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 2008

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 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 2008, together with the comparative audited consolidated figures for the corresponding year, as follows:

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

CONSOLIDATED BALANCE SHEET

	Note	*2008* *HK$'000*	*2007* *HK$'000*
NON-CURRENT ASSETS			
Fixed assets		**3,782**	3,034
Software		**—**	—
Trade mark		**82**	88
Goodwill on consolidation		**1,721**	1,584
Development costs		**13,047**	13,778
Club debenture, at cost		**200**	200
Deferred tax		**1,360**	1,343
		20,192	20,027
CURRENT ASSETS			
Financial assets at fair value through profit or loss		**862**	1,105
Debtors, deposits and prepayments	7	**20,661**	20,257
Income tax recoverable		**—**	723
Pledged time deposits		**9,000**	9,000
Cash and bank balances		**2,920**	2,914
		33,443	33,999
CURRENT LIABILITIES			
Bank overdrafts, secured		**10,368**	11,120
Bank loans, secured		**1,297**	1,686
Bank loan - factoring arrangement		**1,489**	1,370
Obligation under finance lease		**72**	—
Creditors, accruals and deposits received	8	**9,097**	8,177
		22,323	22,353

	Note	*2008* HK$'000	*2007* HK$'000
NET CURRENT ASSETS		**11,120**	11,646
TOTAL ASSETS LESS CURRENT LIABILITIES		**31,312**	31,673
NON-CURRENT LIABILITIES			
Obligation under finance lease		**99**	—
Bank loans, secured		**2,703**	1,368
NET ASSETS		**28,510**	30,305
REPRESENTING:			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital		**7,500**	7,500
Reserves		**21,010**	22,805
TOTAL EQUITY		**28,510**	30,305

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

CONSOLIDATED CASH FLOW STATEMENT

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

	2008 HK$'000	2007 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for acquisition of minority interests in a subsidiary	**(137)**	—
Payment for purchase of fixed assets	**(1,307)**	(290)
Sales proceeds from disposal of fixed assets	**4**	1
Sales proceeds from disposal of financial assets at fair value through profit or loss	**395**	—
Payment for purchase of financial assets at fair value through profit or loss	**(42)**	(14)
Increase in development costs	**(2,833)**	(2,352)
NET CASH USED IN INVESTING ACTIVITIES	**(3,920)**	(2,655)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital element of finance lease rentals paid	**(28)**	—
Increase/(decrease) in bank loans	**1,065**	(177)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	**1,037**	(177)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**534**	(3,239)
CASH AND CASH EQUIVALENTS AS AT 1 APRIL	**(8,206)**	(5,056)
EFFECT OF EXCHANGE RATE CHANGES	**224**	89
CASH AND CASH EQUIVALENTS AS AT 31 MARCH	**(7,448)**	(8,206)
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**2,920**	2,914
Bank overdrafts	**(10,368)**	(11,120)
	(7,448)	(8,206)

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

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

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

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

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

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

2. Turnover

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

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

3. Other income

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

4. Loss before income tax

	2008 HK$'000	2007 HK$'000
Loss before income tax is arrived at after charging/(crediting):		
(a) Finance cost:		
Interest on bank loans, factoring loans and overdrafts wholly repayable within 5 years	**1,142**	1,097
Finance charge on obligation under finance lease	**7**	—
Other bank charges	**69**	67
	1,218	1,164
(b) Other items:		
Amortisation of development costs	**4,352**	4,387
Amortisation of software	**—**	330
Amortisation of trade mark	**6**	6
Depreciation	**796**	768
Less: Amounts capitalised as development costs	**(54)**	(42)
	742	726
Auditor's remuneration	**307**	347
Operating lease rentals for properties	**1,915**	2,167
Less: Amounts capitalised as development costs	**(110)**	(129)
	1,805	2,038
Directors' remuneration	**2,907**	3,387
Other staff salaries and benefits	**34,999**	32,737
Retirement scheme contributions	**2,868**	1,756
	37,867	34,493
Less: Amount capitalised as development costs	**(2,256)**	(2,011)
Other staff costs	**35,611**	32,482
Loss on disposal of fixed assets	**37**	242
Impairment loss on trade debtors	**66**	—
Dividend income from listed investments	**(11)**	(12)

