATION (cont'd)

(b) Initial application of Hong Kong Financial Reporting Standards (cont'd)

The initial application of these new HKFRSs does not necessitate material changes in the Group's accounting policies or retrospective adjustments of the comparatives presented, except the followings:

(i) HKAS 1 (Revised) requires the presentation of a new "statement of comprehensive loss" and disclosure of the components of "other comprehensive (loss)/income", including but not limited to "reclassification adjustments". Comparative information is reclassified to conform to the new presentation.

(ii) HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's consolidated financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has no material impact on the presentation of segment information as the presentation in prior years is consistent with internal reporting provided to the Group's most senior executive management.

(iii) HKAS 38 "Intangible Assets" as amended by Improvements to HKFRSs (2008) requires that expenditures should be recognised as an expense when an entity has a right to access the goods or when it receives the services, unless an intangible asset or other asset that can be recognised is acquired or created as a result of the expenditures incurred. The adoption of this amendment has no material impact on net assets or profit or loss for any of the periods presented.

(iv) As a result of the adoption of the HKFRS 7 (Amendments), the consolidated financial statements include expanded disclosures about the fair value measurement of the financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

(v) The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in investee, rather than as income. As a result, as from 1 April 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, an impairment loss would be recognised. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

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 2010 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 2009:

HKAS 24 (Revised)	Related Party Disclosures
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 3 (Revised)	Business Combinations
HKFRS 9	Financial Instruments
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HKAS 39	Eligible Hedged Items
Amendments to HKFRS 2	Group Cash-settled Share-based Payment Transactions
Amendments to HK(IFRIC) - Int 14	Prepayments of a Minimum Funding Requirement
Improvements to HKFRSs 2008	Amendments to HKFRS 5
Improvements to HKFRSs 2009	Amendments to HKAS 1, HKAS 7, HKAS 17, HKAS 18, HKAS 36, HKAS 38, HKAS 39, HKFRS 2, HKFRS 5, HKFRS 8, HK(IFRIC) - Int 9 and HK(IFRIC) - Int 16

The Group is required to initially apply these Hong Kong Financial Reporting Standards in its annual financial statements beginning on 1 April 2010, except that the Group is required to initially apply HKAS 24 (Revised), HK(IFRIC) - Int 19 and Amendments to HK(IFRIC) - Int 14 in its annual financial statements beginning on 1 April 2011, and to initially apply HKFRS 9 in its annual financial statements beginning on 1 April 2013.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Measurement basis

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

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the profit or loss from the date that control commenced or up to the date that control ceased.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Basis of consolidation (cont'd)

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Non-controlling interests in the net assets consist of the amount of those interests at the date of the original business combination and the non-controlling shareholder's share of changes in equity since the date of the combination. Losses applicable to the non-controlling shareholder in excess of the non-controlling shareholder's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling shareholder has a binding obligation and is able to make an additional investment to cover the losses.

(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 profit or loss 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 profit or loss on a straight-line basis over the terms of the maintenance service contracts.

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

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.

Publishing income is recognised when the periodic journal is issued.

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 has been put into operation, such as repairs and maintenance, is charged to the profit or loss 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 the end of each reporting period.

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 profit or loss 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 profit or loss.

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 statement of financial position 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.

(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 at the end of reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Investments (cont'd)

(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 end of reporting period. These are classified as non-current assets.

(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.

(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 end of reporting period.

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 profit or loss 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 profit or loss as gains or losses from investment securities.

The Group assesses at the end of each reporting period 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 profit or loss - is removed from equity and recognised in the profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each report period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged. For derivative financial assets that are linked to unquoted equity instruments, which do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and must be settled by delivery of such unquoted equity instruments, it is carried at cost less impairment.

(j) 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.

(k) Borrowings and payables

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Convertible bonds that contain an equity component

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition, the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible bonds equity reserve until either the note is converted or redeemed.

If the bond is converted, the convertible bonds equity reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the convertible bonds equity reserve is released directly to accumulated profits or losses.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) 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 profit or loss 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.

(n) 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 levels for which there are separately identifiable cash flows (cash-generating units).

(o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) 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 profit or loss because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes profit or loss items that are never taxable and deductible.

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

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

Deferred tax is charged or credited to the profit or loss, except when it relates to items recognised in other comprehensive income or directly to equity, in which case the relevant amounts of deferred tax are recognised in other comprehensive income or directly in equity respectively.

(q) Cash and cash equivalents

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

(r) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Leases (cont'd)

(ii) Assets acquired under finance leases

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

(iii) Operating lease charges

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

(s) Related parties

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) 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 the end of reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the the end of reporting period and the exchange differences arising are recognised in the profit or loss. 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 profit or loss, 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 end of reporting period, 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 in other comprehensive income and accumulated as a separate component of equity. Such translation differences are recognised in the profit or loss for the year in which the foreign operation is disposed of.

(u) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(v) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the consolidated statement of comprehensive loss, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(w) Significant judgement

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

(i) whether there is an indication of impairment of assets;

(ii) the expected manner of recovery of the carrying amount of assets;

(iii) the discount rates used to calculate the fair value of convertible bonds issued and other financial assets acquired;

(iv) whether the discount rates used to calculate the recoverable amount of goodwill and other assets are appropriate for the purposes of impairment review; and

(v) the valuation method used to calculate the fair value of share options at the measurement date.

