Annual Report
for the year ended 31 March 2010

TIMELESS SOFTWARE LTD.

Characteristics of The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Exchange")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

Contents

Corporate Information

Directors

Executive directors
CHENG Kin Kwan
LAW Kwai Lam
LEUNG Mei Sheung Eliza
ZHENG Ying Yu
FUNG Chun Pong Louis
LIAO Yun

Independent non-executive directors
TSANG Wai Chun Marianna
CHAN Mei Ying Spencer
LAM Kwai Yan

Secretary

LAW Kwai Lam

Qualified accountant

LEUNG Wai Sze *CPA, FCCA*

Compliance officer

LAW Kwai Lam

Audit committee

TSANG Wai Chun Marianna
CHAN Mei Ying Spencer
LAM Kwai Yan

Registered Office

Units 111-113 1st Floor
Building 9 Phase One
Hong Kong Science Park
Tai Po New Territories
Hong Kong

Auditors

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Legal adviser

Deacons
Hammonds

Banker

Hang Seng Bank Limited

Share Registrars

Computershare Hong Kong
Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

REVIEW

In 2009, despite of the gloomy global economy, Mainland China strongly endorsed development; various economy stimulating policies and measures were launched; the Macro Economic Control of ensuring GDP growth rate not to be less than 8% was one of them. Boosted by the positive policies, China's economy was the quickest to recover from the financial crisis.

Riding on the wave and the years of effort that Timeless spent and rooted into specific industries, we endeavored to strive for favorable results. We are being recognized in Space Technology projects; we are expanding in justice enforcement informatization projects and in education informatization projects, we are endeavoring to become the standards for digital publication and e-book projects.

Other than China, we have successfully completed the acquisition of Encore in early 2010; such acquisition strengthened our market infiltration power inside and outside of Hong Kong and also laid the foundation for our future income.

OUTLOOK

In a year full of challenges and competitions, we managed to progress steadily, achieving solid growth. At the same time, our financial position is healthy, operating cash flow continues to improve; further, we have established an advance consolidated network service groundwork, capable of meeting the ever-growing demand of service applications based on network services.

We are now able to better explore the market; since demand for network services are on the rise, as overall economy recovers, we are fully confident that our future income will be stable and significant from various industries and segments in the long run.

On behalf of the Board
Cheng Kin Kwan
Chairman & Chief Executive Officer

Hong Kong, 23 June 2010

RESULTS FOR THE YEAR ENDED 31 MARCH 2010

The directors continued to take a conservative approach for accounting purposes and a stringent view on recognising revenue was still being adopted especially for contracts of relatively longer term in nature in Mainland China.

For the year ended 31 March 2010, the loss attributable to owners of the Company was approximately HK$2,864,000, representing a decrease of 88.1% as compared to the loss of approximately HK$23,998,000 for the year ended 31 March 2009. The substantial decrease in net loss was mainly due to the following items:

1. The audited turnover of approximately HK$16,710,000 was significantly increased by 84.8% as compared to approximately HK$9,042,000 in last year; and
2. Gain on partial disposal of equity interest in a jointly controlled entity of approximately HK$3,846,000 was recorded for the year under review; and
3. Net gains on equity-linked notes of approximately HK$3,630,000 was recorded for the year under review while net losses on equity-linked notes of approximately HK$5,347,000 was recorded in last year; and
4. An impairment loss recognised on investments in a jointly controlled entity of approximately HK$1,379,000 was recorded in last year.

For the year ended 31 March 2010, the other income mainly comprised interest income of approximately HK$672,000 (2009: HK$1,468,000) and amortisation of financial guarantee obligations of approximately HK$460,000 (2009: HK$2,001,000) and rental income from investment properties of approximately HK$489,000 (2009: HK$677,000).

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations and investing activities primarily with internally generated cash flow.

As at 31 March 2010, the Group had bank balances and cash (excluding pledged bank deposits) of approximately HK$74,322,000 (2009: HK$72,208,000).

As at 31 March 2010, the Group had total outstanding borrowings of approximately HK$1,086,000 (2009: HK$1,294,000). The borrowings comprised a bank loan of approximately HK$975,000 (2009: HK$1,144,000), which is repayable by monthly installment and will be fully repaid on 15 March 2015, obligations under a finance lease of approximately HK$111,000 (2009: HK$150,000), which will be fully repaid on 30 September 2012.

GEARING RATIO

As at 31 March 2010, the Group's gearing ratio was approximately 1.02% (2009: 1.23%), based on total borrowings of approximately HK$1,086,000 (2009: HK$1,294,000) and equity attributable to owners of the Company of approximately HK$106,502,000 (2009: HK$105,499,000).

CHARGE ON THE GROUP'S ASSETS

As at 31 March 2010, a commercial property with a carrying value of approximately HK$2,038,000 (2009: HK$2,202,000) situated in Guangzhou held by a PRC subsidiary was pledged to a bank to secure the loan of approximately HK$975,000 (2009: HK$1,144,000).

As at 31 March 2009, bank deposits totalling of approximately HK$11,407,000 were pledged to banks to secure the banking facilities granted to the Company's subsidiaries and a jointly controlled entity. During the year under review, the pledged bank deposits had been released upon cancellation of the banking facilities by the subsidiaries and repayment of the secured bank loan by the jointly controlled entity.

CAPITAL STRUCTURE

As at 31 March 2010, the Company's total number of issued shares was 1,133,261,503 (2009: 1,133,261,503).

