



Armitage Technologies Holding Limited
(萬 達 資 訊 科 技 控 股 有 限 公 司) *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8213)

INTERIM REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2007

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

**FINANCIAL HIGHLIGHTS FOR THE SIX MONTHS ENDED
30 SEPTEMBER 2007**

- Consolidated turnover (inclusive of hardware sales of HK\$807,000) at HK\$27.8 million was recorded for the reporting period. Excluding hardware sales, turnover increased by 10% compared to HK\$24.5 million recorded for the corresponding period last year.
- Turnover from Hong Kong, exclusive of hardware sales, decreased by 2% and turnover from PRC, exclusive of hardware sales, increased by 42% over the corresponding period last year.
- Income from magazine publication was HK\$646,000, representing an increase of 12% over the corresponding period last year.
- Amortisation of development costs amounted to HK\$2.2 million.
- Operating expenses slightly decreased by HK\$64,000 due to the effective cost control.
- Continuing with our strategy in magazine publishing, HK\$1.5 million was invested in this area during the reporting period.
- EBITDA from the Group's IT business for the reporting period was \$1.9 million.
- Overall loss attributable to equity holders of the Company was narrowed to HK\$2.0 million (improvement of 50% from HK\$4.0 million for the corresponding period last year).

* *All figures are approximate*

INTERIM RESULTS

The board of directors (the “Board”) of the Company hereby announces the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the period ended 30 September 2007, together with the comparative unaudited consolidated figures for the corresponding period:

Condensed Consolidated Income Statement

For the six months ended 30 September 2007

	Note	For the six months ended 30 September		For the three months ended 30 September	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Turnover	2	27,839	25,043	14,824	13,747
Cost of sales and services rendered		(13,021)	(11,448)	(6,789)	(5,402)
Gross profit		14,818	13,595	8,035	8,345
Other income		1,216	353	464	119
Employee share options benefits		—	(82)	—	(12)
Operating expenses		(17,296)	(17,360)	(8,727)	(9,074)
Operating loss		(1,262)	(3,494)	(228)	(622)
Finance costs		(685)	(652)	(346)	(348)
Loss before income tax	3	(1,947)	(4,146)	(574)	(970)
Income tax (expense)/credit	4	(82)	149	(29)	(75)
Loss for the period		<u>(2,029)</u>	<u>(3,997)</u>	<u>(603)</u>	<u>(1,045)</u>
Attributable to:					
Equity holders of the Company		(2,029)	(3,993)	(603)	(1,045)
Minority interests		—	(4)	—	—
Loss for the period		<u>(2,029)</u>	<u>(3,997)</u>	<u>(603)</u>	<u>(1,045)</u>
Dividend		—	—	—	—
Loss per share (HK cents)					
- Basic	5	<u>(0.27)</u>	<u>(0.53)</u>	<u>(0.08)</u>	<u>(0.14)</u>
- Diluted	5	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Condensed Consolidated Balance Sheet

As at 30 September 2007

		At 30 September 2007 (Unaudited) HK\$'000	At 31 March 2007 (Audited) HK\$'000
	<i>Note</i>		
NON-CURRENT ASSETS			
Fixed assets		3,611	3,034
Trade mark		86	88
Goodwill on consolidation		1,721	1,584
Development costs		13,191	13,778
Club debenture, at cost		200	200
Deferred tax		1,268	1,343
		<u>20,077</u>	<u>20,027</u>
CURRENT ASSETS			
Financial assets at fair value through profit or loss		1,669	1,105
Debtors, deposits and prepayments	6	16,918	20,257
Income tax recoverable		—	723
Pledged time deposits		9,000	9,000
Cash and bank balances		4,619	2,914
		<u>32,206</u>	<u>33,999</u>
DEDUCT :			
CURRENT LIABILITIES			
Bank overdrafts, secured		11,084	11,120
Bank loans, secured		1,184	1,686
Bank loan - factoring arrangement		2,648	1,370
Creditors, accruals and deposits received	7	7,524	8,177
		<u>22,440</u>	<u>22,353</u>
NET CURRENT ASSETS		<u>9,766</u>	<u>11,646</u>
TOTAL ASSETS LESS			
CURRENT LIABILITIES		29,843	31,673
NON-CURRENT LIABILITIES			
Bank loans, secured		(1,038)	(1,368)
NET ASSETS		<u>28,805</u>	<u>30,305</u>