4. TURNOVER

Turnover, for both continuing and discontinued operations, represents revenue recognised in respect of the provision of information solutions, 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:

	Continuing operations		**Discontinued operations**		**Total**	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Provision of information solutions						
– System development and integration	**20,978**	30,572	**—**	—	**20,978**	30,572
– Maintenance and enhancement income	**1,541**	1,248	**—**	—	**1,541**	1,248
Sales of application software packages and related maintenance income	**29,910**	30,011	**—**	—	**29,910**	30,011
Publishing and advertising income	**—**	—	**107**	1,243	**107**	1,243
	52,429	61,831	**107**	1,243	**52,536**	63,074

5. OTHER INCOME

	Continuing operations		**Discontinued operations**		**Total**	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Dividend income	**8**	12	**—**	—	**8**	12
Interest income	**37**	141	**1**	—	**38**	141
Management fee income	**24**	31	**—**	—	**24**	31
Unrealised gain on financial assets at fair value through profit or loss	**455**	—	**—**	—	**455**	—
Exchange gain	**19**	—	**—**	—	**19**	—
Miscellaneous items	**6**	13	**1**	55	**7**	68
	549	197	**2**	55	**551**	252

6. LOSS BEFORE INCOME TAX

	Continuing operations		Discontinued operations		Total	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Loss before income tax is arrived at after charging/(crediting):						
(a) Finance costs:						
Interests on bank loans, factoring loans and overdrafts wholly repayable within five years	**936**	921	**—**	—	**936**	921
Interest expense on convertible bonds	**214**	—	**—**	—	**214**	—
Finance charge on obligation under finance lease	**6**	12	**—**	—	**6**	12
Imputed interest on convertible bonds	**210**	—	**—**	—	**210**	—
Other bank charges	**66**	66	**1**	2	**67**	68
	1,432	999	**1**	2	**1,433**	1,001

6. LOSS BEFORE INCOME TAX (cont'd)

	Continuing operations		Discontinued operations		Total	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
(b) Other items:						
Amortisation of development costs	**2,288**	3,670	**—**	—	**2,288**	3,670
Amortisation of trade mark	**6**	6	**—**	—	**6**	6
Depreciation	**840**	823	**12**	66	**852**	889
Less: Amounts capitalised as development costs	**(80)**	(78)	**—**	—	**(80)**	(78)
	760	745	**12**	66	**772**	811
Auditor's remuneration	**310**	276	**5**	24	**315**	300
Operating lease rentals for properties	**2,133**	2,151	**55**	169	**2,188**	2,320
Less: Amounts capitalised as development costs	**(151)**	(145)	**—**	—	**(151)**	(145)
	1,982	2,006	**55**	169	**2,037**	2,175
Directors' remuneration - Note 7(a)	**2,968**	2,502	**—**	138	**2,968**	2,640
Other staff salaries and benefits	**30,512**	36,881	**834**	1,865	**31,346**	38,746
Retirement scheme contributions	**2,104**	2,947	**34**	39	**2,138**	2,986
Equity-settled share-based payment expenses - Note 30	**80**	68	**—**	—	**80**	68
	32,696	39,896	**868**	1,904	**33,564**	41,800
Less: Amounts capitalised as development costs	**(2,630)**	(3,443)	**—**	—	**(2,630)**	(3,443)
Other staff costs	**30,066**	36,453	**868**	1,904	**30,934**	38,357
Impairment loss on trade debtors	**484**	21	**—**	—	**484**	21
Unrealised loss on financial assets at fair value through profit and loss	**—**	450	**—**	—	**—**	450
Loss on disposal of plant and equipment	**48**	6	**133**	19	**181**	25
Exchange loss	**—**	5	**—**	—	**—**	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	Basic salaries, allowances and other benefits	Retirement scheme contributions	Equity-settled share-based payment expenses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	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

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
2010					
Executive directors:					
Mr. Lee Shun Hon, Felix	—	1,387	—	—	1,387
Ms. Jim Sui Fun	—	678	12	76	766
Mr. Lee Wai Yip, Alvin	—	347	11	56	414
Mr. Tang Sing Ming Sherman	—	14	1	—	15
	—	**2,426**	**24**	**132**	**2,582**
Non-executive director:					
Dr. Liao, York	83	—	—	—	83
	83	**—**	**—**	**—**	**83**
Independent non-executive directors:					
Mr. Anthony Francis Martin Conway	95	—	—	—	95
Mr. Chan Hang	83	—	—	—	83
Mr. Li Pak Ki	83	—	—	—	83
Mr. Bhanusak Asvaintra	14	—	—	—	14
Mr. Chan Kam Fai Robert	14	—	—	—	14
Mr. Chung Kwok Keung Peter	14	—	—	—	14
	303	**—**	**—**	**—**	**303**
	386	**2,426**	**24**	**132**	**2,968**

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:

	2010	2009
	HK$'000	HK$'000
Basic salaries, allowances and benefits in kind	**1,256**	1,829
Equity-settled share-based payment expenses	**24**	20
Retirement scheme contributions	**24**	36
	1,304	1,885

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

	2010	2009
Nil - HK$1,000,000	**2**	3

8. INCOME TAX (CREDIT)/EXPENSE

(a) Taxation in the consolidated statement of comprehensive loss represents:

	2010	2009
	HK$'000	HK$'000
Current tax	**451**	—
Deferred tax - Note 19		
- current year	**(521)**	208
- attributable to change in tax rate	**—**	63
	(521)	271
Income tax (credit)/expense	**(70)**	271

(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.

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

(a) Taxation in the consolidated statement of comprehensive loss represents: (cont'd)

(ii) The Group's subsidiaries incorporated/established in Hong Kong and the People's Republic of China ("PRC") are subject to Hong Kong Profits Tax and PRC Enterprise Income Tax ("EIT") at the rates of 16.5% and 25% respectively (2009 : 16.5% and 25% respectively). No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax for each of the two years ended 31 March 2009 and 2010.