SEGMENTAL INFORMATION

The Group is currently organised into three operating divisions – software development, hardware sales and software sales. Turnover generated from software development, hardware sales and software sales accounted for 86.6% (2009: 26%), 4.1% (2009: 74%) and 9.3% (2009: nil) respectively during the year under review.

ORDER BOOK AND PROSPECTS FOR NEW BUSINESS

The amount of orders on hand of the Group was over HK$2,669,000 as at 31 March 2010.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save for the acquisition of the entire issued share capital of Encore Trading Limited, which had been completed in February 2010, there was no material disposal or acquisition of subsidiaries and affiliated companies for the year under review.

FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group does not have any plan for material investments in the near future.

EXPOSURE TO EXCHANGE RISKS

Since the Group's borrowings and its source of income are primarily denominated in Hong Kong dollars or Renminbi and the exchange rate of Renminbi to Hong Kong dollars has been relatively stable throughout the year under review, the exposure to foreign exchange rate fluctuations is minimal.

CONTINGENT LIABILITIES

Guarantee given

At 31 March 2009, the Group had given guarantee of RMB4,900,000 to a bank to secure the credit facilities granted to a jointly controlled entity of the Company. At 31 March 2009, the amount of facilities utilised was RMB4,900,000. On 6 August 2009, the guarantee period was expired and the loan of RMB4,900,000 had been repaid in full by the jointly controlled entity.

As at 31 March 2009, the Company had given corporate guarantees of HK$5,000,000 to certain banks to secure the credit facilities granted to its subsidiaries. No subsidiaries had utilised the credit facilities during the year ended 2009. The corporate guarantees had been cancelled during the year under review.

SIGNIFICANT EVENT

(a) Litigation

During the year ended 31 March 2007, the Company initiated legal proceedings against a third party (the "Landlord") in respect of an alleged breach of the tenancy agreement in failing to refund the deposit of HK$1,790,000 (the "Case"). Concurrently, the Landlord resisted the claim and counterclaimed against the Company on, including but not limited to, reinstatement work and rental losses. Hearing of the Case took place in the early half of 2009. The judgment, entered in favour of the Company, included the full amount claimed and costs of the action. At the date of report, an amount of HK$3,330,014.24, representing the full and final settlement of the deposit, interest accrued up to the date of payment and costs of the actions, has been received.

(b) Interest in a jointly controlled entity – Zhuhai Southern Software Park Development Company Limited ("ZSSP")

On 27 May 2010, the Company entered into a sale and purchase agreement with an independent third party to sell approximately 12% equity interest of ZSSP ("Sale Interest") at a consideration of RMB10,800,000 (equivalent to HK$12,000,000). Upon completion of the Sale Interest, the Company will retain a 3.31% equity interest of ZSSP.

EMPLOYEE INFORMATION

As at 31 March 2010, the Group employed a total staff of 42. Staff remuneration is reviewed by the Group from time to time and increases are granted normally annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides staff benefits including medical insurance and provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive directors

Mr. Cheng Kin Kwan, aged 71, is the founder and Chairman and Chief Executive Officer of the Company. Prior to establishing the Company, Mr. Cheng has been serving the IT industry for over 30 years. He was the inventor who developed the first Chinese processing system and brought into China the first generation of image processing PC, the first dealer of Novell system in Hong Kong and China, and also, the developer of the first computer system for Hong Kong Futures Exchange. He took up various senior positions in software development companies and provided services as technical consultant for multinational vendors.

Mr. Law Kwai Lam, aged 63, is the Corporate Affairs Director and the Company Secretary of the Company. Mr. Law has been with the Group since its establishment, and has since been responsible for the Company's and the Group's administrative, legal and secretarial matters. Mr. Law holds a Bachelor degree in Biochemistry from the University of Kansas. Prior to joining the Group, Mr. Law was the Company Secretary of a listed company in Hong Kong for 10 years.

Ms. Leung Mei Sheung, Eliza, aged 45, is the Administration Director of the Group and is responsible for the overall administrative management of the Group and special assignments by the CEO. Ms. Leung joined the Group in June 1996. She has over 24 years of experience in office administration and accounting in the IT field.

Ms. Zheng Ying Yu, aged 36, is the Chief Representative of the Group's Guangzhou subsidiary, responsible for market promotion, business development and the overall operation of the Guangzhou office. She joined the Group in 1998 and has 14 years experience in the IT industry. Ms Zheng holds a Bachelor of Science degree in Computer Science from ZhongShan University.

Mr. Fung Chun Pong, Louis, aged 57, is the Head of Operations, Hong Kong and is responsible for the overall operations of the Hong Kong region. Mr. Fung joined the Group in October 1998. He has over 30 years of experience in the IT industry and specialises in financial systems.

Mr. Liao Yun, aged 37, is the Head of Development-Guangzhou, responsible for planning and executing project development and Timeless Consolidated Platform development. Mr. Liao holds a Bachelor's Degree in Computer Software from South China University of Technology. He joined the Group in July 1998 and has over 14 years experience in the IT industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Tsang Wai Chun, Marianna, aged 55, is the director of Chan & Wat, Certified Public Accountants. She is a member of the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Company Secretaries, the Taxation Institute of Hong Kong, the Association of Professionals in Business Management and the Society of Registered Financial Planners. Ms. Tsang has over 25 years of company secretarial, corporate affairs, and related legal working experience in major commercial corporations and in professional firms. She has an MBA and a postgraduate certificate in Professional Accounting. She was appointed as an independent non-executive director in October 2003.