5. Income tax expense/(credit)

(a) Taxation in the consolidated income statement represents:

	2008	*2007*
	HK$'000	*HK$'000*
Current tax	—	—
Deferred tax	**12**	(209)
Income tax expense/(credit)	**12**	(209)

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

(ii) The Group's subsidiaries incorporated/established in Hong Kong and PRC are subject to Hong Kong Profits Tax and PRC Enterprise Income Tax at the rates of 17.5% and 33% respectively. No provision for Hong Kong Profit Tax and PRC Enterprise Income Tax ("EIT") has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax and PRC Enterprise Income Tax for the each of two years ended 31 March 2007 and 2008.

(iii) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("New Tax Law") which has become effective on 1 January 2008. As a result of the New Tax Law, the statutory income tax rate adopted by the PRC entities, other than the aforesaid subsidiaries below, will be changed from 33% to 25% with effect from 1 January 2008.

(a) As approved by the relevant PRC tax authority, Guangzhou Armitage Technologies Limited was entitled to a two-year exemption from EIT followed by 50% tax exemption for the next three years, commencing from the first cumulative profit-making year in 2007. Therefore, Guangzhou Armitage Technologies Limited was exempted from EIT for the fiscal years 2007 and 2008. For the following three fiscal years from 2009 to 2011, Guangzhou Armitage Technologies Limited is subject to EIT at the rate of 15%. Starting from the fiscal year 2012, Guangzhou Armitage Technologies Limited will be subject to EIT at the unified rate of 25% under the transitional arrangement of the New Tax Law.

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

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

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

	_2008_	_2007_
	_HK$'000_	_HK$'000_
Loss before income tax	**(2,698)**	(5,058)
Tax effect at the Hong Kong Profits Tax rate of 17.5%	**(472)**	(885)
Hong Kong and PRC tax rates differential	**(43)**	34
Tax effect of income that is not taxable	**(987)**	(717)
Tax effect of expenses that are not deductible	**842**	990
Effect on opening deferred tax balances resulting from a decrease in applicable tax rate	**231**	—
Effect of tax loss and decelerated depreciation allowances not recognised	**441**	369
Income tax expense/(credit)	**12**	(209)

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

	_2008_	_2007_
	_HK$'000_	_HK$'000_
Deductible temporary differences *(Note 5(c)(i))*		
Unutilised tax losses *(Note 5(c)(ii))*	**12,740**	10,217
Decelerated depreciation allowances	**16**	17
	12,756	10,234

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

(ii) The unutilised tax losses accumulated in the PRC subsidiaries amounted to approximately HK$5,164,000 (2007: approximately HK$5,164,000) would expire in five years from the respective year of loss. The unutilised tax losses accumulated in the Hong Kong subsidiaries amounted to approximately HK$7,576,000 (2007: approximately HK$5,053,000) can be carried forward indefinitely.

6. Loss per share

The calculation of basic loss per share for each of the two years ended 31 March 2008 and 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.

Diluted loss per share for the years ended 31 March 2008 and 2007 have not been disclosed as the share options and warrants and the convertible bond outstanding during these years had an anti-dilutive effect on the basic loss per share for the two years.

7. Debtors, deposits and prepayments

Debtors, deposits and prepayments comprise:

	2008	*2007*
	HK$'000	*HK$'000*
Trade debtors	**18,970**	19,074
Less: Allowance for doubtful debts	**(1,380)**	(1,195)
	17,590	17,879
Rental and utility deposits	**354**	684
Prepayments	**762**	702
Other debtors	**1,955**	992
	20,661	20,257

(a) Aging analysis

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

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

(b) As at 31 March 2008, a sum of trade accounts receivables of approximately of HK$1,489,000 (2007: HK$1,522,000) has been assigned to a bank with recourse as collateral under factoring arrangement.