(iii) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("New Tax Law") which 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 tax rate of 18% 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.

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

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

	2010	2009
	HK$'000	HK$'000
Loss before income tax		
- Continuing operations	**(13,536)**	(482)
- Discontinued operations	**(1,359)**	(2,475)
	(14,895)	(2,957)
Tax effect at the Hong Kong profits tax rate of 16.5% (2009: 16.5%)	**(2,458)**	(488)
Hong Kong and PRC tax rates differential	**186**	187
Tax effect of income that is not taxable	**(96)**	(916)
Tax effect of expenses that are not deductible	**2,402**	1,515
Effect on opening deferred tax balances resulting from a change in applicable tax rate	**—**	63
Effect on tax losses not recognised	**271**	467
Underprovision of deferred tax assets in prior year	**(74)**	—
Tax holiday	**(301)**	(557)
Income tax (credit)/expense	**(70)**	271

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

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

	2010	2009
	HK$'000	HK$'000
Deductible temporary differences - Note 8(c)(i)		
Unutilised tax losses - Note 8(c)(ii)	**11,703**	10,484

(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$980,000 (2009: approximately HK$160,000) 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$10,723,000 (2009 : approximately HK$10,324,000) can be carried forward indefinitely.

9. DISCOUNTINED OPERATIONS

The Company passed an ordinary resolution on 1 August 2009 to discontinue all the business of magazine publication and provision of advertising services.

For the purpose of disclosure, the comparative figures for the year ended 31 March 2009 have been re-presented for the discontinued operations.

(a) Loss for the year for the publishing and advertising income was as follows:

	2010	2009
	HK$'000	HK$'000
Turnover	**107**	1,243
Cost of sales and services rendered	**(149)**	(940)
Gross (loss)/profit	**(42)**	303
Other income	**2**	55
Operating expenses	**(1,318)**	(2,831)
Operating loss	**(1,358)**	(2,473)
Finance costs	**(1)**	(2)
Loss before income tax	**(1,359)**	(2,475)
Income tax expenses	**—**	—
Loss for the year	**(1,359)**	(2,475)

(b) The net cash flows provided by/(used in) publishing and advertising income was as follows:

	2010	2009
	HK$'000	HK$'000
Operating activities	**61**	57
Investing activities	**—**	(64)
Financing activities	**—**	—
	61	(7)

10. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Loss attributable to equity holders of the Company includes a loss of approximately HK$35,433,000 (2009: approximately HK$1,272,000) which has been dealt with in the financial statements of the Company.

11. DIVIDEND

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

12. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of HK$14,825,000 (2009: HK$3,228,000) and the weighted average number of ordinary shares of 752,670,000 (2009: 750,000,000) in issue during the year ended 31 March 2010, calculated as follows:

	2010		2009	
	Loss attributable to equity holders HK$'000	**Weighted average number of ordinary shares**	Loss attributable to equity holders HK$'000	Weighted average number of ordinary shares
Continuing operations	**(13,466)**	**752,670,000**	(753)	750,000,000
Discontinued operations	**(1,359)**	**752,670,000**	(2,475)	750,000,000
	(14,825)	**752,670,000**	(3,228)	750,000,000

Weighted average number of ordinary shares

	2010 '000	2009 '000
Issued ordinary shares at the beginning of the year	**750,000**	750,000
Effect of share options exercised - Note 30	**2,670**	—
Weighted average number of ordinary shares at the end of the year	**752,670**	750,000

Diluted loss per share has not been disclosed as no dilutive potential equity shares in existence as at 31 March 2009 and 2010.

13. PLANT AND EQUIPMENT

	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
Cost:			
At 1.4.2009	11,308	676	11,984
Additions	240	—	240
Disposals	(338)	—	(338)
At 31.3.2010	**11,210**	**676**	**11,886**
Accumulated depreciation:			
At 1.4.2009	7,925	79	8,004
Charge for the year	782	70	852
Written back on disposals	(150)	—	(150)
At 31.3.2010	**8,557**	**149**	**8,706**
Net book value:			
At 31.3.2010	**2,653**	**527**	**3,180**

14. SOFTWARE

	HK$'000
Cost:	
At 1.4.2008, 31.3.2009 and 31.3.2010	**3,880**
Accumulated amortisation:	
At 1.4.2008, 31.3.2009 and 31.3.2010	**3,880**
Net book value:	
At 31.3.2009 and 31.3.2010	**—**

15. TRADE MARK

	HK$'000
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
Cost:	
At 1.4.2009 and 31.3.2010	**110**
Accumulated amortisation:	
At 1.4.2009	34
Charge for the year	6
At 31.3.2010	**40**
Net book value:	
At 31.3.2010	**70**

16. INTERESTS IN SUBSIDIARIES

	2010	2009
	HK$'000	HK$'000
Unlisted shares - Note 16(a)	**11,187**	11,187
Amounts due from subsidiaries - Note 16(c)	**71,448**	40,656
	82,635	51,843
Less: Impairment loss on investment cost	**(11,187)**	—
Less: Impairment loss on amounts due from subsidiaries	**(19,405)**	(509)
	52,043	51,334

(a) 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.

