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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 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.

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

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

This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* *For identification purpose only*

RESULTS

The board of directors (the "Board") of the Company hereby presents the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 March 2007, together with the comparative audited consolidated figures for the corresponding year, as follows:

	Note	***2007***	*2006*
		HK$'000	*HK$'000*
Turnover	2	**53,782**	57,406
Cost of sales and services rendered		**(23,521)**	(25,534)
Gross profit		**30,261**	31,872
Other income	3	**896**	739
Gain on disposal of subsidiaries		**—**	174
Bad debts		**—**	(878)
Operating expenses		**(35,051)**	(34,184)
Operating loss		**(3,894)**	(2,277)
Finance costs		**(1,164)**	(1,139)
Loss before income tax	4	**(5,058)**	(3,416)
Income tax credit/(expense)	5	**209**	(11)
Loss for the year		**(4,849)**	(3,427)
Attributable to:			
Equity holders of the Company		**(4,813)**	(3,411)
Minority interests		**(36)**	(16)
Loss for the year		**(4,849)**	(3,427)
Dividend		**—**	—
Loss per share (HK cents)			
- Basic	6	**(0.64)**	(0.45)
- Diluted	6	**N/A**	N/A

CONSOLIDATED BALANCE SHEET

	Note	*2007* *HK$'000*	*2006* *HK$'000*
NON-CURRENT ASSETS			
Fixed assets		**3,034**	3,716
Software		**—**	330
Trade mark		**88**	94
Goodwill on consolidation		**1,584**	1,584
Development costs		**13,778**	15,460
Club debenture, at cost		**200**	200
Deferred tax		**1,343**	1,113
		20,027	22,497
CURRENT ASSETS			
Financial assets at fair value through profit or loss		**1,105**	854
Debtors, deposits and prepayments	7	**20,257**	18,375
Income tax recoverable		**723**	723
Pledged time deposits		**9,000**	9,000
Pledged bank balance		**—**	1
Cash and bank balances		**2,914**	3,158
		33,999	32,111
DEDUCT:			
CURRENT LIABILITIES			
Bank overdrafts, secured		**11,120**	8,214
Bank loans, secured		**1,686**	991
Bank loan - factoring arrangement		**1,370**	2,555
Creditors, accruals and deposits received	8	**8,177**	7,247
		22,353	19,007

	Note	*2007* *HK$'000*	*2006* *HK$'000*
NET CURRENT ASSETS		**11,646**	13,104
TOTAL ASSETS LESS CURRENT LIABILITIES		**31,673**	35,601
NON-CURRENT LIABILITIES			
Bank loans, secured		**(1,368)**	(1,055)
NET ASSETS		**30,305**	34,546
REPRESENTING:			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital		**7,500**	7,500
Reserves		**22,805**	27,046
		30,305	34,546
MINORITY INTERESTS		**—**	—
TOTAL EQUITY		**30,305**	34,546

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*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1.4.2005	7,500	(19,452)	42,836	3,801	174	(5)	2,700	–	37,554
Exchange reserve arising from translation of financial statements of the PRC subsidiaries	–	–	–	–	–	209	–	15	224
Written back on disposal of subsidiaries	–	–	–	–	(174)	–	–	–	(174)
Employee share options benefits	–	–	–	–	–	–	368	1	369
Loss for the year	–	(3,411)	–	–	–	–	–	(16)	(3,427)
At 31.3.2006 and 1.4.2006	7,500	(22,863)	42,836	3,801	–	204	3,068	–	34,546
Exchange reserve arising from translation of financial statements of the PRC subsidiaries	–	–	–	–	–	502	–	36	538
Employee share options benefits	–	–	–	–	–	–	70	–	70
Reverse on lapse of unexercised share options	–	3,138	–	–	–	–	(3,138)	–	–
Loss for the year	–	(4,813)	–	–	–	–	–	(36)	(4,849)
At 31.3.2007	**7,500**	**(24,538)**	**42,836**	**3,801**	**–**	**706**	**–**	**–**	**30,305**

