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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8213)

INTERIM REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2008

* *For identification purpose only*

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

FINANCIAL HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008

- Consolidated turnover (inclusive of hardware sales of HK$790,000) of HK$32.1 million was recorded for the reporting period. Excluding hardware sales, turnover increased by 16% compared to HK$27.0 million recorded for the corresponding period last year.

- Turnover from Hong Kong and the PRC's IT businesses, exclusive of hardware sales, increased by 14% and 18% respectively over the corresponding period last year.

- Income from magazine publication was HK$835,000, representing an increase of 29% over the corresponding period last year.

- Amortisation of development costs amounted to HK$2.1 million.

- Operating expenses rose by 12%, mainly attributable to increase in staff costs, rising inflation, appreciation of Renminbi at 10% and unrealised loss on financial assets at fair value through profit or loss compared with the corresponding period last year.

- Continuing with our strategy in magazine publishing, HK$1.8 million was invested in this area during the reporting period.

- EBITDA from the Group's IT business for the reporting period was $3.0 million, representing an increase of 58% over the corresponding period last year.

- Overall loss attributable to equity holders of the Company narrowed to HK$1.6 million (an improvement of 20% from HK$2.0 million for the corresponding period last year).

INTERIM RESULTS

The board of directors (the "Board") of the Company hereby announces the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the period ended 30 September 2008, together with the comparative unaudited consolidated figures for the corresponding period:

Condensed Consolidated Income Statement

For the six months ended 30 September 2008

		For the six months ended 30 September		For the three months ended 30 September	
		2008	2007	**2008**	2007
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	2	**32,082**	27,839	**16,826**	14,824
Cost of sales and services rendered		**(14,043)**	(13,021)	**(7,105)**	(6,789)
Gross profit		**18,039**	14,818	**9,721**	8,035
Other income		**173**	1,216	**105**	464
Operating expenses		**(19,334)**	(17,296)	**(10,095)**	(8,727)
Operating loss		**(1,122)**	(1,262)	**(269)**	(228)
Finance costs	3(a)	**(490)**	(685)	**(249)**	(346)
Loss before income tax	3	**(1,612)**	(1,947)	**(518)**	(574)
Income tax (expense)/credit	4	**(29)**	(82)	**2**	(29)
Loss for the period		**(1,641)**	(2,029)	**(516)**	(603)
Attributable to equity holders of the Company		**(1,641)**	(2,029)	**(516)**	(603)
Dividend		**—**	—	**—**	—
Loss per share (HK cents)					
- Basic	5	**(0.22)**	(0.27)	**(0.07)**	(0.08)
- Diluted	5	**N/A**	N/A	**N/A**	N/A

Condensed Consolidated Balance Sheet

As at 30 September 2008

	Note	**At 30 September 2008 (Unaudited) HK$'000**	At 31 March 2008 (Audited) HK$'000
NON-CURRENT ASSETS			
Fixed assets		**4,117**	3,782
Trade mark		**80**	82
Goodwill on consolidation		**1,721**	1,721
Development costs		**13,357**	13,047
Club debenture, at cost		**200**	200
Deferred tax		**1,340**	1,360
		20,815	20,192
CURRENT ASSETS			
Financial assets at fair value through profit or loss		**448**	862
Debtors, deposits and prepayments	6	**20,779**	20,661
Pledged time deposits		**9,000**	9,000
Cash and bank balances		**3,509**	2,920
		33,736	33,443
DEDUCT :			
CURRENT LIABILITIES			
Bank overdrafts, secured		**12,422**	10,368
Bank loans, secured		**1,311**	1,297
Bank loan - factoring arrangement		**2,010**	1,489
Obligation under finance lease		**75**	72
Creditors, accruals and deposits received	7	**8,995**	9,097
		24,813	22,323
NET CURRENT ASSETS		**8,923**	11,120
TOTAL ASSETS LESS CURRENT LIABILITIES		**29,738**	31,312
NON-CURRENT LIABILITIES			
Obligation under finance lease		**61**	99
Bank loans, secured		**2,045**	2,703
NET ASSETS		**27,632**	28,510

	Note	At 30 September 2008 (Unaudited) HK$'000	At 31 March 2008 (Audited) HK$'000
REPRESENTING:			
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Share capital		**7,500**	7,500
Reserves		**20,132**	21,010
TOTAL EQUITY		**27,632**	28,510