Mr. Chan Mei Ying, Spencer, aged 54, is a director of Ubique Solutions Ltd. Mr. Chan has all round experience in corporate finance, business development, sales and marketing. Mr. Chan studied Computer Science in Melbourne, Australia, before receiving a Master's Degree in Business Administration from the Chinese University of Hong Kong. He also has attended an executive management program at INSEAD, Fontainbleau, France.

Mr. Lam Kwai Yan, aged 50, has a degree in Business Studies from the University of Southern Queensland, Australia. He is a member of the Hong Kong Institute of Public Accountants and the New Zealand Society of Chartered Accountants, and a Fellow of the Australian Society of Certified Practicing Accountants. Mr. Lam has worked for various large corporations, first starting his accounting career with Cable & Wireless (H.K.) Ltd. Subsequently, he worked in New Zealand for a number of years before returning to Hong Kong and starting an accounting practice. He has vast experience with SME's, including auditing and consulting on re-organization and restructuring businesses that have cross-border operations in China. His work also included advising and consulting for listed public companies. Mr. Lam was appointed as an independent non-executive director in December 2008.

SENIOR MANAGEMENT

Mr. Kan Ji Ran, Laurie, aged 49, is the Deputy Chief Executive Officer of the Group. He is a veteran in the Asian IT industry. Mr. Kan has held senior positions at PointCast Asia, China Internet Corporation (now Chinadotcom), Microsoft (Hong Kong) Limited and Compaq. He graduated in Business Management from Hong Kong Baptist College and from Stanford University's Executive Program.

INTRODUCTION

The Company strives to attain and maintain the highest standard of corporate governance as it believes that effective corporate governance practices are fundamental to enhancing shareholder value and safeguarding shareholder interests.

The principles of corporate governance adopted by the Group emphasize a quality board, sound internal control, and transparency and accountability to all shareholders.

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules. Unless otherwise disclosed herein, the Company has complied with the Code throughout the year ended 31 March 2010.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding the securities transactions by directors 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 enquiry of all directors, all directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the year ended 31 March 2010.

THE BOARD

The Board is responsible for directing the strategic objectives of the Company and overseeing the management of the business. The directors are charged with the task of promoting the success of the Company and making decisions in the best interest of the Company.

The Board led by the Chairman, Mr. Cheng Kin Kwan, approves and monitors group wide strategies and policies, annual budgets and business plans, evaluates the performance of the Company, and supervises the management. Management is responsible for the day-to-day operations of the Group under the leadership of the Chairman.

As at 31 March 2010, the Board comprised nine directors, including the Chairman, five executive directors and three independent non-executive directors. Biographical details of the directors are set out in the "Biographical Details of Directors and Senior Management" section on pages 7 to 8.

The Board held 7 meetings during the year ended 31 March 2010 with an average attendance rate of approximately 87%.

	Attendance
Executive directors	
Cheng Kin Kwan *(Chairman)*	7/7
Law Kwai Lam	7/7
Leung Mei Sheung Eliza	6/7
Zheng Ying Yu	7/7
Fung Chun Pong Louis	7/7
Liao Yun	6/7
Independent non-executive directors	
Tsang Wai Chun Marianna	7/7
Chan Mei Ying Spencer	7/7
Lam Kwai Yan	7/7

The Company confirmed that annual confirmations of independence were received from each of the Company's independent non-executive directors pursuant to rule 5.09 of the GEM Listing Rules and all independent non-executive directors are considered to be independent.

The Company's Articles of Association have been amended to provide that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the executive directors has entered into service contract with the Company when they are appointed as directors of the Company. These service contracts will continue thereafter until terminated by either party giving to the other party not less than three months' notice in writing.

Save as disclosed above, none of the directors proposed for re-election at the forthcoming annual general meeting has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than the statutory compensation.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company does not have a separate chairman and chief executive officer and Mr. Cheng Kin Kwan currently holds both positions.

Given the Group's current stage of development, the Board considers that vesting the roles of chairman and chief executive officer in the same person facilitates the execution of the Group's business strategies and maximizes effectiveness of its operation. The Board shall nevertheless review the structure from time to time and shall consider the appropriate move to take should suitable circumstance arise.

NON-EXECUTIVE DIRECTORS

Each of the independent non-executive directors was appointed for a term of one year.

REMUNERATION OF DIRECTORS

A remuneration committee was set up in March 2006. The primary aim of the Remuneration Committee is to formulate transparent procedures for developing remuneration policies and compensation packages for the employees of the Group. The Remuneration Committee comprises three members, the majority of whom are independent non-executive directors. They are:

Mr. Cheng Kin Kwan *(Chairman of the Remuneration Committee)*,
Ms. Tsang Wai Chun Marianna and
Mr. Chan Mei Ying Spencer.

All members of the Remuneration Committee have reviewed in one meeting during the year the performance of some of the directors for the year based on their performances. The emoluments of each of the directors are set out in this annual report on page 56.

NOMINATION OF DIRECTORS

The Company has established a nomination committee (the "Nomination Committee") in March 2006 in compliance with the GEM Listing Rules, terms of reference of which have been adopted by the Company are consistent with the requirements of the Code. The Nomination Committee currently comprises two independent non-executive directors and one executive director, namely, Ms. Tsang Wai Chun Marianna, Mr. Chan Mei Ying Spencer and Mr. Fung Chun Pong Louis.