CONSOLIDATED CASH FLOW STATEMENT

	2007	*2006*
	HK$'000	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(5,058)**	(3,416)
Adjustments for:		
Dividend income	**(12)**	(10)
Interest income	**(373)**	(368)
Interest expenses	**1,146**	944
Depreciation of fixed assets	**726**	680
Loss on disposal of fixed assets	**242**	14
Amortisation of intangible assets	**4,723**	4,044
Gain on disposal of subsidiaries	**—**	(174)
Employee share options benefits	**70**	369
Unrealised gains on financial assets at fair value through profit or loss	**(237)**	(284)
Operating profit before working capital changes	**1,227**	1,799
(Increase)/decrease in debtors, deposits and prepayments	**(1,609)**	1,786
Decrease/(increase) in pledged bank balance	**1**	(1)
(Increase)/decrease in creditors, accruals and deposits received	**765**	(1,524)
Cash generated from operations	**384**	2,060
Dividend received	**12**	10
Interest received	**343**	368
Interest paid	**(1,146)**	(944)
Income tax refunded	**—**	9
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	**(407)**	1,503

	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	**(290)**	(328)
Sales proceeds of fixed assets	**1**	2
Purchase of financial assets at fair value through profit or loss	**(14)**	—
Increase in development costs	**(2,352)**	(2,463)
Decrease in loan receivable	**—**	1,480
NET CASH USED IN INVESTING ACTIVITIES	**(2,655)**	(1,309)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in bank loans	**(177)**	(1,399)
NET CASH USED IN FINANCING ACTIVITIES	**(177)**	(1,399)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(3,239)**	(1,205)
CASH AND CASH EQUIVALENTS AS AT 1 APRIL	**(5,056)**	(3,899)
EFFECT OF EXCHANGE RATE CHANGES	**89**	48
CASH AND CASH EQUIVALENTS AS AT 31 MARCH	**(8,206)**	(5,056)
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**2,914**	3,158
Bank overdrafts	**(11,120)**	(8,214)
	(8,206)	(5,056)

Notes:

1. Basis of preparation

(a) Compliance with Hong Kong Financial Reporting Standards

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

(b) Initial application of Hong Kong Financial Reporting Standards

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

HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS-Int 4	Determining whether an Arrangement Contains a Lease
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting In Hyperinflationary Economies

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

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

The following Hong Kong Financial Reporting Standards in issue at 31 March 2007 have not been applied in the preparation of the Group's consolidated financial statements for the year ended 31 March 2007 since they were not yet effective for the annual period beginning on 1 April 2006:

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

Except for HKFRS 8, the Group is required to initially apply these standards in its annual consolidated financial statements beginning on 1 April 2007. The Group is required to initially apply HKFRS 8 in its annual consolidated financial statements beginning on 1 April 2009, unless the Group elects to initially apply HKFRS 8 earlier.

All figures are approximate.

2. Turnover

Turnover represents revenue recognised in respect of the provision of information solutions and application software sold 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:

	2007	*2006*
	HK$'000	*HK$'000*
Provision of information solutions		
System development and integration	**23,916**	31,464
Maintenance and enhancement income	**1,932**	969
Sales of application software packages and related maintenance income	**27,039**	24,604
Advertising income	**895**	369
	53,782	57,406

3. Other income

	2007 HK$'000	2006 HK$'000
Dividend income	**12**	10
Interest income	**373**	368
Management fee income	**24**	24
Miscellaneous items	**197**	53
Net realised and unrealised gains on financial assets at fair value through profit or loss	**237**	284
Exchange gain	**33**	—
Written back of bad debt provision	**20**	—
	896	739

4. Loss before income tax

	2007 HK$'000	2006 HK$'000
Loss before income tax is arrived at after charging/(crediting):		
Amortisation of development costs	**4,387**	3,598
Amortisation of software	**330**	440
Amortisation of trade mark	**6**	6
Depreciation	**768**	730
Less: Amounts capitalised as development costs	**42**	50
	726	680
Auditor's remuneration	**347**	334
Interest on bank loans and overdrafts and other loans wholly repayable within five years	**1,146**	944
Operating lease rentals for properties	**2,167**	2,154
Less: Amounts capitalised as development costs	**129**	164
	2,038	1,990
Directors' remuneration	**3,387**	3,197
Other staff salaries and benefits	**32,737**	32,049
Retirement scheme contributions	**1,756**	1,437
	34,493	33,486
Less: Amount capitalised as development costs	**2,011**	2,098
Other staff costs	**32,482**	31,388
Net sales proceeds	**(1)**	(2)
Less: Net book value	**243**	16
Loss on disposal of fixed assets	**242**	14
Dividend income from listed investments	**(12)**	(10)
Exchange loss	**—**	23

5. Income tax (credit)/expense

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

	2007	*2006*
	HK$'000	*HK$'000*
Current tax	**—**	—
Deferred tax	**(209)**	11
Income tax (credit)/expense	**(209)**	11

Provision for Hong Kong profits tax at 17.5% on the estimated assessable profits for the year.