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company						
	Share capital	Accumulated losses	Share premium	Special reserve	Exchange reserve	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2008 (Audited)	**7,500**	**(27,248)**	**42,836**	**3,801**	**1,621**	**—**	**28,510**
Exchange reserve arising from translation of financial statements of the People's Republic of China ("PRC") subsidiaries	**—**	**—**	**—**	**—**	**763**	**—**	**763**
Loss for the six months ended 30 September 2008	**—**	**(1,641)**	**—**	**—**	**—**	**—**	**(1,641)**
At 30 September 2008 (Unaudited)	**7,500**	**(28,889)**	**42,836**	**3,801**	**2,384**	**—**	**27,632**
At 1 April 2007 (Audited)	7,500	(24,538)	42,836	3,801	706	–	30,305
Exchange reserve arising from translation of financial statements of the PRC subsidiaries	–	–	–	–	529	66	595
Acquisition of minority interests	–	–	–	–	–	(66)	(66)
Loss for the six months ended 30 September 2007	–	(2,029)	–	–	–	–	(2,029)
At 30 September 2007 (Unaudited)	7,500	(26,567)	42,836	3,801	1,235	–	28,805

Condensed Consolidated Cash Flow Statement

	For the six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
NET CASH FROM OPERATING ACTIVITIES	**1,283**	3,542
NET CASH USED IN INVESTING ACTIVITIES	**(2,730)**	(2,342)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	**(158)**	446
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(1,605)**	1,646
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**(7,448)**	(8,206)
EFFECT OF FOREIGN EXCHANGE RATE CHANGE	**140**	95
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**(8,913)**	(6,465)

ANALYSIS OF CASH AND CASH EQUIVALENTS

	At 30 September 2008	At 30 September 2007
	HK$'000	*HK$'000*
Cash and bank balances	**3,509**	4,619
Bank overdraft	**(12,422)**	(11,084)
	(8,913)	(6,465)

Notes:

1. **Basis of preparation**

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

The accounting policies and basis of preparation used in preparing the unaudited consolidated interim financial statements are consistent with those in the audited financial statements for the year ended 31 March 2008.

2. **Turnover**

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

	For the six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
Provision of information solutions		
– System development and integration	**14,625**	13,138
– Maintenance and enhancement income	**586**	557
Sales of application software packages and related maintenance income	**16,036**	13,498
Publishing and advertising income	**835**	646
	32,082	27,839

3. Loss before income tax

Loss before income tax is arrived at after charging:

		For the six months ended 30 September	
		2008	2007
		HK$'000	*HK$'000*
(a)	Finance costs:		
	Interest on bank loans, factoring loans and overdraft repayable within five years	**463**	620
	Finance charge on obligation under finance lease	**7**	—
	Other bank charge	**20**	65
		490	685
(b)	Other items:		
	Amortisation of development costs	**2,128**	2,225
	Amortisation of trade mark	**2**	2
	Depreciation	**439**	379
	Less : Amounts capitalised as development costs	**36**	25
		403	354

4. Income tax expense

Income tax expense in the unaudited consolidated income statement represents:

	For the six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
Current tax	**—**	—
Deferred tax	**(29)**	(82)
Income tax expense	**(29)**	(82)

(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 the PRC are subject to Hong Kong Profits Tax and PRC Enterprise Income Tax ("EIT") at the rates of 16.5% (2007: 17.5%) and 25% (2007: 33%) respectively. No provision for Hong Kong Profits Tax and EIT has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax and EIT for each of the two periods ended 30 September 2007 and 2008.

(iii) 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 25%.

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 18% for the year 2008, 20% for the year 2009, 22% for the year 2010, 24% for the year 2011, and 25% for the year 2012 and afterwards.

5. Loss per share

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

Diluted loss per share has not been disclosed as no dilutive potential ordinary shares were in existence during all periods presented.