The Nomination Committee meets at least once a year or as needed where vacancies arise at the Board.

AUDITORS' REMUNERATION

For the year ended 31 March 2010, the fees payable to the auditors in respect of the audit, non-audit and tax and consultancy services were as follows:

Types of services	**Deloitte Touche Tohmatsu Amount (HK$)**	**HLB Hodgson Impey Cheng Amount (HK$)**
Audit services	119,000	600,000
Tax and consultancy services	41,000	—

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors, Ms. Tsang Wai Chun Marianna, Mr. Chan Mei Ying Spencer and Mr. Lam Kwai Yan. During the year ended 31 March 2010, the Audit Committee held 4 meetings with 100% attendance.

Name of members	**Attendance**
Tsang Wai Chun Marianna *(Chairman)*	4/4
Chan Mei Ying Spencer	4/4
Lam Kwai Yan	4/4

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee has reviewed the annual report for the year ended 31 March 2010 in conjunction with the Company's external auditors. The Audit Committee has reviewed the Group's internal control system and discussed with the management the relevant issues including financial, operational and compliance controls and risk management functions and ensured that the management has discharged its duty to have an effective internal control system including the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget.

Under the terms of reference of the Audit Committee, the committee is required, amongst other things, to oversee the relationship with the external auditors, review the Group's preliminary results, interim results and annual financial statements, monitor compliance with statutory and GEM Listing Rules requirements, review the scope, extent and effectiveness of the activities of the Group's internal control, engage independent legal or other advisers as it determines is necessary and perform investigations.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The following statements, which set out the responsibilities of the directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the Independent Auditors' Report on pages 21 to 22 which acknowledges the reporting responsibilities of the Group's auditors.

The directors acknowledge that they are responsible for the preparation of financial statements which give a true and fair view. In preparing the financial statements which give a true and fair view, the directors consider that the Group uses appropriate accounting policies that are consistently applied, makes judgments and estimates that are reasonable and prudent, and that all applicable accounting standards are followed. The directors are responsible for ensuring that the Group keeps accounting records which disclose the financial position of the Group and enable the preparation of financial statements in accordance with Hong Kong Companies Ordinance and the applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. Having made appropriate enquiries, the directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements. The directors in particular consider the adequacy of resources, qualifications and experience of staff to the Group's accounting and financial reporting function, and their training programmes and budget.

REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL

The Audit Committee assists the Board in meeting its responsibilities for maintaining an effective system of internal control. It reviews the process by which the Group evaluates its control environment and risk assessment process, and the way in which business and control risks are managed.

The Board recognises its responsibility for maintaining an adequate system of internal control and prompt and transparent reporting of the Company's activities to the shareholders and to the public.

The internal control system is designed to facilitate the effectiveness and efficiency of operations, safeguard assets against unauthorised use and disposition, ensure the maintenance of proper accounting records and the truth and fairness of the financial statements, and ensure compliance with relevant legislation and regulations. It aims to achieve reasonable assurance against material mis-statement or loss in the management of the Group's business activities.

The directors present their annual report and the audited financial statements for the year ended 31 March 2010.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company and is engaged in the provision of computer consultancy and software maintenance services, software development and sales of computer hardware and software.

The principal activities of the Company's principal subsidiaries are set out in note 39 to the financial statements.

RESULTS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 23.

SHARE CAPITAL

There were no movements in share capital of the Company during the year. Details of the Company's share capital at 31 March 2010 are set out in note 28 to the financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out on page 27 and note 30 to the financial statements, respectively.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of the movements in investment properties and property, plant and equipment of the Group and the Company during the year are set out in notes 13 and 14 to the financial statements, respectively.

PRINCIPAL ASSOCIATE AND PRINCIPAL JOINTLY CONTROLLED ENTITY

The principal activities of the Group's principal associate and principal jointly controlled entity are set out in notes 17 and 18 to the financial statements, respectively.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Cheng Kin Kwan *(Chairman and Chief Executive Officer)*
Law Kwai Lam
Leung Mei Sheung, Eliza
Zheng Ying Yu
Fung Chun Pong, Louis
Liao Yun

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS (continued)

Independent non-executive directors:

Tsang Wai Chun, Marianna
Chan Mei Ying, Spencer
Lam Kwai Yan

In accordance with Article 105(A) of the Company's Articles of Association, Mr. Cheng Kin Kwan, Mr. Fung Chun Pong, Louis and Ms. Tsang Wai Chun, Marianna retire and, being eligible, offer themselves for re-election.

Each of the executive directors has entered into a service contract with the Company when he or she is appointed as a director of the Company. These service contracts will continue thereafter until terminated by either party giving to the other party not less than three months' notice in writing.

Each of the independent non-executive directors was appointed for a term of one year.