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

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

(d) Trade debtors that are not impaired

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

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

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

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

8. Creditors, accruals and deposits received

Creditors, accruals and deposits received comprise:

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

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

The following is an aging analysis of trade creditors:

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

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

(b) Business segments

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

	Provision of information solutions and design, development and sales of application software packages		Magazine publication and provision of advertising services		Unallocated		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Revenue from external customers	**58,250**	52,887	**1,117**	895	**–**	–	**59,367**	53,782
Segment assets	**52,784**	53,420	**688**	466	**163**	140	**53,635**	54,026
Capital expenditure incurred during the year	**4,289**	2,681	**104**	3	**–**	–	**4,393**	2,684

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

10. Dividend

The Board does not recommend the payment of any dividend in respect of the year ended 31 March 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

HONG KONG OPERATIONS

Outsourcing and Information Solutions

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

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

Application Software Packages Solutions

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

PRC OPERATIONS

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

Pegasus Hotel Management System ("*Pegasus*")

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

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

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

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

Over the past decades, hotel managers in the PRC have changed in their emphasis from hotel management solutions to tools that can help selling rooms effectively. Being sensitive to client's needs and market changes, the Group entered into an important strategic partnership with ETravel Technologies Limited ("ETT") in the third quarter of the financial year. ETT is one of the few entities providing hotel central reservation solutions in the PRC for global travel distributors like GDSs (Global Distribution System), IDSs (like Expedia, Travelocity) and domestic distributors such as online travel agents and travel management companies. ETT and the Group together successfully developed a two-way interface which connects hotel reservation bookings from ETT's central reservation system to ***Pegasus*** PMS for instant booking transactions. This strategic alliance is important to our future development because currently, there is a lack of core B2B technology providers in the PRC hospitality industry and we took the lead to provide the platform for the suppliers (hotels) and the users (travel agents, websites, hotel booking centres etc.) with real time transaction room booking facility. Through the provision of this value-added service, we are optimistic that our hotel customer base could be expanded at a much faster pace.

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

Industrial and Financial System ("*IFS*")

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

Magazine Publication & Advertising

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

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

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

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

FUTURE PROSPECTS

HONG KONG OPERATIONS

Outsourcing and Information Solutions

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

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

Applications Software Packages Solutions

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

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

PRC OPERATIONS

Pegasus Hotel Management System ("***Pegasus***")

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

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

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

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

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

Industrial and Financial System ("*IFS*")

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

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

Magazine Publication & Advertising

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

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

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

FINANCIAL REVIEW

Consolidated results of operations

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

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

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

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

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

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

Gross profit

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

Other income

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

Expenses

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

Financial resources and liquidity

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

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

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

Foreign exchange

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

Charges on the Group's assets

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

Capital commitments

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

Contingent liabilities

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

(b) The Group has contingent liabilities in respect of possible future long service payments to employees under the Employment Ordinance in Hong Kong, with a maximum possible amount of HK$1.4 million at 31 March 2008 (2007: HK$1.5 million).

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

Employees and remuneration policies

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

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

Long positions in the ordinary shares of the Company

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

Notes:

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 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 31 March 2008.

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

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

So far as is known to the directors of the Company, as at 31 March 2008, other than the directors as disclosed above, the persons or companies who had an interest or 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 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 31 March 2008.

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

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 Mr. Anthony Francis Martin Conway, Mr. Chan Hang and Mr. Li Pak Ki who has been appointed as an independent non-executive director and a member of audit committee of the Company on 1 August 2007.

Up to the date on which these financial statements for the year ended 31 March 2008 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 2008 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 2008, the Board is mainly responsible for determining the Company's policy on the remuneration of the directors and the review and approval of all remuneration packages of directors. During the year under review, the Board determined the remuneration of executive directors appointed during the year on the basis of the existing remuneration policy adopted by the Company, and approved their service contracts with the Company. During the year under review, the Board also reviewed the remuneration packages of all directors, based on the salaries paid by comparable companies, and the time commitment and responsibilities of the directors.

On behalf of the Board
Lee Shun Hon, Felix
Chairman

Hong Kong, 25 June 2008

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

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.