6. Debtors, deposits and prepayments

Debtors, deposits and prepayments comprise:

	At 30 September 2008 *HK$'000*	At 31 March 2008 *HK$'000*
Trade debtors	**19,565**	18,970
Less : Allowance for doubtful debts	**(1,444)**	(1,380)
	18,121	17,590
Rental and utility deposits	**441**	354
Prepayments	**658**	762
Other debtors	**1,559**	1,955
	20,779	20,661

(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:

	At 30 September 2008	At 31 March 2008
	HK$'000	*HK$'000*
0 - 30 days	**13,811**	13,814
31 - 60 days	**125**	275
61 - 90 days	**622**	1,718
91 - 180 days	**383**	289
181 - 365 days	**2,586**	845
Over 1 year	**594**	649
	18,121	17,590

(b) As at 30 September 2008, a sum of trade accounts receivables of approximately of HK$2.2 million (at 31 March 2008: HK$1.7 million) has been assigned to a bank with recourse as collateral under factoring arrangement.

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

	At 30 September 2008	At 31 March 2008
	HK$'000	*HK$'000*
Beginning of the period	**1,380**	1,195
Impairment loss for the period	**1**	66
Exchange adjustment	**63**	119
End of the period	**1,444**	1,380

(d) Trade debtors that are not impaired

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

	At 30 September 2008 *HK$'000*	At 31 March 2008 *HK$'000*
Neither past due nor impaired	**13,215**	12,487
Past due but not impaired:		
1 - 30 days	**596**	1,327
31 - 60 days	**125**	275
61 - 90 days	**622**	1,718
91 - 180 days	**383**	289
181 - 365 days	**2,586**	845
Over 1 year	**594**	649
	4,906	5,103
	18,121	17,590

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

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

7. Creditors, accruals and deposits received

Creditors, accruals and deposits received comprise:

	At 30 September 2008 *HK$'000*	At 31 March 2008 *HK$'000*
Trade creditors	**1,497**	1,559
Deferred enhancement and maintenance income - *Note*	**1,908**	1,876
Deposits received	**8**	7
Accruals and provisions	**5,435**	5,505
Other creditors	**147**	150
	8,995	9,097

Note :

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

The following is an aging analysis of trade creditors:

	At 30 September 2008 *HK$'000*	At 31 March 2008 *HK$'000*
0 - 30 days	**424**	372
31 - 60 days	**38**	27
61 - 90 days	**16**	33
91 - 180 days	**327**	700
Over 180 days	**692**	427
	1,497	1,559

8. Related party and connected transactions

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

		For the six months ended 30 September	
		2008	2007
	Note	***HK$'000***	*HK$'000*
(i) Rentals paid to Supercom Investments Limited "(Supercom)"	(a)	**256**	256

(ii) Pledge of properties of Supercom to secure banking facilities of the Group.

Note:

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

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

Key management compensation

	For the six months ended 30 September	
	2008	2007
	HK$'000	*HK$'000*
Fees for key management personnel	**—**	—
Salaries, allowances and other benefits in kind	**3,178**	3,152
Retirement scheme contributions	**87**	65
	3,265	3,217

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 For the six months ended 30 September		Mainland China For the six months ended 30 September		Inter-segment For the six months ended 30 September		Consolidated For the six months ended 30 September	
	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	**20,896**	18,106	**11,186**	9,733	**–**	–	**32,082**	27,839
Cost of sales and services rendered	**(11,760)**	(10,311)	**(2,283)**	(2,710)	**–**	–	**(14,043)**	(13,021)
Gross profit	**9,136**	7,795	**8,903**	7,023	**–**	–	**18,039**	14,818
Other income	**388**	1,467	**40**	94	**(255)**	(345)	**173**	1,216
Operating expenses	**(11,141)**	(10,733)	**(8,229)**	(6,598)	**36**	35	**(19,334)**	(17,296)
Operating (loss)/profit	**(1,617)**	(1,471)	**714**	519	**(219)**	(310)	**(1,122)**	(1,262)
Finance costs	**(482)**	(678)	**(227)**	(317)	**219**	310	**(490)**	(685)
(Loss)/profit before income tax	**(2,099)**	(2,149)	**487**	202	**–**	–	**(1,612)**	(1,947)
Income tax (expense)/credit	**(33)**	(11)	**4**	(71)	**–**	–	**(29)**	(82)
(Loss)/profit for the period	**(2,132)**	(2,160)	**491**	131	**–**	–	**(1,641)**	(2,029)
Attributable to equity holders of the Company	**(2,132)**	(2,160)	**491**	131	**–**	–	**(1,641)**	(2,029)
Depreciation and amortisation	**1,889**	1,825	**643**	756	**–**	–	**2,532**	2,581
Capital expenditure incurred during the period	**1,506**	919	**1,224**	1,286	**–**	137	**2,730**	2,342
Segment assets and total assets	**69,437**	67,241	**23,750**	19,636	**(38,636)**	(34,594)	**54,551**	52,283
Segment liabilities and total liabilities	**(25,189)**	(21,660)	**(35,949)**	(31,780)	**34,219**	29,962	**(26,919)**	(23,478)