Save as disclosed above, none of the directors proposed for re-election at the forthcoming annual general meeting has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

At 31 March 2010, the interests and short positions of the directors and the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM") of the Stock Exchange (the "GEM Listing Rules"), were as follows:

Long positions

(a) Ordinary shares of HK$0.05 each of the Company

	Number of ordinary shares held in the capacity of			
Name of director	**Beneficial owner**	**Controlled corporation**	**Total number of shares**	**Percentage of shareholding**
Cheng Kin Kwan	221,440,000	—	221,440,000	19.54%
Law Kwai Lam	10,000,000	28,325,000*	38,325,000	3.38%
Leung Mei Sheung, Eliza	13,000,000	—	13,000,000	1.15%
Zheng Ying Yu	4,900,000	—	4,900,000	0.43%
Fung Chun Pong, Louis	1,488,000	—	1,488,000	0.13%
Liao Yun	4,510,000	—	4,510,000	0.40%

* These shares were held by a private company which is wholly-owned by Mr. Law Kwai Lam.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

Long positions (continued)

(b) Options to subscribe for ordinary shares of the Company

Particulars of the directors' interests in share options to subscribe for shares in the Company pursuant to the Company's 2003 share option scheme were as follows:

				Number of share options and number of underlying shares				
Name of directors	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1.4.2009	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.3.2010
Cheng Kin Kwan	5.9.2003	5.9.2003 - 4.9.2013	0.2280	6,960,000	–	–	–	6,960,000
	8.12.2003	8.12.2003 - 7.12.2013	0.2130	800,000	–	–	–	800,000
	25.2.2004	25.2.2004 - 24.2.2014	0.1900	7,700,000	–	–	–	7,700,000
Law Kwai Lam	5.9.2003	5.9.2003 - 4.9.2013	0.2280	2,000,000	–	–	–	2,000,000
	9.1.2004	9.1.2004 - 8.1.2014	0.1900	1,000,000	–	–	–	1,000,000
	28.2.2005	28.2.2005 - 27.2.2015	0.0722	1,000,000	–	–	–	1,000,000
	26.9.2006	26.9.2006 - 25.9.2016	0.0772	3,500,000	–	–	–	3,500,000
	18.6.2007	18.6.2007 - 17.6.2017	0.2980	800,000	–	–	–	800,000
Leung Mei Sheung, Eliza	5.9.2003	5.9.2003 - 4.9.2013	0.2280	5,500,000	–	–	–	5,500,000
	8.12.2003	8.12.2003 - 7.12.2013	0.2130	4,300,000	–	–	–	4,300,000
	25.2.2004	25.2.2004 - 24.2.2014	0.1900	5,800,000	–	–	–	5,800,000
	24.3.2006	24.3.2006 - 23.3.2016	0.1530	300,000	–	–	–	300,000
Zheng Ying Yu	5.9.2003	5.9.2003 - 4.9.2013	0.2280	2,000,000	–	–	–	2,000,000
	8.12.2003	8.12.2003 - 7.12.2013	0.2130	400,000	–	–	–	400,000
	9.1.2004	9.1.2004 - 8.1.2014	0.1900	6,100,000	–	–	–	6,100,000
	13.12.2004	13.12.2004 - 12.12.2014	0.0982	50,000	–	–	–	50,000
Fung Chun Pong, Louis	5.9.2003	5.9.2003 - 4.9.2013	0.2280	2,000,000	–	–	–	2,000,000
	9.1.2004	9.1.2004 - 8.1.2014	0.1900	1,000,000	–	–	–	1,000,000
	19.4.2004	19.4.2004 - 18.4.2014	0.2096	300,000	–	–	–	300,000
	24.3.2006	24.3.2006 - 23.3.2016	0.1530	300,000	–	–	–	300,000
	18.6.2007	18.6.2007 - 17.6.2017	0.2980	300,000	–	–	–	300,000

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY (continued)

Long positions (continued)

(b) Options to subscribe for ordinary shares of the Company (continued)

Name of directors	Date of grant	Exercisable period	Exercise price per share HK$	Number of share options and number of underlying shares: Outstanding at 1.4.2009	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.3.2010
Liao Yun	5.9.2003	5.9.2003 - 4.9.2013	0.2280	800,000	–	–	–	800,000
	26.11.2003	26.11.2003 - 25.11.2013	0.2300	400,000	–	–	–	400,000
	9.1.2004	9.1.2004 - 8.1.2014	0.1900	790,000	–	–	–	790,000
	19.4.2004	19.4.2004 - 18.4.2014	0.2096	300,000	–	–	–	300,000
	16.9.2004	16.9.2004 - 15.9.2014	0.0870	500,000	–	–	–	500,000
	30.9.2004	30.9.2004 - 29.9.2014	0.0900	500,000	–	–	–	500,000
	13.12.2004	13.12.2004 - 12.12.2014	0.0982	300,000	–	–	–	300,000
	22.9.2005	22.9.2005 - 21.9.2015	0.0920	400,000	–	–	–	400,000
	24.3.2006	24.3.2006 - 23.3.2016	0.1530	300,000	–	–	–	300,000
Tsang Wai Chun, Marianna	24.3.2006	24.3.2006 - 23.3.2016	0.1530	500,000	–	–	–	500,000
	26.9.2006	26.9.2006 - 25.9.2016	0.0772	3,000,000	–	–	–	3,000,000
Chan Mei Ying, Spencer	24.3.2006	24.3.2006 - 23.3.2016	0.1530	500,000	–	–	–	500,000
				60,400,000	–	–	–	60,400,000

Save as disclosed above and other than nominee shares in certain wholly-owned subsidiaries held by certain directors in trust for the Group, at 31 March 2010, none of the directors or chief executive or any of their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which fall to be notified to the Company and the Stock Exchange pursuant to Part XV 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 to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2010, according to the register maintained by the Company pursuant to Section 336 of the SFO, the following persons (not being a director or chief executive of the Company) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company.