16. INTERESTS IN SUBSIDIARIES (cont'd)

(b) Details of the subsidiaries are as follows:

Name of company	Place of incorporation/ establishment	Attributable portion of equity interest held by the Company		Issued/ registered capital	Principal activities
		Direct	Indirect		
Armitage Technologies Holding (BVI) Limited	British Virgin Islands ("BVI")	100	—	HK$1,020,130	Investment holding
Marvel Success Limited ("Marvel Success")	BVI	100	—	US$1	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, sales of application software packages and investment holding
ATL (SZ)	PRC	—	100	RMB5,000,000	Research and development of IT solutions and provision of customer services
GZATL	PRC	—	100	RMB6,800,000	Design, development and sales of application software packages and provision of information solutions
Epicurean Management (Asia) Limited	Hong Kong	—	100	HK$1	Management services
Eastern Express Solutions Limited	Hong Kong	—	100	HK$100	Ceased business during the year
廣州市東驛廣告有限公司	PRC	—	100	RMB1,500,000	Ceased business during the year

(c) 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.

17. GOODWILL ON CONSOLIDATION

	HK$'000
Cost:	
At 1.4.2008, 31.3.2009 and 31.3.2010	**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 5.75%.

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.

18. DEVELOPMENT COSTS

	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 loss:	
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. DEVELOPMENT COSTS (cont'd)

	HK$'000
Cost:	
At 1.4.2009	46,722
Additions	3,292
At 31.3.2010	**50,014**
Accumulated amortisation:	
At 1.4.2009	20,515
Charge for the year	2,288
At 31.3.2010	**22,803**
Accumulated impairment loss:	
At 1.4.2009	12,538
Impairment for the year	3,319
At 31.3.2010	**15,857**
Net book value:	
At 31.3.2010	**11,354**

19. 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 1.4.2008	(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 and 1.4.2009	(1,008)	144	(232)	(1,096)
Credit for the year - Note 8(a)	(404)	(44)	(73)	(521)
At 31.3.2010	**(1,412)**	**100**	**(305)**	**(1,617)**

20. OTHER FINANCIAL ASSETS

	2010 HK$'000	2009 HK$'000
Convertible bond - Unlisted		
- Loan receivable component	**16,217**	—
- Derivative component	**633**	—
	16,850	—

On 10 February 2010, a wholly owned subsidiary of the Company, Marvel Success subscribed at face value, a two-year 5% convertible bond in the principal amount of US$2,000,000 (equivalent to approximately HK$15,550,000) issued by PJ Partners Pte Limited ("PJ Partners"), a company which is incorporated in Singapore with limited liability and is engaged in food and beverage management business, with transaction costs of HK$1,300,000. According to the terms of the subscription agreement, the conversion price is lower of the net asset value per share and 2.5 times P/E of PJ Partners at the time of conversion. Although the conversion price may vary in along with the net asset value per share or P/E, Marvel Success is allowed to use US$2,000,000 to convert to common shares of PJ Partners up to 75% or minimum 25%.

At initial recognition, the loan receivable component of convertible bond was recognised at fair value of HK$16,217,000 which was estimated by discounted cash flows method using a market interest rate for a similar investment plus allocated transaction costs. The loan receivable is carried at amortised cost in subsequent measurement.

20. OTHER FINANCIAL ASSETS (cont'd)

For derivative component of convertible bond, the fair value at initial recognition was HK$633,000, which was estimated by the difference between the consideration paid and the fair value of loan receivable component at initial recognition. In the opinion of the directors, since this derivative financial asset is linked to the shares of PJ Partners, which do not have a quoted market price in an active market and whose fair value cannot be reliable measured, and must be settled by delivery of the shares of PJ Partners, it is carried at cost less impairment in subsequent measurement.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2010	2009
	HK$'000	HK$'000
Listed shares in Hong Kong, at market value	**870**	412

22. DEBTORS, DEPOSITS AND PREPAYMENTS

Debtors, deposits and prepayments comprise:

	Group		**Company**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade debtors	**11,580**	16,139	**—**	—
Less: Accumulated impairment losses - Note 22(c)	**(1,932)**	(1,448)	**—**	—
	9,648	14,691	**—**	—
Rental and utility deposits	**427**	506	**—**	—
Prepayments	**1,037**	825	**143**	134
Other debtors	**1,366**	1,088	**—**	—
	12,478	17,110	**143**	134

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

(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 end of reporting period:

	2010	2009
	HK$'000	HK$'000
0 - 30 days	**7,335**	11,126
31 - 60 days	**213**	228
61 - 90 days	**631**	732
91 - 180 days	**368**	716
181 - 365 days	**352**	793
Over 1 year	**749**	1,096
	9,648	14,691

(b) As at 31 March 2010, trade debtors of approximately HK$896,000 (2009: HK$1,779,000) has been assigned to a bank with recourse under discounting arrangement (note 32).

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

	2010	2009
	HK$'000	HK$'000
At the beginning of the year	**1,448**	1,380
Impairment loss for the year	**484**	21
Exchange adjustment	**—**	47
At the end of the year	**1,932**	1,448

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

(d) Trade debtors that are not impaired

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

	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**6,448**	10,857
Past due but not impaired:		
1 - 30 days	**887**	269
31 - 60 days	**213**	228
61 - 90 days	**631**	732
91 - 180 days	**368**	716
181 - 365 days	**352**	793
Over 1 year	**749**	1,096
	3,200	3,834
	9,648	14,691

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.