(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 For the six months ended 30 September		Magazine publication and provision of advertising services For the six months ended 30 September		Unallocated For the six months ended 30 September		Consolidated For the six months ended 30 September	
	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	**31,247**	27,193	**835**	646	**–**	–	**32,082**	27,839
Segment assets	**53,485**	51,419	**754**	721	**312**	143	**54,551**	52,283
Capital expenditure incurred during the period	**2,686**	2,250	**44**	92	**–**	–	**2,730**	2,342

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

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the period ended 30 September 2008 (2007: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's unaudited total turnover for the six months ended 30 September 2008 amounted to HK$32.1 million (2007: HK$27.8 million), an increase of 15% when compared with the corresponding period last year. Excluding hardware sales of HK$790,000 (2007: HK$807,000), turnover increased by 16% compared with the corresponding period last year. Net loss attributable to equity holders of the Company was narrowed down to HK$1.6 million from HK$2.0 million compared with the corresponding period last year.

HONG KONG OPERATIONS

Outsourcing and Information Solutions

The total turnover generated from the Outsourcing and Information Solutions Business Unit has grown at a steady pace.The total turnover for the six months ended 30 September 2008 was HK$15.2 million, representing an increase of 11% when compared with HK$13.7 million recorded for the corresponding period last year.

Revenue generated from two of our two existing clients, one of which is the largest airline operator in Hong Kong and the other, the world's largest private container operator, has grown steadily. The successful implementation of previous phases of the Roster System and Contractor Information Management System for the world's largest private container terminal operator helped us to conclude a new consultancy study contract for the next phase of these systems, during the reporting period. At the same time, the Group has concluded a large contract, the Gasoline Management System Phase II (GMS), by the end of September. Apart from the Integrated Customer Enquiry System which we started and to which we are still providing on-going service since September 2007, our offshore development centre in Shenzhen has successfully secured an ad-hoc Web System Enhancement assignment from an existing customer, one of Hong Kong's largest internet services providers. This has further validated our long term objective that on the development of our offshore development centre is a correct business strategy.The Group expects the growth momentum of this business will accelerate in the coming reporting quarters. After successful implementation of a Hyperion project for China Resources Corporation (CRC), the Group is currently exploring selling this business model to other paramedical subsidiaries of this conglomerate.

After several years of hard work, our Shenzhen subsidiary has successfully infiltrated into all major container ports in Shenzhen. Currently, our major focus is to consolidate our position, strengthen our relationships and continue to generate more business opportunities from existing clients.

Application Software Packages Solutions

Sales revenue generated from the Group's proprietary ERP application software package Armitage Industrial Management System ("***AIMS***"), together with its previous version ***Konto 21***, was HK$3.6 million, a 20% increase when compared with HK$3.0 million for the corresponding period last year.

The total revenue generated from the entire application business unit was HK$4.9 million (2007: HK$3.8 million), an increase of 29% when compared with the corresponding period last year. Despite the economic downturn, which has significantly deteriorated since August 2008, the Group was still able to conclude several major contracts with a number of trading and manufacturing companies in the electronic appliances, jewellery, toys and garment accessories industries. Additional modification services for two existing manufacturing customers have been concluded during the reporting.

To increase the competitiveness of ***AIMS***, the Group has successfully completed a feasibility study of the integration of REACH, an international environmental protection ordinance program, into ***AIMS***. We have also built an integration module named "BOM-Link" to facilitate the sharing of bill of materials (BOM) information with a global CAD/CAM application, a software solution distributed by our partner Intelligent CAD/CAM Technology Limited (ICT). During the reporting period, the Group has also been granted the Best Performance Company Awards 2008 - ERP Solutions Supplier (優質企業資源管理方案供應商) by Hong Kong financial magazine Capital Weekly. This is much appreciated encouragement and recognition of the Group's efforts in maintaining its leading position and reputation in the IT industry.