Name of substantial shareholder	Number of ordinary shares held	Number of share options and underlying shares held	Aggregate long position	Percentage of the issued share capital as at 31 March 2010
Educational Information Technology (HK) Company Limited *	108,057,374	—	108,057,374	9.54%
Crimson Asia Capital Limited, L.P.**	88,169,591	—	88,169,591	7.78%

* These shares were held in trust for 寧夏教育信息技術股份有限公司 (Ningxia Educational Information & Technology Co., Ltd.), a company in which the Group has 25% equity interest.

** These shares were beneficially owned.

Save as disclosed in the section "Directors' and chief executive's interests and short positions in shares and underlying shares of the Company", at 31 March 2010, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under Part XV of the SFO.

SHARE OPTIONS

Details of the Company's share option scheme adopted on 28 April 2003 are set out in note 29 to the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

There were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received written confirmation from each of its independent non-executive directors in respect of their independence during the year and all independent non-executive directors are still being considered to be independent.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 82% (2009: 89%) of the Group's total sales while the sales attributable to the Group's largest customer was approximately 52% (2009: 68%) of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers comprised approximately 61% (2009: 64%) of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 26% (2009: 23%) of the Group's total purchases.

Save as disclosed above, none of the directors, their associates or any shareholder, which to the knowledge of the directors owned more than 5% of the Company's issued share capital, had any interest in the share capital of any of the five largest customers or suppliers of the Group.

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.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the remuneration committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the share option scheme are set out in note 29 to the financial statements.

CORPORATE GOVERNANCE

Principal corporate governance policies adopted by the Company are set out in the Corporate Governance Report on pages 9 to 13.

COMPETING INTEREST

As at 31 March 2010, none of the directors or the management shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete with the business of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its directors as at the date of this report, the Company has maintained sufficient public float as required under the GEM Listing Rules.

EVENT AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 40 to the financial statements.

AUDITORS

During the year, Messrs. Deloitte Touche Tohmatsu resigned and Messrs. HLB Hodgson Impey Cheng was appointed as auditors of the Company. A resolution will be submitted to the annual general meeting to re-appoint the auditors, Messrs. HLB Hodgson Impey Cheng.

On behalf of the Board
Cheng Kin Kwan
Chairman and Chief Executive Officer

Hong Kong, 23 June 2010

HLB 國衛會計師事務所
Hodgson Impey Cheng

Chartered Accountants
Certified Public Accountants

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF TIMELESS SOFTWARE LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Timeless Software Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 23 to 77, which comprise the consolidated and Company's statements of financial position as at 31 March 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants

Hong Kong, 23 June 2010

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2010

	NOTES	2010 HK$'000	2009 HK$'000
Turnover	7	**16,710**	9,042
Other income		**2,146**	4,193
Purchase costs		**(8,775)**	(6,832)
Staff costs		**(12,985)**	(12,582)
Depreciation		**(777)**	(1,075)
Other expenses		**(5,782)**	(7,516)
Fair value changes on investment properties		**160**	(91)
Gain on partial disposal of equity interest in a jointly controlled entity		**3,846**	—
Net gains/(losses) on equity-linked notes		**3,630**	(5,347)
Net (losses)/gains on investments held for trading		**(110)**	297
Impairment loss recognized on advance made to an associate		**—**	(160)
Impairment loss recognized on investments in a jointly controlled entity		**—**	(1,379)
Finance costs	8	**(63)**	(79)
Share of losses of an associate		**(872)**	(2,482)
Loss for the year	9	**(2,872)**	(24,011)
Other comprehensive income			
Exchange differences			
Arising on translation of foreign operations		**—**	806
Realized on deemed disposal of interests in a jointly controlled entity		**(56)**	—
Share of other comprehensive income of an associate		**3,923**	395
Other comprehensive income for the year		**3,867**	1,201
Total comprehensive income / (loss) for the year		**995**	(22,810)
Loss for the year attributable to:			
Owners of the Company		**(2,864)**	(23,998)
Non-controlling interests		**(8)**	(13)
		(2,872)	(24,011)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**1,003**	(22,852)
Non-controlling interests		**(8)**	42
		995	(22,810)
		HK cents	HK cents
Loss per share			
– Basic and diluted	12	**(0.25)**	(2.12)

Consolidated Statement of Financial Position

At 31 March 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current assets			
Investment properties	13	**6,455**	6,295
Property, plant and equipment	14	**3,974**	4,908
Goodwill	16	**1,298**	—
Interests in associates	17	**4,365**	1,314
Interests in jointly controlled entities	18	**—**	—
Equity-linked notes	19	**—**	3,564
		16,092	16,081
Current assets			
Inventories	20	**1,498**	—
Trade and other receivables	21	**7,424**	6,256
Equity-linked notes	19	**7,194**	—
Investments held for trading	22	**9,847**	10,070
Pledged bank deposits	23	**—**	11,407
Bank balances and cash	23	**74,322**	72,208
		100,285	99,941
Current liabilities			
Trade and other payables	24	**6,199**	6,171
Obligations under a finance lease due within one year	25	**42**	39
Current portion of secured long-term bank loan	27	**178**	169
Financial guarantee obligations	33	**—**	460
		6,419	6,839
Net current assets		**93,866**	93,102
Total assets less current liabilities		**109,958**	109,183
Non-current liabilities			
Obligations under a finance lease due after one year	25	**69**	111
Secured long-term bank loan	27	**797**	975
		866	1,086
Net assets		**109,092**	108,097

	NOTES	2010 HK$'000	2009 HK$'000
Capital and reserves			
Share capital	28	**56,663**	56,663
Reserves		**49,839**	48,836
Equity attributable to owners of the Company		**106,502**	105,499
Non-controlling interests		**2,590**	2,598
Total equity		**109,092**	108,097