	<i>Note</i>	At 30 September 2007 (Unaudited) HK\$'000	At 31 March 2007 (Audited) HK\$'000
REPRESENTING:			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital		7,500	7,500
Reserves		<u>21,305</u>	<u>22,805</u>
		28,805	30,305
MINORITY INTERESTS		<u>—</u>	<u>—</u>
TOTAL EQUITY		<u>28,805</u>	<u>30,305</u>

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company								
	Share capital	Accumulated losses	Share premium	Special reserve	Capital reserve	Exchange reserve	Employee share-based compensation reserve	Minority interests	Total
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
At 1 April 2007									
(Audited)	7,500	(24,538)	42,836	3,801	—	706	—	—	30,305
Exchange reserve arising from translation of financial statements of the PRC subsidiaries	—	—	—	—	—	529	—	66	595
Acquisition of minority interests	—	—	—	—	—	—	—	(66)	(66)
Loss for the six months ended 30 September 2007	—	(2,029)	—	—	—	—	—	—	(2,029)
At 30 September 2007									
(Unaudited)	<u>7,500</u>	<u>(26,567)</u>	<u>42,836</u>	<u>3,801</u>	<u>—</u>	<u>1,235</u>	<u>—</u>	<u>—</u>	<u>28,805</u>
At 1 April 2006									
(Audited)	7,500	(22,863)	42,836	3,801	—	204	3,068	—	34,546
Exchange reserve arising from translation of financial statements of the PRC subsidiaries	—	—	—	—	—	132	—	4	136
Employee share options benefits	—	—	—	—	—	—	82	—	82
Loss for the six months ended 30 September 2006	—	(3,993)	—	—	—	—	—	(4)	(3,997)
At 30 September 2006									
(Unaudited)	<u>7,500</u>	<u>(26,856)</u>	<u>42,836</u>	<u>3,801</u>	<u>—</u>	<u>336</u>	<u>3,150</u>	<u>—</u>	<u>30,767</u>

Condensed Consolidated Cash Flow Statement

	For the six months ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	3,542	(1,388)
NET CASH USED IN INVESTING ACTIVITIES	(2,342)	(1,125)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	446	(1,905)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,646	(4,418)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	(8,206)	(5,056)
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	95	20
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	(6,465)	(9,454)

Analysis of Cash and Cash Equivalents

	At 30 September 2007	At 30 September 2006
	HK\$'000	HK\$'000
Cash and bank balances	4,619	2,215
Bank overdraft	(11,084)	(11,669)
	(6,465)	(9,454)

Notes:

1. Basis of preparation

These unaudited consolidated interim financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretation issued by the Hong Kong Institute of Certified Public Accountants and are prepared under historical cost convention as modified by revaluation of financial assets at fair value through profit or loss and the disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The accounting policies and basis of preparation used in preparing the unaudited consolidated interim financial statements are consistent with those in the audited financial statements for the year ended 31 March 2007.

All figures are approximate.

2. Turnover

The Group is engaged in the provision of information solutions and design, development, sales of application software packages and magazine publication. Turnover represents revenue recognised in respect of the provision of information solutions and application software packages sold and advertising income, net of discounts and business tax, during the period. An analysis of the turnover recorded for the period is set out below:

	For the six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
Provision of information solutions		
System development and integration	13,138	11,316
Maintenance and enhancement income	557	1,666
Sales of application software packages and related maintenance income	13,498	11,482
Advertising income	646	579
	<hr/>	<hr/>
	27,839	25,043
	<hr/> <hr/>	<hr/> <hr/>

3. Loss before income tax

Loss before income tax is arrived at after charging:

	For the six months ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
Amortisation of development costs	2,225	2,165
Amortisation of software	—	220
Amortisation of trade mark	2	3
Depreciation	379	387
Less :Amounts capitalised as development costs	25	16
	354	371
Interest on bank loans and overdrafts and other loans wholly repayable within five years	620	589
	<u>620</u>	<u>589</u>

4. Income tax (expense)/credit

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

	For the six months ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
Current tax		
Provision for Hong Kong profits tax at 17.5% on the estimated assessable profits for the period	—	—
Deferred tax	(82)	149
Income tax (expense)/credit	<u>(82)</u>	<u>149</u>

5. Loss per share

The calculation of basic loss per share for all periods presented is based on the Group's loss attributable to equity holders of the Company and 750,000,000 ordinary shares in issue during both periods.