PRC OPERATIONS

Pegasus Hotel Management System (*"Pegasus"*)

The turnover generated from ***Pegasus*** amounted to HK$9.5 million (excluding hardware sales of HK$509,000), representing an increase of 36% compared with HK$7.0 million recorded for the corresponding period last year (excluding hardware sales of HK$597,000).

Although considerable growth was achieved, the Group faces various challenges in the market such as the economic slow down, government's tightening monetary measures, as well as the effects of the Sichuan Earthquake earlier in May this year. All these events hindered the development pace of hotels and thus indirectly affected the sales of ***Pegasus***, the Group's proprietary hospitality industry application software package.

Whilst most of the income generated from ***Pegasus*** comes from individually owned hotels, the Group has been trying hard to establish relationships with chain hotel operators. The advantage of building a business relationship with chain hotel operators is that all the hotels in that chain would use the same applications once we successfully concluded a contract with the chain hotel operator. In the long run, this helps to reduce the costs of future sales efforts. In the past year the Group is trying with tremendous efforts, to make a break-through towards this business development initiative. During the reporting period, the Group has successfully implemented three projects on group solutions (***Pegasus***, Central Reservation System and Customer Relationship Management System for chain hotels) to hotel operators. Customers highly complimented the Group on our outstanding performance, which further consolidated the Group's belief that group solutions should and would be our future growth drivers in the hospitality industry.

Maintenance income soared 47% to HK$1.7 million when compared with the corresponding period last year. The Group will continue to extend more efforts and will take measures to further raise our maintenance service qualities and, at the same time, explore ways and means to offer add-on values to attract customers to join our maintenance scheme.

Product enhancement is vital for our success. The Group has continuously put tremendous efforts on product enhancement such as the addition of new features on the Central Reservation System and Customer Relationship Management System. During the reporting period, the Group reviewed the existing Food and Beverage System features and revamped the system to make it more suitable for restaurants which are not attached to hotels.

Industrial and Finance System (*"IFS"*)

During the reporting period, turnover generated from ***IFS*** implementation shrank 48% to HK$1.1 million. No new contracts were concluded during the reporting period. Income was mainly generated from maintenance and services provided to existing customers.

Since August 2008, the economic downturn has caused the closing down of numerous factories in the Pearl River Delta ("PRD"). This has created an extremely difficult business environment for the Group in selling ERP solutions in the PRD region. To effectively and efficiently identify potential clients, the Group has selected the paper manufacturing industry, a field where the Group has strong expertise, and the ship building industry where there are few ERP competitors, as our target industries. Sales efforts will be concentrated on these business sectors.

MAGAZINE PUBLICATION AND ADVERTISING

Revenue generated from advertising and publishing sales of the Group's hotel guest room magazine ***e²Smart*** was HK$835,000, representing a 29% growth when compared with the corresponding period last year.

The magazine is continuing to make progress in terms of the number of advertisements, its quality and its reputation. The September issue alone achieved a record high in revenue, generating an advertising income of HK$331,000. The Group secured contracts with two new clients during the reporting period. One is a renowned Japanese high-end jewellery brand, the other is a watch brand which is a member of one of the largest global watch groups. We also successfully concluded a contract with an existing client, a reputable watch and jewellery brand which had previously had insertions in our magazine, which entailed their placing a cover ad in our September 2008 issue. The two issues of the Macau supplements were also successfully launched in April and September 2008 respectively, both were fully sponsored by the Macau Tourism Board.

Currently, the average advertisement page rate after discount has increased 8% when compared with the corresponding period last year. This is a sign which proves recognition by advertisers that ***e²Smart*** among other similar magazines in the highly competitive media market in the PRC, is a very good means of access to the young and vibrant wealth market.

Continuing the operation aspect, in order to speed up communication and to improve operations efficiency, the editorial team was relocated to Shanghai in September 2008.

FUTURE PROSPECTS

HONG KONG OPERATIONS

Outsourcing and Information Solutions

The effects of the financial tsunami have already caused a global economic recession, and it is believed that the worst is yet to come. It is inevitable that the effects of the financial meltdown will eventually hit every sector of business and that the logistics and transportation industry is already among the hardest hit. Despite these unfavorable circumstances, the Group is confident that, with our solid foundation with clients and our reputable deliverables quality, we will be able to continue as one of the key service providers in our chosen industry. Business conditions are expected to be harsh and difficult in the coming few quarters and the Group will take a cautious approach in planning our company's strategy which will leave us well-positioned for the next wave of growth when it comes, hopefully within the next eighteen months.