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

	2007	*2006*
	HK$'000	*HK$'000*
Loss before income tax	**(5,058)**	(3,416)
Tax effect at the profits tax rate of 17.5%	**(885)**	(597)
Hong Kong and PRC tax rates differential	**34**	(75)
Tax effect of income that is not taxable	**(717)**	(541)
Tax effect of expenses that are not deductible	**990**	790
Effect of tax loss and decelerated depreciation allowances not recognised	**369**	434
Income tax (credit)/expense	**(209)**	11

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

	2007	*2006*
	HK$'000	*HK$'000*
Deductible temporary differences		
Unutilised tax losses	**10,217**	10,358
Decelerated depreciation allowances	**17**	16
	10,234	10,374

(i) Deductible temporary differences have not been recognised owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences.

(ii) The unutilised tax losses accumulated in the PRC subsidiaries amounted to approximately HK$5,164,000 (2006: approximately HK$6,556,000) 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$5,053,000 (2006: approximately HK$3,802,000) can be carried forward indefinitely.

6. Loss per share

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

No diluted loss per share for each of the two years ended 31 March 2007 has been presented as the potential ordinary shares to be issued upon exercise of the outstanding options under the Pre-IPO Share Option Plan are anti-dilutive.

7. Debtors, deposits and prepayments

Debtors, deposits and prepayments comprise:

	2007	*2006*
	HK$'000	*HK$'000*
Trade debtors	**19,074**	17,901
Less: Provision for bad debts	**1,195**	1,215
	17,879	16,686
Rental and utility deposits	**684**	442
Prepayments	**702**	507
Other debtors	**992**	740
	20,257	18,375

(a) 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:

	2007	*2006*
	HK$'000	*HK$'000*
0 - 30 days	**13,975**	13,162
31 - 60 days	**385**	1,819
61 - 90 days	**304**	238
91 - 180 days	**323**	115
181 - 365 days	**2,511**	705
>1 year	**1,576**	1,862
	19,074	17,901

(b) As at 31 March 2007, a sum of trade accounts receivables of approximately of HK$1,522,000 (2006: 2,839,000) has been assigned to a bank with recourse as collateral under factoring arrangement.

8. Creditors, accruals and deposits received

Creditors, accruals and deposits received comprise:

	2007	*2006*
	HK$'000	*HK$'000*
Trade creditors	**1,408**	1,764
Deferred enhancement and maintenance income — *Note*	**1,699**	1,618
Deposits received	**—**	6
Accruals and provisions	**4,516**	3,291
Other creditors	**554**	568
	8,177	7,247

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. After the completion of the system development project or sales of application software, the Group charged its customers the maintenance service fee in advance.

The following is an aging analysis of trade creditors:

	2007	*2006*
	HK$'000	*HK$'000*
0 - 30 days	**591**	441
31 - 60 days	**193**	52
61 - 90 days	**21**	—
91 - 180 days	**112**	891
>180 days	**491**	380
	1,408	1,764

9. Segment reporting

(a) An analysis of the Group's geographical segments by the location of customers and by the location of assets are as follows:

	Hong Kong		*PRC*		*Inter-segment*		*Consolidated*	
	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	**37,085**	40,474	**16,697**	16,932	**–**	–	**53,782**	57,406
Cost of sales and services rendered	**(18,856)**	(19,760)	**(4,665)**	(5,774)	**–**	–	**(23,521)**	(25,534)
Gross profit	**18,229**	20,714	**12,032**	11,158	**–**	–	**30,261**	31,872
Other income	**839**	713	**57**	26	**–**	–	**896**	739
Gain on disposal of subsidiaries	**–**	174	**–**	–	**–**	–	**–**	174
Bad debts	**–**	(137)	**–**	(741)	**–**	–	**–**	(878)
Operating expenses	**(23,198)**	(21,940)	**(11,853)**	(12,244)	**–**	–	**(35,051)**	(34,184)
Operating profit/(loss)	**(4,130)**	(476)	**236**	(1,801)	**–**	–	**(3,894)**	(2,277)
Finance costs	**(1,149)**	(1,108)	**(15)**	(31)	**–**	–	**(1,164)**	(1,139)
Profit/(loss) before income tax	**(5,279)**	(1,584)	**221**	(1,832)	**–**	–	**(5,058)**	(3,416)
Income tax (expense)/credit	**388**	(171)	**(179)**	160	**–**	–	**209**	(11)
Profit/(loss) for the year	**(4,891)**	(1,755)	**42**	(1,672)	**–**	–	**(4,849)**	(3,427)
Attributable to:								
Equity holders of the Company	**(4,891)**	(1,755)	**78**	(1,656)	**–**	–	**(4,813)**	(3,411)
Minority interests	**–**	–	**(36)**	(16)	**–**	–	**(36)**	(16)
Profit/(loss) for the year	**(4,891)**	(1,755)	**42**	(1,672)	**–**	–	**(4,849)**	(3,427)
Depreciation and amortisation	**4,048**	3,590	**1,401**	1,134	**–**	–	**5,449**	4,724
Capital expenditure incurred during the year	**1,454**	1,761	**1,230**	1,080	**–**	–	**2,684**	2,841
Segment assets and total assets	**55,599**	55,529	**15,200**	13,372	**(18,839)**	(16,129)	**51,960**	52,772
Segment liabilities and total liabilities	**(22,280)**	(17,896)	**(29,251)**	(27,097)	**27,810**	24,931	**(23,721)**	(20,062)

(b) Business segments

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

	Provision of information solutions and design, development and sales of application software		*Magazine publication*		*Unallocated*		*Consolidated*	
	2007	*2006*	***2007***	*2006*	***2007***	*2006*	***2007***	*2006*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customers	**52,887**	57,037	**895**	369	**–**	–	**53,782**	57,406
Segment assets	**51,354**	52,203	**466**	434	**140**	135	**51,960**	52,772
Capital expenditure incurred during the year	**2,681**	2,827	**3**	14	**–**	–	**2,684**	2,841

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

10. Dividend

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2006/07 was a challenging year for the IT industry in Hong Kong and the PRC. The Group's audited consolidated turnover for the year ended 31 March 2007 ("the year under review") amounted to HK$53.8 million, representing a decrease of 6% compared to the previous year (2006: HK$57.4 million). The continuous and aggressive price competition remained the single most important factor affecting the Group's performance. Nevertheless, operation costs remained under control, largely attributable to persistent implementation of the team-across–border strategy, enabling utilisation of less expensive resources in Shenzhen to support the product development of our Armitage Industrial Management System ***(AIMS)*** and project implementation for our clients in Hong Kong.

HONG KONG OPERATIONS

Outsourcing and Information Solutions

During the year under review, the total turnover generated from the outsourcing and information solutions sector was HK$25.7 million (exclusive of hardware sales of HK$156,000), representing a decrease of 20% from HK$32.2 million (exclusive of hardware sales of HK$229,000) in the corresponding period last year. The main reason was the suspension of services to a major international client during the first half of the year under review. During the said year, the Group vigorously explored additional business opportunities with our two major transportation and logistic clients and new fixed price projects and in-sourcing services are either on-going or under negotiation.

The Group has made encouraging progress in building strong business relationships with companies in the transportation and logistics sectors. This resulted in a much remunerative result during the year under review. The Group gained a number of new projects, including a breakthrough in-sourcing service contract with the largest airline operator in Hong Kong and another HKSAR government transport-related authority. Our Shenzhen subsidiary also obtained a number of projects including the development and implementation of a Warehouse Management System for a logistics company and a Commercial Information System for a Container Terminal Operator in Shenzhen. The successful execution of these projects helped reinforce the good reputation of our subsidiary in the Shenzhen IT industry.

The increase in the number of new projects with the above mentioned transportation and logistics companies further demonstrated the Group's belief that our specialisation in this market sector was a sound strategy.

Application Software

During the year under review, turnover generated from the Group's proprietary ERP application software Armitage Industrial Management System ("***AIMS***") together with its previous version ***Konto 21***, was HK$8.6 million. An increase of 34% was recorded when compared to the corresponding figure last year of HK$ 6.4 million. This improvement was achieved by our continuous efforts of product enhancement and excellent after-sales services to our clients during the past two years. Special new functions such as the "Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS)" compliance and an item code generator were added to meet customers' requirements. The encouraging results attained in the year under review reinforced our belief that the industrial focus strategy on the consumer electronics industry was a correct management decision.