The Company did not have dilutive potential ordinary shares for all periods presented.

6. Debtors, deposits and prepayments

Debtors, deposits and prepayments comprise:

	At 30 September 2007 HK\$'000	At 31 March 2007 HK\$'000
Trade debtors	16,027	19,074
Less : Impairment loss	1,131	1,195
	<u>14,896</u>	<u>17,879</u>
Rental and utility deposits	502	684
Prepayments	611	702
Other debtors	909	992
	<u>16,918</u>	<u>20,257</u>

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:

	At 30 September 2007 HK\$'000	At 31 March 2007 HK\$'000
0 - 30 days	12,794	13,975
31 - 60 days	892	385
61 - 90 days	229	304
91 - 180 days	322	323
181 - 365 days	263	2,511
> 1 year	1,527	1,576
	<u>16,027</u>	<u>19,074</u>

7. Creditors, accruals and deposits received

Creditors, accruals and deposits received comprise:

	At 30 September 2007 HK\$'000	At 31 March 2007 HK\$'000
Trade creditors	1,740	1,408
Deferred enhancement and maintenance income - <i>Note</i>	1,518	1,699
Deposits received	7	—
Accruals and provisions	3,753	4,516
Other creditors	506	554
	<u>7,524</u>	<u>8,177</u>

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:

	At 30 September 2007 HK\$'000	At 31 March 2007 HK\$'000
0 - 30 days	335	591
31 - 60 days	168	193
61 - 90 days	303	21
91 - 180 days	140	112
> 180 days	794	491
	<u>1,740</u>	<u>1,408</u>

8. Related party and connected transactions

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

		For the six months ended 30 September	
		2007	2006
	Note	HK\$'000	HK\$'000
(i) Rentals paid to Supercom Investments Limited "Supercom)"	(a)	<u>256</u>	<u>222</u>
(ii) Pledge of properties of Supercom to secure banking facilities of the Group.			

Note:

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

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

Key management compensation

	For the six months ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
Fees for key management personnel	—	—
Salaries, allowances and other benefits in kind	3,152	2,898
Retirement scheme contributions	<u>65</u>	<u>56</u>
	<u>3,217</u>	<u>2,954</u>

9. Segment reporting

- (a) An analysis of the Group's geographical segments by the location of customers and by the location of assets is as follow:

	Hong Kong		Mainland China		Inter-segment		Consolidated	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	18,106	18,386	9,733	6,657	—	—	27,839	25,043
Cost of sales and services rendered	(10,311)	(9,705)	(2,710)	(1,743)	—	—	(13,021)	(11,448)
Gross profit	7,795	8,681	7,023	4,914	—	—	14,818	13,595
Other income	1,467	701	94	7	(345)	(355)	1,216	353
Employee share options benefits	—	(82)	—	—	—	—	—	(82)
Operating expenses	(10,733)	(11,402)	(6,598)	(5,958)	35	—	(17,296)	(17,360)
Operating (loss)/profit	(1,471)	(2,102)	519	(1,037)	(310)	(355)	(1,262)	(3,494)
Finance costs	(678)	(647)	(317)	(360)	310	355	(685)	(652)
(Loss)/profit before income tax	(2,149)	(2,749)	202	(1,397)	—	—	(1,947)	(4,146)
Income tax (expense)/credit	(11)	269	(71)	(120)	—	—	(82)	149
(Loss)/profit for the period	<u>(2,160)</u>	<u>(2,480)</u>	<u>131</u>	<u>(1,517)</u>	<u>—</u>	<u>—</u>	<u>(2,029)</u>	<u>(3,997)</u>
Attributable to:								
Equity holders of the Company	(2,160)	(2,480)	131	(1,513)	—	—	(2,029)	(3,993)
Minority interests	—	—	—	(4)	—	—	—	(4)
(Loss)/profit for the period	<u>(2,160)</u>	<u>(2,480)</u>	<u>131</u>	<u>(1,517)</u>	<u>—</u>	<u>—</u>	<u>(2,029)</u>	<u>(3,997)</u>
Depreciation and amortisation	<u>1,825</u>	<u>2,068</u>	<u>756</u>	<u>691</u>	<u>—</u>	<u>—</u>	<u>2,581</u>	<u>2,759</u>
Capital expenditure incurred during the period	<u>919</u>	<u>645</u>	<u>1,286</u>	<u>480</u>	<u>137</u>	<u>—</u>	<u>2,342</u>	<u>1,125</u>
Segment assets and total assets	<u>66,313</u>	<u>65,569</u>	<u>19,296</u>	<u>16,253</u>	<u>(34,594)</u>	<u>(32,611)</u>	<u>51,015</u>	<u>49,211</u>
Segment liabilities and total liabilities	<u>(21,660)</u>	<u>(18,708)</u>	<u>(31,780)</u>	<u>(29,687)</u>	<u>29,962</u>	<u>27,960</u>	<u>(23,478)</u>	<u>(20,435)</u>
Minority interests	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

(b) Business segments

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

	Provision of information solutions and design, development and sales of application software packages		Magazine publication		Unallocated		Consolidated	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2007	2006	2007	2006	2007	2006	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from external customers	<u>27,193</u>	<u>24,464</u>	<u>646</u>	<u>579</u>	<u>—</u>	<u>—</u>	<u>27,839</u>	<u>25,043</u>
Segment assets	<u>50,151</u>	<u>48,566</u>	<u>721</u>	<u>567</u>	<u>143</u>	<u>78</u>	<u>51,015</u>	<u>49,211</u>
Capital expenditure incurred during the period	<u>2,140</u>	<u>1,114</u>	<u>92</u>	<u>11</u>	<u>—</u>	<u>—</u>	<u>2,232</u>	<u>1,125</u>

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the period ended 30 September 2007 (2006: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's unaudited total turnover for the six months ended 30 September 2007 amounted to HK\$27.8 million (2006: HK\$25.0 million), an increase of 11% recorded when compared to the corresponding period last year. Excluding hardware sales of HK\$807,000 (2006: HK\$469,000), turnover increased by 10% compared to the corresponding period last year. Net loss was significantly narrowed down to HK\$2.0 million from HK\$4.0 million, compared to the corresponding period last year.

HONG KONG OPERATIONS

Outsourcing and Information Solutions

During the reporting period, the revenue generated from the outsourcing and information solutions business unit has grown at a steady pace. The total turnover recorded was HK\$13.7 million (2006: HK\$13.0 million), representing an increase of more than 5% compared to the corresponding period last year.

The solid foundation and current relationship built with Hong Kong's largest airline operator and with the world's largest private container operator has provided the Group with an edge against other competitors to obtain additional business opportunities from the above two clients. In addition, the Group has continuously explored and has captured business opportunities with established major accounts, and with many on-going fixed price projects. Based on this healthy pipeline with very promising prospects, the momentum of growth will continue and we expect it to accelerate in the second half of this financial year.

Our Shenzhen subsidiary has continuously exerted strong efforts to train our technical staff in our Armitage Technologies Center (ATC) with an emphasis on transportation and logistics business knowledge and on quality delivery concepts. During the reporting period, this subsidiary has concluded an outsourcing contract with a Hong Kong telecommunication company. Furthermore, the subsidiary was awarded a contract from a local container terminal operator for insourcing services.

Having gained strong recognition and a good reputation in the transportation and logistics business segment, the Group has made great progress towards our long-term objective to be a leading IT solutions and service provider in this industry.