Application Software Packages Solutions

The ongoing financial meltdown, which has struck our SME customers particularly hard, has and will continue to affect our businesses directly. ***AIMS*** will face tough challenges in the coming quarters. To counter-act a tumultuous event like this, the Group, having seen success from the launching of ***AIMS Express***, is considering the launching of ***Konto Express***, a similar version with a newer and a simpler interface with compacted functions, with an attractive price to address clients' needs at this very difficult economic time. We hope that with this new initiative, we will be able to capture a new tier of clients and open a new income source for our application business unit.

PRC OPERATIONS

Pegasus Hotel Management System (*"Pegasus"*)

The effects of the financial crisis will continue to hit different aspects of the economy, and it is most unlikely that the hospitality sector can be immune. Because of the current and continuing harsh business circumstances, the best recourse for our company is to weather the storm and demonstrate our ability to stay on track with our business plans. The Group is convinced that we have the ability to battle and win through these difficulties. The Group further believes that some of our less competent competitors will be eliminated during this turbulent time and only the experienced and capable will continue when tsunami ends. We will seize this as an opportunity to consolidate our position in the market as we believe that the hospitality industry in the PRC still has immense growth potential in the medium to long term. As one of the top three most reputable hospitality solutions providers in the PRC, the Group is optimistic on the future development of ***Pegasus***, and its recognition is a best-in-class solution for the IT needs of the hospitality industry.

Currently, the Group is developing a new hospitality solution, Mermaid Solutions, targetted at high-end hotels in the PRC as well as throughout Asia. The Group's confidence in its brand and recognition in the hospitality industry is boosted by the decision from one of our user chain hotel operators to extend implementation of ***Pegasus*** from its local hotels in the PRC to all of its hotels in the Asia Pacific region.

With improvement of people's living standards, the food and beverage industry in the PRC is thriving at a fast-growing pace. In order to cope with the markets' needs and requirements, the Group has decided to streamline the operation procedures of our existing Food and Beverage System by increasing its user-friendliness and enhancing the backend functions to fit market needs. The Group is anticipating cooperation with suitable and reliable hardware vendors and local food and beverage corporations to increase our exposure in this dynamic and fast-moving business sector.

Leveraging on the Group's database of over 1,500 users, the Group is planning to develop a B2B platform which connects hotels and hotel distribution channels and corporate customers etc. This platform enables real-time hotel room bookings and will greatly reduce manpower requirements from both ends. The Group is currently exploring opportunities with major travel agencies for future cooperation in this respect.

Industrial and Finance System (*"IFS"*)

IFS is no doubt a quality product with a renowned worldwide reputation for excellence. Having said that, however, current market conditions have made the selling of ***IFS*** very difficult for the Group. With the financial tsunami, many corporations are tightening their budgets or delaying their buying plans. The slowing of the selling cycle and the dim chances of identifying potential new clients in the near to mid term, together with the predicted shutting down of dozens of factories in the Pearl Delta region is a tough problem the Group has to face in the coming quarters. We are currently exploring cost-saving plans for this business unit to alleviate the financial impact of this severe problem. Rest assured an experienced group of board members and senior management are giving their utmost attention to this matter and, indeed, all operational matters of the Group.

MAGAZINE PUBLICATION AND ADVERTISING

We view high class, high value watches as one of the industries with most potential for our magazine ***e²Smart***. We will continue to pay great attention and use our best efforts in this business sector. Currently, we are under negotiation with a number of major watch brands and we are confident that we will be able to conclude contracts with two to three new top brands in the coming quarters. Meanwhile, the Group has successfully secured an advertisement contract with another international renowned hi-fi brand and their advertisements will be launched in ***e²Smart*** in the coming quarters. We are also in the process of bidding for a production and editorial project for one of the largest insurance companies in the PRC to produce its VIP clubhouse newsletter. If this is concluded, we will be responsible for its production, editorial, design and a print run of no less than 400,000 copies per issue. This will serve as solid proof of the Group's publishing capability and will undoubtedly enrich the Group's media production portfolio.