The continuing development in new special features for the consumer electronics industry and KPIs (Key-Performance Indicators) greatly enhanced our competitiveness in the market. During the year under review, the Group concluded a number of contracts with consumer electronics companies, most of whom are suppliers to international top brand OEM and ODM companies.

PRC Operations

Pegasus Hotel Management System ("*Pegasus*")

During the year under review, turnover generated from the Group's proprietary application software, ***Pegasus Hotel Management Systems***, was HK$13.1 million (exclusive of hardware sales of HK$658,000). Compared to HK$11.1 million (exclusive of hardware sales of HK$858,000) recorded last year, an increase of 18% was recorded.

During the year under review, the brand new ***Pegasus Express*** version and the ***Pegasus Membership System*** were launched. However, the standard modules - hotel front office and the back office, as well as food and beverage systems, remained as the major revenue stream. ***Pegasus Express***, which is a simplified version of ***Pegasus***, was launched in the last quarter of the year under review. ***Pegasus Express*** targeted a totally different market sector with a lower price range. A separate sales team was established to apply more innovative sales techniques to tap the potential market of ***Pegasus Express***.

In our regional offices, the Southern Region, where our headquarters is located, achieved the best results. The performance of our Northern Region remained encouraging, even though the growth rate remained flat. Significant improvement has been achieved in Fujian, Guangxi and Hainan Provinces. Maintenance income increased by 32% when compared to last year.

Following successful implementation of the central room booking system and bonus point system for the Hotel Canton Group in the first half of the year under review, the core basis for the these systems was formed. Based on these systems, a number of central management reporting systems have been developed to enrich the entire product line. The first project implementing this enhanced system will commence in the third quarter of the coming year. In the past two years, the central room booking system and bonus point system have been widely recognised by the hospitality industry as the future hotel management system. This will lead to a growing market potential. Similar to experience with other new application software, the market has yet to accrue additional successful cases. However, our Group is well prepared to take a major share in this new line once market acknowledges the requirement for these advanced systems, in a very competitive hospitality market.

On the whole, demand from the market remained strong because of the vigorous economic growth in the PRC. This strong demand also brought in severe price competition. Small IT companies with lower production costs flooded into the marketplace and obtained the market share by offering much lower prices. The Group believes ***Pegasus*** outperforms these companies in terms of product quality, functions, stability and after-sales service. In the long run, these companies will be eliminated through competition based on price performance. The Group will continue to strive to leverage our strengths in order to expand our share of this market.

Industrial and Financial System ("*IFS*")

Total turnover for license sales and implementation of ***IFS*** systems amounted to HK$2.9 million (no hardware sales were recorded), a decrease of 28% compared to HK$4.0 million (exclusive of hardware sales of HK$1.0 million) in the corresponding period last year.

The reason for this unsatisfactory performance was that no substantial new contracts were concluded during the year under review. Revenue was mainly generated from recurrent contracts from existing customers. A number of maintenance contracts were signed with ***IFS*** users who were not satisfied with the services provided by their existing ***IFS*** partners. The Group expects that new business opportunities can be generated through these maintenance contracts.

The PRC is a huge market for ERP systems. With this favourable market environment, the Group will inject more resources to avail of this huge opportunity. To effect this, the sales team was re-organised during the last quarter of the year under review. The Group is optimistic that the performance of ***IFS*** will be improved in the coming year.

Magazine Publication

Our ***e²Smart*** magazine has gradually gained greater recognition in the media and advertising industry during the year under review. Revenue generated from advertisement sales was HK$895,000, compared to HK$368,000 recorded last year, an increase of 143%.

The achievement of the Basel and Christmas supplement publications was attributed to the support of various international renowned luxury brands. With this recognition, not only was ***e²Smart*** able to attract and secure international and luxury brands' interests to further consolidate the Group's belief in publishing these two extra issues, but it should also serve as a new revenue stream in the coming year.

Shanghai was identified as the most important strategic market for ***e²Smart*** and, in line with the growth of the advertising industry in the PRC, further resources have been put in our Shanghai office, including expansion of the sales and marketing team in order to achieve our objectives.