Application Software Packages

The performance of the Group's proprietary ERP application software package has experienced a downward adjustment. Sales revenue from our Armitage Industrial Management System ("*AIMS*") together with its previous version *Konto 21*, was HK\$3.0 million (2006: HK\$4.3 million), representing a decline of 30% when compared to the corresponding period last year. This under performance was mainly due to no contracts having been concluded by our Shenzhen subsidiary. During the reporting period, the revenue attained in Hong Kong was contributed by the conclusion of three new contracts with significant values, a premium goods company, an electronic sensor manufacturer and a metal manufacturer.

The total revenue generated from the entire application business unit was HK\$3.8 million (2006: HK\$4.8 million). A decrease of 21% recorded when compared to the corresponding period last year. Despite this temporary setback, the Group will endeavor to exceed last year sales target by strengthening our sales team and increasing sales and networking activities in both Hong Kong and Shenzhen.

PRC OPERATIONS

Application Software Packages

Pegasus Hotel Management System (“*Pegasus*”)

The turnover generated from *Pegasus* amounted to HK\$7.0 million (excluding hardware sales of HK\$597,000), representing an increase of 14% compared to HK\$5.9 million recorded for the corresponding period last year (excluding hardware sales of HK\$328,000).

During the reporting period, the sales of *Pegasus* was encouraging. Nevertheless, the sales to individual hotels recorded only a moderate growth. The conclusion of a cooperation contract with a prominent overseas hotel management group to be its exclusive IT solutions provider will have a positive impact on the Group’s future revenue growth. The Group will actively pursue these kinds of business opportunities. Based on existing products with minor enhancements, the Group has customised a club house operations control solution for two up-market social clubs in Beijing and Guangzhou respectively.

Maintenance income increased by 45% when compared to the corresponding period last year. Besides continuing its efforts to improve service quality, the Group also seeks ways to provide add-on value to customers in various aspects, and will take measures to further raise our service levels to attract existing customers to join our maintenance scheme. Progress so far is promising.

Product enhancement is vital for success. The Group has continuously put efforts on product enhancement, such as developing additional functions and a new user interface to the *Pegasus* Front Office System. The upgrade version of Front Office System will be launched in the third quarter of this financial year. The Group successfully developed its own Sauna system and PDA (Personal Digital Assistant) sub-module for the Food & Beverage system. Therefore, the Group no longer needs to pay for a third party license fee for these systems, thus the costs of goods sold will be reduced.

Industrial and Finance System (“IFS”)

During the reporting period, turnover generated from *IFS* implementation amounted to HK\$2.1 million (2006: HK\$408,000), representing an increase of 425% over the corresponding period last year. Revenue was mainly generated from additional services to existing customers. However, no substantial new contract was concluded during the period.

The Group is currently in discussion for *IFS* contracts with a number of potential customers in the paper manufacturing, transportation infrastructure and electronics manufacturing industries.

Magazine Publication

Revenue generated from advertising and publishing sales of the Group’s hotel guest room magazine *e²Smart* was HK\$646,000, an increase of 12% compared to HK\$579,000 recorded in the corresponding period last year.

Following the successful publication of a BASEL luxury goods supplement and a Christmas supplement last year, the Group launched a Macau supplement in September. This supplement gained wide support and good recognition from retailing, hotel and entertainment marketers in Macau. The Group has decided that it will also publish a Macau Supplement next year. The Group has also been appointed by a top event organiser in Shanghai as its conference publication partner in publishing event booklets. These projects serve as solid proof of the Group’s capability in magazine publication and has enriched the Group’s media product portfolio.

FUTURE PROSPECTS

HONG KONG OPERATIONS

Outsourcing and Information Solutions

The Group will strive to maximise revenue opportunities by pursuing new business with existing and potential customers. The Group has been invited to engage in numerous fixed price projects and to provide insourcing services to Hong Kong’s largest airline operator. We will further explore other business opportunities with this client. The Group has continued to provide insourcing services and fixed price project services to the world’s largest private container operator. Our Shenzhen subsidiary concluded a new insourcing contract with a large PRC conglomerate in the second quarter of this financial year. The Group believes that further cooperation opportunities from this client will be developed in the future. The Group believes that revenue generated from the outsourcing and information solutions business unit will grow considerably in the coming years.