23. CASH AND CASH EQUIVALENTS

	Group		**Company**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Time deposits	**10,000**	—	**—**	—
Cash and bank balances	**22,076**	3,777	**17,756**	3
Bank overdrafts, secured	**(119)**	(11,815)	**—**	—
	31,957	(8,038)	**17,756**	3

24. CREDITORS, ACCRUALS AND DEPOSITS RECEIVED

Creditors, accruals and deposits received comprise:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors	**1,115**	1,449	**—**	—
Deferred enhancement and maintenance income - Note	**1,747**	1,843	**—**	—
Accruals and provisions	**7,421**	5,157	**2,927**	562
Other creditors	**367**	269	**—**	—
	10,650	8,718	**2,927**	562

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:

	2010	2009
	HK$'000	HK$'000
0 - 30 days	**145**	548
31 - 60 days	**34**	76
61 - 90 days	**32**	—
91 - 180 days	**106**	97
Over 180 days	**798**	728
	1,115	1,449

25. CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

(a) Share capital

	Number of shares	HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1.4.2008, 31.3.2009 and 31.3.2010	2,000,000,000	20,000
Issued and fully paid:		
At 1.4.2008, 31.3.2009 and 1.4.2009	750,000,000	7,500
Exercise of share options	20,300,000	203
At 31.3.2010	**770,300,000**	**7,703**

During the year ended 31 March 2010, 20,300,000 (2009: Nil) share options were exercised by the eligible option holders, resulting in the issue of 20,300,000 (2009: Nil) ordinary shares of HK$0.01 each of the Company at a total consideration of HK$1,117,000 (2009: Nil).

25. CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (cont'd)

(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 equity holders 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 equity holders, 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, time deposits 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 2009 and at 31 March 2010 are as follows:

	2010 **HK$'000**	2009 HK$'000
Total debt	**65,109**	25,043
Less: Pledged time deposits	**—**	(9,000)
Pledged bank balance	**(55)**	(80)
Time deposits	**(10,000)**	—
Cash and bank balances	**(22,076)**	(3,777)
Net debt	**32,978**	12,186
Total equity	**15,362**	26,078
Debt-to-equity capital ratio	**2.15**	0.47

26. RESERVES

	Share premium HK$'000	Accumulated losses HK$'000	Employee share-based compensation reserve HK$'000	Convertible bonds equity reserve HK$'000	Total HK$'000
The Company					
At 1.4.2008	52,822	(8,322)	—	—	44,500
Recognition of equity-settled share-based payment expenses - Note 30	—	—	181	—	181
Total comprehensive loss for the year	—	(1,272)	—	—	(1,272)
At 31.3.2009 and 1.4.2009	52,822	(9,594)	181	—	43,409
Exercise of share options	1,303	—	(389)	—	914
Recognition of equity-settled share-based payment expenses - Note 30	—	—	212	—	212
Recognition of equity component of convertible bonds - Note 28	—	—	—	2,800	2,800
Total comprehensive loss for the year	—	(35,433)	—	—	(35,433)
At 31.3.2010	**54,125**	**(45,027)**	**4**	**2,800**	**11,902**

(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 equity holders 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 2010, in the opinion of the directors, the reserves of the Company available for distribution to the equity holders amounted to approximately HK$11,902,000 (2009: approximately HK$43,409,000), subject to the restrictions stated in note 26(a) above.

27. BANK LOANS - SECURED

	2010 HK$'000	2009 HK$'000
Amounts repayable		
– within one year	**3,186**	671
– one year to two years	**1,761**	692
– two years to five years	**824**	1,447
	5,771	2,810
Less: Amounts repayable within twelve months (shown under current liabilities)	**3,186**	671
Non-current portion of bank loans	**2,585**	2,139

28. CONVERTIBLE BONDS

On 10 February 2010, the Company issued convertible bonds in the principal amount of HK$52,000,000 to First Glory Holdings Limited ("First Glory") with transaction costs of HK$2,000,000. The convertible bonds bear interest at 3% per annum with a maturity date of 9 February 2013, and are convertible into shares of the Company at the conversion price of HK$0.065 per share (subject to the standard adjustment clauses relating to share sub-division, share consolidation, capitalisation issues and rights issues) at any time after the issue date. Details of the convertible bonds are set out in the Company's circular dated on 22 January 2010.

The liability component included in convertible bonds was initially recognised at approximately HK$47,200,000, represents the fair value of liability component of approximately HK$49,088,000 at the date of issue less allocated transaction costs of approximately HK$1,888,000. The fair value of the liability component was estimated by discounted cash flows method using a market interest rate for an equivalent non-convertible debt.

The residual amount of approximately HK$2,800,000, representing the value of the equity conversion component of approximately HK$2,912,000 less allocated transaction costs of approximately HK$112,000, was included in the convertible bonds equity reserve of the owners' equity.

The allocation of transactions costs was based on proportion between the allocated values of liability and equity conversion components at initial recognition. The transaction costs allocated to liability component is amortised over the expect life of convertible bonds by using effective interest rate method and included in imputed interest expenses.

28. CONVERTIBLE BONDS (cont'd)

Details of movement of liability component for the year ended 31 March 2010 are as follows:

	HK$'000
At 1.4.2009	—
Value of liability component at initial recognition	47,200
Imputed interest expenses - Note 6(a)	210
At 31.3.2010	**47,410**

29. OBLIGATION UNDER FINANCE LEASE

As at 31 March 2010, the Group had obligation under finance lease repayable as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2010 HK$'000	2009 HK$'000	**2010 HK$'000**	2009 HK$'000
Amounts payable:				
Within one year	**21**	84	**21**	78
In the second to fifth years	**—**	21	**—**	21
	21	105	**21**	99
Less: Future finance charges	**—**	6	**—**	—
Present value of lease obligation	**21**	99	**21**	99

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

30. 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 2010, 2,000,000 (2009: 21,100,000) options were granted on 23 March 2010. The estimated fair values of the options granted at the grant date are at an average of approximately HK$0.0915 (2009: HK$0.0189).