Cooperation with the Hong Kong Institute of Marketing ("HKIM") on publishing its quarterly newsletter has proceeded smoothly, and the Group has successfully launched two quarterly issues of the HKIM marketing newsletter at the end of April and July 2008 respectively. Our sales team has put great effort and this has started to bear fruitful results. The first advertisement contract in the newsletter was concluded at the end of September and this advertisement will be placed in the third HKIM marketing newsletter quarterly issue, to be published in November 2008.

Despite the dire negative economic circumstances, which we believed will have an adverse effect on all consumers' market, the PRC's domestic spending power remains relatively robust when compared with other regions. On the whole, the advertising industry in the PRC continues to be promising. Nevertheless, we plan to take further aggressive measures on cost-control, and we have an appropriate business strategy in place to prepare ourselves to face future challenges.

FINANCIAL REVIEW

For the six months ended 30 September 2008, the Group recorded a total turnover of HK$32.1 million (2007: HK$27.8 million). Excluding revenue generated from hardware sales of HK$790,000 (2007: HK$807,000), turnover increased by 16% compared with the corresponding period last year.

Turnover generated from Hong Kong operations was HK$20.9 million (2007: HK$18.1 million). Exclusive of hardware sales of HK$281,000 (2007: HK$210,000), this represented an increase of 15% compared with the corresponding period last year.

Turnover generated from PRC operations was HK$11.2 million (2007: HK$9.7 million). Exclusive of hardware sales of HK$509,000 (2007: HK$597,000 million), this represented an increase of 18% compared with the corresponding period last year was recorded.

The gross profit margin of the Group was 56% (2007: 53%), a slight increase compared with the corresponding period last year.

Net loss attributable to equity holders of the Company was recorded at HK$1.6 million (2007: HK$2.0 million), representing a 20% improvement. With regard to the realised and unrealised loss on financial assets at fair value through profit or loss, this amounted to HK$414,000 (2007: gain of HK$842,000). Excluding the realised and unrealised gains or loss on financial assets at fair value through profit or loss, the loss attributable to equity holders of the Company will be adjusted to HK$1.2 million (2007: HK$2.9 million).

The Group's core business is provision of IT services and sales of application software packages ("IT business"). The EBITDA (earnings before interest, income tax, depreciation and amortisation) for the six months ended 30 September 2008 from its IT business was HK$3.0 million (2007: HK$1.9 million), representing an increase of 58%.

Financial Resources and Liquidity

As at 30 September 2008, the equity attributable to equity holders of the Company amounted to HK$27.6 million (at 31 March 2008: HK$28.5 million). Current assets amounted to HK$33.7 million (at 31 March 2008: HK$33.4 million) of which HK$12.5 million (at 31 March 2008: HK$11.9 million) was cash and bank deposits and HK$20.8 million (at 31 March 2008: HK$20.7 million) was debtors, deposits and prepayments. The Group's current liabilities amounted to HK$24.8 million (at 31 March 2008: HK$22.3 million), including bank loans and overdrafts and obligation under finance lease in the amount of HK$15.8 million (at 31 March 2008: HK$13.2 million).

Current ratio was 1.36 (at 3 March 2008: 1.50). 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 0.52 (at 31 March 2008: 0.46).

Foreign Exchange

The Group received Renminbi income from sales in China. Fluctuation in exchange rates of Renminbi against foreign currencies could affect the Group's results of operations. During both periods for the six months ended 30 September 2008 and 2007, no hedging transaction or other exchange rate arrangement was made.

Significant Investments and Acquisition

The Group had no material acquisitions and disposal of subsidiaries and affiliated companies during the six months ended 30 September 2008.

Charges on the Group's Assets

As at 30 September 2008, the Group's time deposits of HK$9.0 million (at 31 March 2008: HK$9.0 million) and accounts receivable of HK$2.2 million (31 March 2008: HK$1.7 million) have been pledged to banks to secure general banking facilities granted to the Group.

Capital Commitments

The Group had no material capital commitments during the six months ended 30 September 2008.

Contingent Liabilities

(a) As at 30 September 2008, the Group had contingent liabilities in respect of performance bonds amounting to HK$122,000 (at 31 March 2008: HK$159,000) issued by a bank in favour of a customer for the due performance of contract works undertaken by the Group.