Application Software Packages

Targeting to improve the sales performance in both Hong Kong and the PRC market, an AIMS sales team was established in Shenzhen in the second quarter of this financial year. This new sales team will vigorously explore business opportunities in the local private consumer electronics and toy manufacturers industries. During the reporting period, a few contracts were under final stage of negotiation. In addition, the Group will exercise extra efforts to increase our maintenance revenue via this business unit. On the marketing side, we will continue to participate in exhibitions and seminars in Hong Kong and the PRC to reach out to other potential customers.

PRC OPERATIONS

Application Software Packages

Pegasus Hotel Management System (“Pegasus”)

In order to boost sales and strengthen the competitiveness of our existing products, the Group has decided to widen its product lines and expand its potential markets by closely cooperating with hotel management groups and chain hotel owners in penetrating the up-market hospitality business sector.

In particular, the Group has established a strategic alliance with a local company which specialises in hotel central reservation solutions for global travellers. Through this alliance, our Group is able to directly connect **Pegasus** hotel users through an inter-phase platform developed by the Group to their hotels' central reservation booking engines. This is just one of the value added-on services that the Group will provide to our existing hotel clients in the near future.

In order to maintain our competitiveness in the market, the Group has always been fully aware that it is very important to be attentive to market changes and to then make corresponding product and service enhancements so as to meet the ever-changing demand from customers.

Industrial and Finance System (“IFS”)

Because of our long term partnership with **IFS** in the PRC market, the Group has gained full support from **IFS**. The Group and **IFS** China have worked closely and have shared resources to bid for contracts in the PRC. Even though **IFS** China is currently undergoing a restructure, it is expected that **IFS** China will put more effort in penetrating the ERP market, thus the Group will benefit from its activities in the PRC. Meanwhile, the Group is aggressively seeking potential customers who are looking for ERP solutions. We are optimistic about the future performance of **IFS**.

Magazine Publication

The publishing business has been making a growing contribution to the Group's revenue. The achievements from the special supplement and catalogue production has not only motivated us to exert more effort on the publishing business, but has also strengthened our position in this industry. The Group is now planning to publish a new supplement, Hong Kong Shopping Guide, in the fourth quarter of this financial year. We expect this supplement to have good potential in revenue generation for the Group. In addition, the Group is continuously seeking new advertising business opportunities. We are now in the final stage of negotiation with two international automobile brands and also in discussion with the tourist board of a South East Asia country. We expect there will be a dramatic growth of revenue from this business unit in the second half of this financial year.

FINANCIAL REVIEW

For the six months ended 30 September 2007, the Group recorded a total turnover of HK\$27.8 million (2006: HK\$25.0 million). Excluding revenue generated from hardware sales of HK\$807,000 (2006: HK\$469,000), turnover increased by 10% compared to the corresponding period last year.

Turnover generated from Hong Kong operations was HK\$18.1 million (2006: HK\$18.4 million). Exclusive of hardware sales of HK\$210,000 (2006: HK\$141,000), this represented a decrease of 2% compared to the corresponding period last year.

Turnover generated from PRC operations was HK\$9.7 million (2006: HK\$6.7 million). Exclusive of hardware sales of HK\$597,000 (2006: HK\$328,000 million), this represented an increase of 42% compared to the corresponding period last year was recorded.

Net loss attributable to equity holders of the Company was recorded at HK\$2.0 million (2006: HK\$4.0 million).

The gross profit margin for the Group was 53%, a slight decrease compared to the corresponding period last year.

The realised and unrealised gains on financial assets at fair value through profit or loss at HK\$842,000 (2006:HK\$36,000). This resulted from the Group's disposal of certain listed investment securities and the increase in market value of other listed investment securities.

The Group's core business is provision of IT services and sales of application software packages. The EBITDA (earnings before interest, income tax, depreciation and amortisation) for the six months ended 30 September 2007 from its IT businesses was HK\$1.9 million (2006: HK\$594,000).

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

Financial Resources and Liquidity

As at 30 September 2007, the equity attributable to equity holders of the Company amounted to HK\$28.8 million. Current assets amounted to HK\$32.2 million of which HK\$13.6 million was cash and bank deposits and HK\$16.9 million was debtors, deposits and prepayments. The Group's current liabilities amounted to HK\$22.4 million, including bank loans and overdrafts of HK\$14.9 million.