FUTURE PROSPECTS

HONG KONG OPERATIONS

Outsourcing and Information Solutions

With a solid reputation for on-time delivery, coupled with best expertise in business knowledge in the transportation and logistics industry, the Group has been invited to tender and deliver IT services and solutions to many blue-chip conglomerates. The Group believes that it is the first provider in the Pearl River Delta to install a Gasoline Management System (GMS) successfully for a major terminal operator. The Group also partnered the world's largest private container operator to develop an e-framework, a standard application development platform. Development is scheduled to start by end of the fourth quarter in the year under review. These large-scale projects further reinforced the position of the Group in the IT solution industry and will generate future business opportunities not only in the Pearl River Delta, but also around the world. In addition, the Group has been awarded an Information Management System project from an existing educational institution client during the year under review. We also were selected as a qualified contractor to deliver in-sourcing services to a HKSAR government transport-related authority. Moreover, the Group has built up a long-term and solid working relationship with the largest airline operator in Hong Kong by delivering in-sourcing service projects. Both in-sourcing contracts will secure a consistent source of revenue to the Group.

To broaden the source of income, the Group will continue to explore more business opportunities with existing and potential clients. In the coming year, a competency centre will be set up in Shenzhen to train professionals in different technological skills and enterprised business solutions to further strengthen the Group's competitiveness.

Application Software

To provide our customers with optimal IT tools for business success is our Group's mission. The persistent enhancement of ***AIMS*** via regular updates and releases has been executed in order to meet different customers' requirements. With extensive features for the consumer electronics industry, the Group has gained a good reputation in this industry. The positive feedback has further encouraged the Group to develop and enhance industrial specific features of ***AIMS*** continuously in order to satisfy the needs of the various market sectors. In the coming year, the Group aims to explore business opportunities with PRC private enterprise customers in the Pearl River Delta. Even though competition in this market is robust, we believe this is a good potential market to be exploited. A special version of ***AIMS*** has been completed to meet client's requirement in this specific market. To cope with this business expansion, the Group will make substantial efforts to further reinforce our sales and marketing activities.

Currently, the Group is in the negotiation with a number of clients for implementation of ***AIMS*** and EAM (Enterprise Asset Management), a third party application software package. Potential clients include airline operators, hotels, manufacturers and utility companies.

Pegasus

In view of the continuing strong economic growth in the PRC and forthcoming major international events to be held in Beijing, Shanghai and Guangzhou, hospitality will be one of the most booming industries in the PRC. The Group is optimistic about the long-term prospects for ***Pegasus***. The Group is striving to capture this golden opportunity to expand its market share and enlarge its customer base to establish a sound foundation for a long-term strategy. To achieve this goal, a number of decisive steps, including expansion in the low-end market, further opening of both direct and indirect sales channels as well as the strengthening of the existing R&D and technical teams, will be executed.

Currently, the majority of ***Pegasus*** revenue is generated from the sale of traditional modules for mid to high-end customers. ***Pegasus*** modules had been divided into three main categories, front office, back office and food and beverage. To cater for this market situation, the modules will be further divided into seven categories, namely, front office, finance and accounting, logistics, food & beverage, membership, sauna/spa and central systems. The new groupings provide a clear road map to potential clients and they also facilitate our own sales planning.

The Group has a vision that there will be more business opportunities in the low-end hospitality market. Apart from continuing to secure consistent revenue generated from selling traditional modules, the Group will also aggressively penetrate the low-end market. Specific effort will be put to implementing an appropriate strategy to enter this market. Through prudent planning and execution, the Group is confident that we will achieve good results from this market sector in the near future.

In order to expand the business and sales coverage to the Second Tier Cities, the Group plans to set up sales offices in high potential markets and to explore additional sales channels. A sales office in Changsha, Hunan Province will be set up in the first quarter of financial year 2007/2008. A number of experienced staff has been assigned to develop sales channels in these markets.

IFS

With strong demand for ERP systems in the PRC, the Group will make strenuous efforts to explore this market. ***IFS*** China has recently announced that they have more aggressive plans to capture a good share of the PRC market. Being one of the first generation distributors of ***IFS*** in the PRC market, the Group believes that it will receive a more in-depth support from ***IFS*** China. In addition, the Group expects that the establishment of the new sales team will help bring in more revenue in the coming year.

Magazine Publication

With the experience gained from having been in the advertising media industry in the PRC for three years, the Group has decided to increase resources in our Shanghai office to cope with the market potential. The immense consuming power of the Shanghai affluent market segment and the establishment of world-wide luxury brands' regional headquarters in Shanghai further consolidate the Group's belief that Shanghai must be our target market in the coming 3 to 5 years and beyond. To put this into execution, a new office with top class facilities in Shanghai has been established, and a newly recruited General Manager, with over 25 years of experience in the publishing and advertising industry, was stationed at our Shanghai office in mid-March 2007 to manage and motivate the sales and marketing team. In addition, Beijing is another important strategic market for the Group in the near term. Thus, the Group aims to increase the distribution of the magazines in 5-star hotels in both Beijing and Shanghai, in particular to prepare for the Beijing Olympics' 08 and the Expo 2010 in Shanghai.