The closing price of the Company's share immediately before 23 March 2010, being the grant date of the share options was HK$0.21.

The share option period commencing one year after the grant date which is 23 March 2010, to be notified by the Committee to the grantee, which shall be not less than 3 years nor more than 10 years from the commencement date.

In respect of the share options exercised during the year ended 31 March 2010, the weighted average closing price of the shares immediately before the date of exercise was HK$0.176.

The closing price of the Company's shares immediately before the date in which the options were exercised was HK$0.176 for the year ended 31 March 2010.

30. SHARE OPTIONS (cont'd)

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

Name of director	Date of grant	Exercisable period	Exercise price per share HK$	Number of share options: 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.

Name of director	Date of grant	Exercisable period	Exercise price per share HK$	Number of share options: Outstanding at 31.3.2009	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31.3.2010
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: Employee	10.10.2008	10.10.2009 - 25.2.2013	0.055	7,800,000	—	(400,000)	(7,400,000)	**—**
	23.3.2010	23.3.2011 - 22.3.2020	0.216	—	2,000,000	—	—	**2,000,000**
Total of all categories				20,700,000	2,000,000	(400,000)	(20,300,000)	**2,000,000**

30. 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 option granted is measured based on Black-Scholes option pricing model. The inputs into the model are as follows:

	2010	2009
Fair value at measurement date	**183,000**	398,000
Share price	**0.194**	0.036
Exercise price	**0.216**	0.055
Expected volatility	**118.064%**	105.7%
Expected dividend	**Nil**	Nil
Risk-free interest rate	**0.371%**	1.552%

The expected volatility is based on the historic 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.

For the two years ended 31 March 2009 and 2010, total-equity settled share-based payment expenses recognised are as follows:

	HK$000
At 1.4.2008	—
Total equity-settled share-based payment expenses	398
Recognised in profit or loss for the year	(181)
Options lapsed during the year	(8)
At 31.3.2009 and 1.4.2009	209
Total equity-settled share-based payment expenses	183
Recognised in profit or loss for the year	(212)
Options lapsed during the year	(1)
At 31.3.2010	**179**

31. CONTINGENT LIABILITIES

As at 31 March 2010, the Group had contingent liabilities in respect of performance bonds amounted to Nil (2009: approximately HK$33,000) 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$1,603,000 at 31 March 2010 (2009: approximately HK$1,483,000). The contingent liability has arisen because, at the end of reporting period, 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.

32. BANKING FACILITIES

As at 31 March 2010, the Group had banking facilities to the extent of HK$18,000,000 (2009: HK$24,033,000) which were secured by the Group's time deposits of Nil (2009: HK$9,000,000), bank current account of approximately HK$55,000 (2009: HK$80,000) designated for the settlement of discounted 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.

Within it, banking facilities of HK$6,000,000 were granted under the SME Loan Guarantee Scheme of which part of the guarantees were executed by the Government of the Hong Kong Special Administrative Region.

Included in the above, the Group obtained an export invoice discounting facility of HK$6,000,000 (2009: HK$6,000,000). Under the facility, the Group will receive with recourse from the bank advances representing 90% of the Group's trade debtors due from selected customers within the discounting limit of HK$6,000,000 (2009: HK$6,000,000) (less service and monthly discounting charges). As at 31 March 2010, the Group utilised the discounting facility amounted to approximately HK$806,000 (2009: HK$1,601,000).

33. OPERATING LEASE ARRANGEMENTS

As at 31 March 2010, the Group had outstanding commitments for future minimum leases payments under non-cancellable operating leases, which fall due as follows:

	2010	2009
	HK$'000	HK$'000
Within one year	**1,979**	1,897
After one year but within five years	**933**	1,005
	2,912	2,902

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.

34. 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	**2010**	2009
			HK$'000	HK$'000
(i)	Rentals paid to Supercom	(a)	**504**	512
(ii)	Management fee income from Supercom	(b)	**12**	16
(iii)	Management fee income from Kingspecial Investments Limited	(b)	**12**	16

(iv) Pledge of properties of Supercom to secure banking facilities of the Group as detailed in note 32 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.

34. RELATED PARTY AND CONNECTED TRANSACTIONS (cont'd)

The directors have reviewed the above related parties 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	**2010**	2009
	HK$'000	HK$'000
Fees for key management personnel	**—**	—
Salaries, allowances and other benefits in kind	**5,061**	6,419
Retirement scheme contributions	**103**	175
Equity-settled share-based payment expenses	**174**	149
	5,338	6,743

35. RETIREMENT BENEFIT COSTS

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

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

36. 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 2010, which represented the Group's significant exposure to credit risk, are as follows:

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts due from subsidiaries	**—**	—	**52,043**	40,147
Other financial assets – loan receivable component	**16,217**	—	**—**	—
Debtors and deposits	**10,116**	15,232	**—**	—
Pledged time deposits	**—**	9,000	**—**	—
Pledged bank balance	**55**	80	**—**	—
Time deposits	**10,000**	—	**—**	—
Cash and bank balances	**22,076**	3,777	**17,756**	3
	58,464	28,089	**69,799**	40,150

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 other financial assets - loan receivable acquired is minimal as the counter party is financially healthy.

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

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 end of reporting period, the Group has a certain concentration of credit risk as 41% (2009: 27%) and 48% (2009: 48%) 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.