(b) As at 30 September 2008, the Group has contingent liabilities in respect of possible future long service payments to employees under the Employment Ordinance in Hong Kong, with a maximum possible amount of HK$1.6 million (at 31 March 2008: HK$1.3 million).

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

Subsequent Event

On 10 October 2008, the Company granted 21,100,000 share options to the employees of the Group under the Company's Share Option Scheme which is adopted on 26 February 2003. The exercisable period is from 10 October 2009 to 25 February 2013. The exercise price is HK$0.055.

The fair value of options granted has been determined using Black-Scholes valuation model. The significant inputs into the model were share price of HK$0.036 at the grant date, expected life of options of 2.69 years, no expected dividend paid out, average annual risk-free interest rate of 1.56% and annualised volatility of 105.70%.

For the year ending 31 March 2009, the employee share options benefits charged to profit and loss will be about HK$188,000.

Employees and Remuneration Policies

As at 30 September 2008, the Group had a total of 343 employees (at 31 March 2008: 328). Remuneration is determined by reference to market terms and in accordance with the performance, qualification and experience of each individual employee. Discretionary bonuses, based on each individual's performance, are paid to employees as recognition and in reward of their contributions. Other fringe benefits such as medical subsidy, medical insurance, education/training subsidies, pension fund plans are offered to most employees. Share options are granted at discretion of the Board under the terms and conditions of the Employees Share Option Scheme.

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

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

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

As at 30 September 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 3)*
Mr. Lee Shun Hon, Felix	Personal	206,268,740		27.50%
	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 Wai Yip, Alvin and his daughter Ms. Lee Sze Yee, Joyce and therefore Mr. Lee Shun Hon, Felix is deemed to have interests in these shares in which Ms. Leung Mee Chun, Stella, Mr. Lee Wai Yip, Alvin and Ms. Lee Sze Yee, Joyce are interested.

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

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

4. Based on 750,000,000 shares of the Company in issue as at 30 September 2008.

Save as disclosed herein, as at 30 September 2008, none of the directors had any interests or short positions in the shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

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

So far as is known to any directors of the Company, as at 30 September 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 ordinary shares of the Company

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

Notes:

1. The issued share capital of Kingspecial Investments Limited is beneficially owned as to 30% by Mr. Lee Shun Hon, Felix, as to 30% by Mr. Lee Shun Kwong and as to 30% by Dr. Lee Shun Hung, Kelvin (both of whom are brothers of Mr. Lee Shun Hon, Felix) and as to 10% by Mrs. So Li Hang Lin, the sister of Mr. Lee Shun Hon, Felix.

2. Mr. Lee Shun Kwong has an attributable interest of 34,373,452 shares through his shareholding interest of 30% in Kingspecial Investments Limited.

3. Based on 750,000,000 shares of the Company in issue as at 30 September 2008.

Save as disclosed herein, so far as is known to the directors of the Company, as at 30 September 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, namely Mr. Anthony Francis Martin Conway, Mr. Chan Hang and Mr. Li Pak Ki.

Up to the date of approval of the Group's unaudited results for the six months ended 30 September 2008, the Audit Committee has held two meetings and has reviewed the draft interim report and accounts for the six months ended 30 September 2008 prior to recommending such report and accounts to the Board for approval.

DIRECTORS' SECURITIES TRANSACTIONS

Throughout the six months ended 30 September 2008, the Company adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries of all directors, the Company confirms that all of the Company's directors complied with such required standard of dealings and its code of conduct regarding directors' securities transactions.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in Code on Corporate Governance Practices under Appendix 15 of the GEM Listing Rules of the Stock Exchange throughout the six months ended 30 September 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 the Company's size is relatively small and thus does not justify the separation of the roles of the Chairman and Chief Executive Officer; the Company has sufficient internal controls to provide checks and balances on the functions of the Chairman and Chief Executive Officer; Mr. Lee Shun Hon, Felix as the Chairman of the Board and the Chief Executive Officer of the Group is responsible for ensuring that all directors act in the best interests of the shareholders. He is fully accountable to the shareholders and contributes to the Board and the Group on all top-level and strategic decisions; and this structure will not impair the balance of power and authority between the Board and the management of the Company.

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

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

On behalf of the Board
Lee Shun Hon, Felix
Chairman

Hong Kong, 11 November 2008