The prestigious Watch Sector is currently the prime advertising income for ***e²Smart***. Since it's inception, the Group believes that ***e²Smart*** should further expand its client's base and should also explore and develop in the High Fashion sector. High Fashion is one of the fastest growing advertising revenue streams in the PRC. Even though the Group is fully aware that the fashion advertising industry is highly competitive, it is definitely an attractive opportunity for us. In line with our development plan, ***e²Smart*** will strengthen the sales and marketing team both in Hong Kong and Shanghai.

e²Smart has been steadily enlarging its sources of revenue. The Group has successfully renewed contracts with 80% of our existing clients and we are in the final stage of negotiation with a number of prestigious international brands, some of which are expected to be concluded within the first quarter of financial year 2007/2008. In addition, the Group is currently under preliminary discussion with a famous group of men's fashion brands. This is solid proof that the quality of ***e²Smart*** and its hotel distribution network are well recognised by advertisers, and ***e²Smart*** is regarded as an effective platform to promote luxury consumer goods.

FINANCIAL REVIEW

Consolidated results of operations

For the year ended 31 March 2007, the Group recorded a consolidated turnover at HK$53.8 million (2006: HK$57.4 million), representing a decrease of HK$3.6 million or 6% compared to the previous year.

Turnover in Hong Kong decreased by 8% to HK$37.1 million (2006: HK$40.5 million). Revenue generated from information solutions projects decreased by 20% to HK$25.8 million (2006: HK$32.4 million). Sales of the Group's proprietary application software packages ***AIMS,*** together with its previous version ***Konto 21,*** recorded a turnover at HK$8.6 million, an increase of 34% compared to HK$6.4 million recorded last year.

Turnover of our PRC operations slightly decreased by 1% compared to last financial year. Sales of the Group's proprietary application software packages ***Pegasus*** amounted to HK$13.8 million. When compared to last year's HK$12.0 million, there was an increase of 15%.

An overall turnover of HK$2.9 million was recorded for ***IFS***. When compared to last year's HK$5.0 million, a 42% deterioration resulted.

The Group's core business is provision of IT services and the sales of application software packages. The EBITDA (earnings before interest, income tax and minority interests, depreciation and amortisation) from its IT businesses was HK$4.2 million (2006: HK$3.2 million).

Net loss attributable to equity holders of the Company increased by 41% to HK$4.8 million (2006: HK$3.4 million). The loss from operations included additional amortisation of development costs of HK$769,000 and further investment in magazine publication of HK$2.5 million.

Gross profit

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

Other income

During the year, the Group made unrealised gains on financial assets at fair value through profit or loss at HK$237,000.

Expenses

Total operating expenses increased by 3% to HK$35.1 million (2006: HK$34.2 million). The increase in expenses was mainly attributable to the additional amortisation of development costs for ***AIMS*** v3.30 and v3.40 raised in staff costs and the appreciation of PRC renminbi ("renminbi").

The additional amortisation of development costs amounted to HK$769,000 (2006: HK$689,000). Total staff costs (excluding directors' remuneration) amounted to HK$32.5 million (2006: HK$31.4 million), representing an increase of HK$1.1 million or 4% compared to the previous year.

Financial resources and liquidity

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

As at 31 March 2007, current assets amounted to HK$34.0 million of which HK$11.9 million was cash and bank deposits and HK$20.3 million was debtors, deposits and prepayments. The Group's current liabilities amounted to HK$22.4 million, including bank loans and overdrafts in the amount of HK$14.2 million and creditors, accruals and deposits received in the amount of HK$8.2 million.

Current ratio as at 31 March 2007 was 1.52 (2006: 1.69). Gearing ratio, expressed as a ratio of total bank borrowings to shareholders' funds, was 0.51 (2006: 0.37). The increase in gearing ratio mainly resulted from the continuous operating loss of the Group and the outstanding trade account receivable from the major international client to which the services was suspended during the first half of the year under review.