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

(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 risk 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 2010 are as follows:

	Group		**Company**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Total amounts of contractual undiscounted obligations:				
Bank overdrafts, secured	**126**	12,423	**—**	—
Bank loans, secured	**6,763**	2,986	**—**	—
Bank loans - discounting arrangement	**806**	1,601	**—**	—
Convertible bonds – liability component	**56,466**	—	**56,466**	—
Obligation under finance lease	**21**	105	**—**	—
Creditors and accruals	**8,903**	6,875	**2,927**	562
	73,085	23,990	**59,393**	562
Due for payment:				
Within one year	**14,766**	21,729	**4,487**	562
In the second to fifth years	**58,319**	2,261	**54,906**	—
	73,085	23,990	**59,393**	562

36. 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 end of reporting period 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.

	2010		2009	
	United States dollars '000	**Renminbi '000**	United States dollars '000	Renminbi '000
Other financial assets				
– loan receivable component	**2,000**	**—**	—	—
Debtors and deposits	**—**	**1,554**	44	—
Cash and bank balances	**—**	**45**	82	—
Creditors, accruals and deposits received	**—**	**—**	(45)	(620)
Gross exposure arising from recognised assets and liabilities	**2,000**	**1,599**	81	(620)

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

The Company did not have any material exposure to currency risk as all the financial assets and liabilities were denominated in its functional currency as at 31 March 2010 and 2009.

36. 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 end of reporting period.

	2010		2009	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in loss after tax and accumulated losses HK$'000**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in loss after tax and accumulated losses HK$'000
Renminbi	**5%**	**(87)**	5%	34
	(5%)	**87**	(5%)	(34)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of reporting period 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.

36. 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 overdrafts, liability component of convertible bonds, obligation under finance lease and time deposits, loan receivable component of other financial assets and bank balances. Except for the liability component of convertible bonds, obligation under finance lease, loan receivable component of other finance assets and time deposits which are held at fixed interest rates, all the bank loans, bank overdrafts and bank balances 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 end of reporting period.

	Group				Company			
	2010 Effective interest rate %	**2010 HK$'000**	2009 Effective interest rate %	2009 HK$'000	**2010 Effective interest rate %**	**2010 HK$'000**	2009 Effective interest rate %	2009 HK$'000
Fixed rate financial assets								
– Pledged time deposits	**—**	**—**	0.70	9,000	**—**	**—**	—	—
– Time deposits	**0.40**	**10,000**	—	—	**—**	**—**	—	—
– Other financial assets – loan receivable component	**5.00**	**16,217**	—	—	**—**	**—**	—	—
Fixed rate financial liabilities								
– Convertible bonds – liability component	**3.00**	**(47,410)**	—	—	**3.00**	**(47,410)**	—	—
– Obligation under finance lease	**8.99**	**(21)**	8.99	(99)	**—**	**—**	—	—
Variable rate financial asset								
– Bank balances	**0.01 - 0.05**	**22,131**	0.01 - 0.05	3,857	**0.05**	**17,756**	—	—
Variable rate financial liabilities								
– Bank loans, secured	**3.00 - 5.50**	**(5,772)**	3.00	(2,810)	**—**	**—**	—	—
– Bank overdrafts, secured	**5.75**	**(119)**	5.26	(11,815)	**—**	**—**	—	—
– Bank loan - financial arrangement	**5.00**	**(806)**	5.00	(1,601)	**—**	**—**	—	—
Net financial liabilities		**(5,780)**		(3,468)		**(29,654)**		—

36. 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 decrease the Group's loss for the year ended 31 March 2010 and accumulated losses by approximately HK$154,000 (2009: increase by HK$124,000).

The sensitivity analysis above has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of reporting period. The analysis is prepared assuming the amount of asset and liability outstanding at the end of reporting period 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 2010, 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 with 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.

The Company did not have any financial instrument which is subject to market price risk as at 31 March 2010 and 2009.

Should the market prices of the financial assets at fair value through profit or loss as at 31 March 2010 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 2010 would be decreased and the loss for the year would be increased by HK$87,000 (2009: HK$41,000).

The sensitivity analysis has been determined assuming that the change in market price had occurred at the end of reporting period 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.

(f) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at 31 March 2010 across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

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

(f) Fair values (cont'd)

(i) *Financial instruments carried at fair value* (cont'd)

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 31 March 2010, the Group had following financial instruments carried at fair value of which are based on the Level 1 of the fair value hierarchy:

	HK$'000
Asset	
Financial assets at fair value through profit or loss - Listed	870

As at 31 March 2010, the Company did not have any financial instruments carried at fair value.

During the year ended 31 March 2010, there were no significant transfers between financial instruments in Level 1 and Level 2.

(ii) *Fair values of financial instruments carried at other than fair value*

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 March 2010 and 2009.

(iii) *The fair values of financial assets and financial liabilities are determined as follows:*

- the fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted active bid prices and ask prices respectively; and
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

37. SEGMENT REPORTING

The Group manages its businesses by two geographical divisions, Hong Kong and PRC. These divisions are the basis on which the Group reports its segment information and consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment.

For the purpose of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Except for those items attributable to discontinued operations, segment assets include all tangible, intangible and current assets. Segment liabilities include current and non-current liabilities attributable to the individual segments.

37. SEGMENT REPORTING (cont'd)

Except for those items attributable to discontinued operations, revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment result is profit after tax from continuing operations. In addition, management is also provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances or deposits and borrowings managed directly by the segments, depreciation, amortisation, impairment losses and additions to non-current segment assets used by the segments in their operations.