The financial statements were approved and authorized for issue by the Board of Directors on 23 June 2010 and are signed on its behalf by:

CHENG KIN KWAN
Chairman and
Chief Executive Officer

LAW KWAI LAM
Director

Statement of Financial Position
At 31 March 2010

	NOTES	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	14	**382**	483
Investments in subsidiaries	15	**9,392**	8,000
Interests in associates	17	**4,365**	1,314
Interests in jointly controlled entities	18	**—**	—
Equity-linked notes	19	**—**	3,564
		14,139	13,361
Current assets			
Inventories	20	**1,439**	—
Trade and other receivables	21	**2,998**	3,295
Equity-linked notes	19	**7,194**	—
Investments held for trading	22	**9,847**	10,070
Pledged bank deposits	23	**—**	5,214
Bank balances and cash	23	**60,584**	65,725
		82,062	84,304
Current liabilities			
Trade and other payables	24	**1,833**	2,322
Obligations under a finance lease due within one year	25	**42**	39
Amounts due to subsidiaries	26	**54,775**	35,130
		56,650	37,491
Net current assets		**25,412**	46,813
Total assets less current liabilities		**39,551**	60,174
Non-current liability			
Obligations under a finance lease due after one year	25	**69**	111
Net assets		**39,482**	60,063
Capital and reserves			
Share capital	28	**56,663**	56,663
Reserves	30	**(17,181)**	3,400
Total equity		**39,482**	60,063

CHENG KIN KWAN
Chairman and Chief Executive Officer

LAW KWAI LAM
Director

Consolidated Statement of Changes in Equity
For the year ended 31 March 2010

	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Accumulated deficit HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2008	56,663	637,927	2,567	(395)	1,061	3,701	(573,173)	128,351	2,556	130,907
Loss for the year	–	–	–	–	–	–	(23,998)	(23,998)	(13)	(24,011)
Other comprehensive income for the year	–	–	–	395	–	751	–	1,146	55	1,201
Total comprehensive loss for the year	–	–	–	395	–	751	(23,998)	(22,852)	42	(22,810)
Transfer of share options reserve on forfeiture of share options	–	–	(196)	–	–	–	196	–	–	–
At 31 March 2009	56,663	637,927	2,371	–	1,061	4,452	(596,975)	105,499	2,598	108,097
Loss for the year	–	–	–	–	–	–	(2,864)	(2,864)	(8)	(2,872)
Other comprehensive income for the year	–	–	–	3,923	–	(56)	–	3,867	–	3,867
Total comprehensive income for the year	–	–	–	3,923	–	(56)	(2,864)	1,003	(8)	995
Transfer of share options reserve on forfeiture of share options	–	–	(262)	–	–	–	262	–	–	–
At 31 March 2010	**56,663**	**637,927**	**2,109**	**3,923**	**1,061**	**4,396**	**(599,577)**	**106,502**	**2,590**	**109,092**

Consolidated Statement of Cash Flows
For the year ended 31 March 2010

	NOTES	2010 HK$'000	2009 HK$'000
Operating activities			
Loss for the year		**(2,872)**	(24,011)
Adjustments for:			
Interest income		**(672)**	(1,468)
Interest expense		**63**	79
Share of losses of an associate		**872**	2,482
Depreciation		**777**	1,075
Loss on disposal of property, plant and equipment		**316**	—
Gain on partial disposal of equity interest in a jointly controlled entity		**(3,846)**	—
Fair value changes on investment properties		**(160)**	91
Net (gains)/losses on equity-linked notes		**(3,630)**	5,347
Net losses/(gains) on investments held for trading		**110**	(297)
Impairment loss recognized on advance made to an associate		**—**	160
Impairment loss recognized on investments in a jointly controlled entity		**—**	1,379
Amortization of financial guarantee obligations		**(460)**	(2,001)
Operating cash flows before movements in working capital		**(9,502)**	(17,164)
Increase in inventories		**(1,436)**	—
Decrease in trade and other receivables		**(179)**	(818)
(Decrease)/increase in trade and other payables		**(1,099)**	959
Net cash used in operating activities		**(12,216)**	(17,023)
Investing activities			
Interest received		**670**	1,297
Repayment from an associate		**—**	208
Dividend received		**115**	49
Purchase of property, plant and equipment		**(108)**	(1,381)
Advance to an associate		**—**	(240)
Decrease/(increase) in pledged bank deposits		**11,407**	(118)
Proceeds on partial disposal of equity interest in a jointly controlled entity		**3,789**	—
Net cash outflow on acquisition of a subsidiary	37	**(1,272)**	—
Net cash generated by/(used in) investing activities		**14,601**	(185)

	NOTES	2010 HK$'000	2009 HK$'000
Financing activities			
Repayment of bank loans		**(169)**	(160)
Interest paid		**(63)**	(79)
Repayment of obligations under a finance lease		**(39)**	(36)
Net cash used in financing activities		**(271)**	(275)
Net increase/(decrease) in cash and cash equivalents		**2,114**	(17,483)
Cash and cash equivalents at the beginning of the financial year		**72,208**	89,296
Effect of foreign exchange rate changes		**—**	395
Cash and cash equivalents at the end of the financial year		**74,322**	72,208
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**74,322**	72,208

1. GENERAL

Timeless Software Limited (the "Company") is a public limited company incorporated in Hong Kong and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). It acts as an investment holding company and is engaged in the provision of computer consultancy and software maintenance services, software development and sales of computer hardware and software. The address of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised Standards, Amendments to Standards and Interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)–Int 9 & HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised 2007) Presentation of Financial Statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements. However, HKAS 1 (revised 2007) has had no impact on the reported results or financial position of the Group.