Current ratio was 1.44 (at 31 March 2007: 1.52). Gearing ratio, expressed as a ratio of total bank borrowings to equity attributable to equity holders of the Company, was 0.55 (at 31 March 2007: 0.51).

During the reporting period, the Group has acquired the outstanding 10% minority interest in a subsidiary so that this subsidiary has now become a wholly-owned subsidiary of the Group. The purchase consideration was HK\$137,000 which was paid in cash.

Foreign Exchange

The Group received Renminbi income from sales in China. Fluctuation in exchange rates of Renminbi against foreign currencies could affect the Group's results of operations. During both periods for the six months ended 30 September 2007 and 2006, no hedging transaction or other exchange rate arrangement was made.

Significant Investments and Acquisition

The Group had no material acquisitions and disposal of subsidiaries and affiliated companies except for the acquisition of the 10% minority interest in a subsidiary at a consideration of HK\$137,000 during the six months ended 30 September 2007.

Charges on the Group's Assets

As at 30 September 2007, the Group's time deposits of HK\$9.0 million (at 31 March 2007: HK\$9.0 million) and accounts receivable of HK\$2.9 million (31 March 2007: HK\$1.5 million) have been pledged to banks to secure general banking facilities granted to the Group.

Capital Commitments

The Group had no material capital commitments during the six months ended 30 September 2007.

Contingent Liabilities

- (a) As at 30 September 2007, the Group had contingent liabilities in respect of performance bonds amounting to HK\$156,000 (at 31 March 2007: HK\$156,000) issued by a bank in favour of a customer for the due performance of contract works undertaken by the Group.
- (b) As at 30 September 2007, the Group has contingent liabilities in respect of possible future long service payments to employees under the Employment Ordinance in Hong Kong, with a maximum possible amount of HK\$1.3 million (at 31 March 2007: HK\$1.5 million).

During the reporting periods, 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 30 September 2007, the Group had a total of 323 employees (at 31 March 2007: 299). Remuneration is determined by reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, are paid to employees as recognition and in reward of their contributions. Other fringe benefits such as medical subsidy, medical insurance, education/training subsidies, pension fund plans are offered to most employees. Share options are granted at discretion of the Board under the terms and conditions of the Employees Share Option Scheme.

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

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

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

As at 30 September 2007, the interests or short positions of the directors of the Company in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), Chapter 571 under the Laws of Hong Kong), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in the ordinary shares of the Company

Name	Type of interests	Number of shares	Approximate percentage of the issued share capital (Note 3)
Mr. Lee Shun Hon, Felix	Personal	205,738,740	27.43%
	Family	85,848,246 (Note 1)	11.45%
	Corporate	34,373,452 (Note 2)	4.58%
Ms. Jim Sui Fun	Personal	3,034,786	0.40%
Dr. Liao, York	Corporate	29,988,007 (Note 3)	4.00%

Notes:

1. These shares are held by Mr. Lee Shun Hon, Felix's wife, Ms. Leung Mee Chun, Stella, his son, Mr. Lee Wai Yip, Alvin and his daughter Ms. Lee Sze Yee, Joyce and therefore Mr. Lee Shun Hon, Felix is deemed to have interests in these shares in which Ms. Leung Mee Chun, Stella, Mr. Lee Wai Yip, Alvin and Ms. Lee Sze Yee, Joyce are interested.
2. These shares are held by Kingspecial Investments Limited ("Kingspecial"), which is owned as to 30% by Mr. Lee Shun Hon, Felix and therefore Mr. Lee Shun Hon, Felix is deemed to have an interest in these shares in which Kingspecial is interested.
3. These shares are held by Winbridge Company Limited ("Winbridge"), which is owned as to 99% by Dr. Liao, York and therefore Dr. Liao, York is deemed to have an interest in these shares in which Winbridge is interested.
4. Based on 750,000,000 shares of the Company in issue as at 30 September 2007.