Foreign exchange

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

Charges on the Group's assets

As at 31 March 2007, the Group's time deposits of HK$9.0 million (2006: HK$9.0 million), bank balance of nil (2006: HK$1,000) and accounts receivable of HK$1.5 million (2006: HK$2.8 million) have been pledged to banks to secure general banking facilities granted to the Group.

Capital commitments

As at 31 March 2007, the Company's subsidiary entered into an agreement with a PRC party to acquire their remaining 10% equity interest in Guangzhou Armitage Technologies Limited at a consideration of RMB130,000.

Contingent liabilities

(a) As at 31 March 2007, the Group had contingent liabilities in respect of performance bonds amounting to HK$156,000 (2006: HK$1.8 million) issued by a bank in favour of a customer for the due performance of contract works undertaken by the Group.

(b) The Group has contingent liabilities in respect of possible future long service payments to employees under the Employment Ordinance in Hong Kong, with a maximum possible amount of HK$1.5 million at 31 March 2007 (2006: HK$1.3 million).

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

Employees and remuneration policies

As at 31 March 2007, the Group had 299 employees in Hong Kong and the PRC (2006: 301). 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.

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.

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

As at 31 March 2007, the interests or short positions of the directors of the Company in the shares, underlying shares or 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 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	205,858,740	27.45%
	Family	90,888,246 *(Note 1)*	12.12%
Ms. Jim Sui Fun	Personal	3,034,786	0.40%
Dr. Liao, York	Corporate	29,988,007 *(Note 2)*	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 Wui 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 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.

3. Based on 750,000,000 shares of the Company in issue as at 31 March 2007.

Save as disclosed herein, as at 31 March 2007, none of the directors of the Company had any interests or short positions in the shares, underlying shares or debentures 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 Rule 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as is known to the directors of the Company, as at 31 March 2007, other than the directors as disclosed above, the persons or companies who had an interest or short position in the shares or underlying shares of the Company which were required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or interested in, directly or indirectly, 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company were as follows:

Long positions in the shares of the Company

Name	Type of interests	Number of shares	Approximate percentage of the issued share capital *(Note 4)*
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%
Ms. Leung Mee Chun, Stella	Personal	37,957,651	5.06%
	Family	258,789,335 *(Note 3)*	34.51%

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. These shares are held by Ms. Leung Mee Chun, Stella's husband, Mr. Lee Shun Hon, Felix, her son, Mr. Lee Wai Yip, Alvin and her daughter, Ms. Lee Sze Yee, Joyce and therefore Ms. Leung Mee Chun, Stella is deemed to have interests in these shares in which Mr. Lee Shun Hon, Felix, Mr. Lee Wui Yip, Alvin and Ms. Lee Sze Yee, Joyce are interested.

4. Based on 750,000,000 shares of the Company in issue as at 31 March 2007.

Save as disclosed herein, so far as is known to the directors of the Company, as at 31 March 2007, no other persons or companies had interests or short positions in the shares or 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.

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 of the Company, namely Professor Tsang Hin Pok, Herbert, who has ceased to be an independent non-executive director and a member of audit committee of the Company on 31 March 2007, Mr. Anthony Francis Martin Conway and Mr. Chan Hang.

Up to the date on which these financial statements for the year ended 31 March 2007 have been approved, the audit committee has held four meetings and has reviewed the Company's draft annual, interim and quarterly financial reports and accounts prior to recommending such reports and accounts to the Board for approval.

CODE OF BEST PRACTICE

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 year ended 31 March 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: (i) the Company's size is relatively small and thus does not justify the separation of the roles of the Chairman and Chief Executive Officer; (ii) the Company has sufficient internal controls to provide checks and balances on the functions of the Chairman and Chief Executive Officer; (iii) 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 (iv) 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. 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 plan to set up a remuneration committee. During the financial year ended 31 March 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. During the year under review, the Board determined the remuneration of executive directors appointed during the year on the basis of the existing remuneration policy adopted by the Company, and approved their service contracts with the Company. During the year under review, the Board had 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.

On behalf of the Board
Lee Shun Hon, Felix
Chairman

Hong Kong, 22 June 2007

As at the date of this announcement, the Company's executive directors are Mr. Lee Shun Hon, Felix, Mr. To Yung Yui, Steve and Ms. Jim Sui Fun; non-executive director is Dr. Liao, York; independent non-executive directors are Mr. Anthony Francis Martin Conway and Mr. Chan Hang.

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the day of its posting.