Information about these segments is presented below:

	Hong Kong		PRC		Inter-segment		Total	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Continuing operations								
Turnover	**29,813**	40,720	**22,616**	21,111	**—**	—	**52,429**	61,831
Cost of sales and services rendered	**(18,353)**	(22,643)	**(5,233)**	(4,580)	**—**	—	**(23,586)**	(27,223)
Gross profit	**11,460**	18,077	**17,383**	16,531	**—**	—	**28,843**	34,608
Other income	**544**	169	**5**	28	**—**	—	**549**	197
Operating expense	**(21,559)**	(17,948)	**(16,618)**	(16,183)	**—**	—	**(38,177)**	(34,131)
Impairment loss on development costs	**(3,319)**	(157)	**—**	—	**—**	—	**(3,319)**	(157)
Operating (loss)/profit	**(12,874)**	141	**770**	376	**—**	—	**(12,104)**	517
Finance costs	**(1,420)**	(985)	**(12)**	(14)	**—**	—	**(1,432)**	(999)
(Loss)/profit before income tax	**(14,294)**	(844)	**758**	362	**—**	—	**(13,536)**	(482)
Income tax credit/ (expense)	**448**	(303)	**(378)**	32	**—**	—	**70**	(271)
(Loss)/profit for the year from continuing operations	**(13,846)**	(1,147)	**380**	394	**—**	—	**(13,466)**	(753)
Interest income	**35**	133	**3**	8	**—**	—	**38**	141
Depreciation and amortisation	**1,802**	3,213	**1,264**	1,274	**—**	—	**3,066**	4,487
Capital expenditure incurred during the year	**1,264**	2,730	**2,268**	2,468	**—**	—	**3,532**	5,198
Segment assets and total assets	**79,475**	50,218	**18,514**	17,880	**(17,518)**	(16,977)	**80,471**	51,121
Segment liabilities and total liabilities	**(80,775)**	(39,830)	**(3,571)**	(3,910)	**19,237**	18,697	**(65,109)**	(25,043)

37. SEGMENT REPORTING (cont'd)

Reconciliation of reportable segment loss

	2010	2009
	HK$'000	HK$'000
Reportable segment loss for the year	**(13,466)**	(753)
Loss for the year from discontinued operations	**(1,359)**	(2,475)
Consolidated loss for the year	**(14,825)**	(3,228)

The analysis of the Group's turnover by products and services of its external customers has been shown in Note 4.

The total amount of turnover from a group of companies from Hong Kong segment amounted to 10 per cent or more of the Group's turnover was HK$13.9 million (2009: HK$17.9 million).

38. SUBSEQUENT EVENTS

(a) On 21 April 2010, First Glory converted 25% of its convertible bonds, equivalent to the principal amount of HK$13,000,000, to 200,000,000 ordinary shares of the Company at a conversion price of HK$0.065.

(b) On 17 May 2010, Marvel Success entered into two separate shares purchase agreements with Strong Venture Limited ("Strong Venture") and Caddell Investments Limited ("Caddell") respectively pursuant to which Marvel Success conditionally agreed to acquire (i) Strong Venture's 75% equity interest in Netaria Limited ("Netaria") and Strong Venture's loan to Netaria amounting to HK$1,721,367 at a total cash consideration of HK$7,000,000; and (ii) Caddell's 25% equity interest in Netaria at a consideration of HK$3,000,000, which will be settled by issuing of 15,000,000 ordinary shares of the Company. The transactions have not yet been completed up to the date of this annual report.

(c) On 18 May 2010, First Glory and the Company entered into a placing agreement with a placing agent pursuant to which the placing agent agreed to place First Glory's 110,000,000 ordinary shares in the Company at a placing price of HK$0.20 per share to not less than six placees ("Placing Transaction"). On the same date, First Glory entered into a subscription agreement with the Company pursuant to which First Glory agreed to subscribe newly issued 110,000,000 ordinary shares of the Company at a price of HK$0.20 per share ("Subscription"). The Placing Transaction and Subscription were completed on 20 May 2010 and 27 May 2010 respectively.

RESULTS

	Years ended 31 March				
	2006	2007	2008	2009	**2010**
	HK$'000	HK$000	HK$'000	HK$000	**HK$000**
Continuing operations					
Turnover	57,037	52,887	58,250	61,831	**52,429**
Profit/(loss) before taxation	38	(3,096)	(271)	(482)	**(13,536)**
Income tax (expense)/credit	(11)	209	(12)	(271)	**70**
Profit/(loss) for the year from continuing operations	27	(2,887)	(283)	(753)	**(13,466)**
Discontinued operations					
Loss for the year from discontinued operations	(3,454)	(1,962)	(2,427)	(2,475)	**(1,359)**
Loss for the year	(3,427)	(4,849)	(2,710)	(3,228)	**(14,825)**
Attributable to:					
Equity holders of the Company	(3,411)	(4,813)	(2,710)	(3,228)	**(14,825)**
Minority interests	(16)	(36)	–	–	**–**
Loss for the year	(3,427)	(4,849)	(2,710)	(3,228)	**(14,825)**

FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	At 31 March				
	2006	2007	2008	2009	**2010**
	HK$'000	HK$000	HK$'000	HK$000	**HK$000**
NON-CURRENT ASSETS	22,497	20,027	20,192	20,742	**34,992**
CURRENT ASSETS	32,111	33,999	33,443	30,379	**45,479**
DEDUCT:					
CURRENT LIABILITIES	19,007	22,353	22,323	22,883	**15,114**
NET CURRENT ASSETS	13,104	11,646	11,120	7,496	**30,365**
TOTAL ASSETS LESS CURRENT LIABILITIES	35,601	31,673	31,312	28,238	**65,357**
NON-CURRENT LIABILITIES	(1,055)	(1,368)	(2,802)	(2,160)	**(49,995)**
NET ASSETS	34,546	30,305	28,510	26,078	**15,362**