Save as disclosed herein, as at 30 September 2007, none of the directors had any interests or short positions in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as is known to any directors of the Company, as at 30 September 2007, other than the directors as disclosed above, the persons or companies who had an interest or short position in the shares of the Company which were required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Long positions in the ordinary shares of the Company

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

Notes:

1. The issued share capital of Kingspecial Investments Limited is beneficially owned as to 30% by Mr. Lee Shun Hon, Felix, as to 30% by Mr. Lee Shun Kwong and as to 30% by Dr. Lee Shun Hung, Kelvin (both of whom are brothers of Mr. Lee Shun Hon, Felix) and as to 10% by Mrs. So Li Hang Lin, the sister of Mr. Lee Shun Hon, Felix.
2. Mr. Lee Shun Kwong has an attributable interest of 34,373,452 shares through his shareholding interest of 30% in Kingspecial Investments Limited.
3. Based on 750,000,000 shares of the Company in issue as at 30 September 2007.

Save as disclosed herein, so far as is known to the directors of the Company, as at 30 September 2007, no other persons or companies had interests or short positions in the shares of the Company which were required to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO or were interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

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.

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the Audit Committee are to review the Company's draft annual, interim and quarterly financial reports and accounts and to provide advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Group. The Audit Committee comprises three independent non-executive directors, namely Mr. Anthony Francis Martin Conway, Mr. Chan Hang and Mr. Li Pak Ki.

Up to the date of approval of the Group's unaudited results for the six months ended 30 September 2007, the Audit Committee has held two meetings and has reviewed the draft interim report and accounts for the six months ended 30 September 2007 prior to recommending such report and accounts to the Board for approval.

DIRECTORS' SECURITIES TRANSACTIONS

Throughout the six months ended 30 September 2007, the Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all directors, the Company confirms that all of the Company's directors complied with such required standard of dealings and its code of conduct regarding directors' securities transactions.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in Code on Corporate Governance Practices under Appendix 15 of the GEM Listing Rules of the Stock Exchange throughout the six months ended 30 September 2007 except the followings:

Code Provision A.2.1 stipulates that the role of chairman and chief executive officer should be separated and should not be performed by the same individual. The responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. Mr. Lee Shun Hon, Felix is the Chairman of the Board and the Chief Executive Officer of the Group. As such, such dual role constitutes a deviation from Code Provisions A.2.1. However, the Board is of the view that the Company's size is relatively small and thus does not justify the separation of the roles of the Chairman and Chief Executive Officer; the Company has sufficient internal controls to provide checks and balances on the functions of the Chairman and Chief Executive Officer; Mr. Lee Shun Hon, Felix as the Chairman of the Board and the Chief Executive Officer of the Group is responsible for ensuring that all directors act in the best interests of the shareholders. He is fully accountable to the shareholders and contributes to the Board and the Group on all top-level and strategic decisions; and this structure will not impair the balance of power and authority between the Board and the management of the Company.

Code Provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment, and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Pursuant to the Articles of Association of the Company, at every annual general meeting of the Company, one-third of the directors (for the time being or, if their number is not a multiple of three, the number nearest to but not exceeding one-third) shall retire from office by rotation, provided that the Chairman of the Board and/or the managing director of the Company shall not, while holding such office, be subject to retirement by rotation or be taken into account in determining the number of directors to retire in each year. As such, as at the date hereof, Mr. Lee Shun Hon, Felix, being the Chairman of the Company, is not subject to retirement by rotation. However, the management of the Company is of the view that the membership of the Board represents rich and diversified background and industry expertise and as such, the management considers that there is no imminent need to amend the relevant provisions of the Articles of Association of the Company.

Code Provision B.1.1 stipulates that Company should establish a remuneration committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members of the remuneration committee should be independent non-executive directors. The Company has not established a remuneration committee as required by this Code Provision considering the small size of the Board, and as such, the Company currently does not have any plans to set up a remuneration committee. During the six months ended 30 September 2007, the Board is mainly responsible for determining the Company's policy on the remuneration of the directors and the review and approval of all remuneration packages of directors.

On behalf of the Board
Lee Shun Hon, Felix
Chairman

Hong Kong, 13 November 2007