HKFRS 8 Operating Segments

HKFRS 8 expands disclosure in respect of segment reporting but it has had no impact on the designation of the Group's reportable segments, reported results or financial position of the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Improving Disclosures about Financial Instruments (Amendments to HKFRS 7 Financial Instruments: Disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk. The Group has not provided comparative information for the expanded disclosures in relation to fair value measurements in accordance with the transitional provision set out in the amendments.

The Group has not early applied the following new and revised Standards, Amendments and Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Rights Issues[4]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK (IFRIC)- Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
HK (IFRIC)- Int 17	Distributions of Non-cash Assets to Owners[1]
HK (IFRIC)- Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2010
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 January 2011
6 Effective for annual periods beginning on or after 1 July 2010
7 Effective for annual periods beginning on or after 1 January 2013

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date are on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

HKFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognized financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortized cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

In addition, as part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to HKAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to HKAS 17 might not affect the classification and measurement of the Group's leasehold land at revalued amount.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for investment properties and certain financial instruments, which are measured at fair values, as detailed in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognized at their fair values at the acquisition date.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill capitalized is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Where a group entity transacts with a jointly controlled entity of the Group, profits and losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

When the outcome of software development services can be measured reliably, revenue is recognized on the percentage of completion method, measured by reference to the proportion that costs incurred to date bear to estimated total costs for each contract. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

Sales of computer hardware and software are recognized when the goods are delivered and title has passed.

Revenue from software maintenance services is recognized when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial assets to that asset's net carrying amount on initial recognition.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognized.

An owner-occupied property is transferred at its fair value to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation. The difference between the fair value and the carrying amount at the date of transfer is recognized as a revaluation increase or decrease in accordance with HKAS 16 "Property, plant and equipment".

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

The Group as lessee

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the period of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

The cost of buildings is depreciated over the shorter of the relevant lease period or 20 years using the straight-line method.

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, at the rate of 18% to 20% per annum.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the period of the relevant lease.

The land and buildings elements of a lease of land and buildings are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognized.

Financial instruments

Financial assets and financial liabilities are recognized in the statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are mainly classified into financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated as at FVTPL on initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial instruments: Recognition and measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as trade receivables, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the receivables past the credit period granted, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognized on an effective interest basis.

Other financial liabilities

Financial liabilities including trade and other payable, obligations under a finance lease and bank loan are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognized initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 "*Provisions, contingent liabilities and contingent assets*"; and (ii) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with HKAS 18 "*Revenue*".

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized directly in other comprehensive income is recognized in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition (continued)

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees of the Company after 7 November 2002 and vested on or after 1 April 2005

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognized as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the time when the share options are exercised, the amount previously recognized in the share options reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognized in the share options reserve will be transferred to accumulated deficit.

Share options granted to employees of the Company on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 April 2005

The financial impact of share options granted is not recorded in the financial statements until such time as the options are exercised, and no charge is recognized in profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

All borrowing cost are recognized in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries/ associates/ jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which it is able to utilize the benefits to the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. To measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the first-in, first-out method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of the Company and each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items, are recognized in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rates of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (the translation reserve).

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Hong Kong Mandatory Provident Fund Scheme are charged as expenses when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be a related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

4. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
FVTPL				
Designated as at FVTPL	**7,194**	3,564	**7,194**	3,564
Investments held for trading	**9,847**	10,070	**9,847**	10,070
Loans and receivables (including cash and cash equivalents)	**79,673**	87,449	**62,795**	73,652
Financial liabilities				
Amortized cost	**5,439**	5,430	**56,521**	37,216
Financial guarantee obligations	**—**	460	**—**	—

4. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies

The Group's and the Company's major financial instruments include equity-linked notes, investments held for trading, trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, obligations under a finance lease and bank loan. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. The risks associated and the management policies remain unchanged from prior year.

Market risks

Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate will affect the Group's financial results and its cash flows. The management considers that the Group is not exposed to significant foreign currency risk as majority of its transactions are denominated in Hong Kong dollars and Renminbi (functional currencies of the major group entities) and there were only insignificant balances of financial assets and liabilities denominated in foreign currencies at the end of each reporting period. However, the management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

The Group and the Company are exposed to fair value interest rate risk in relation to fixed-rate borrowings (see notes 25 and 27). However, the management considered that the risk is insignificant to the Group.

Other price risk

The Group and the Company are exposed to equity price risk through their investments in equity securities and equity-linked notes. The management manages this exposure by maintaining a portfolio of investments with different risks. Other price risk of the Group and the Company is mainly concentrated on the fluctuation of market price of equity securities listed in Hong Kong and equity-linked notes. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date from investments held for trading and equity-linked notes. If the prices of the respective equity instruments had been 10% higher/ lower, loss for the years ended 31 March 2010 and 2009 would decrease/increase by HK$1,704,000 and HK$1,363,000, respectively, as a result of the changes in fair values of investments held for trading and equity-linked notes.

The Group's and the Company's sensitivity to investments held for trading and equity-linked notes increased during the year mainly due to the violent fluctuation in the share market during the year. In management's opinion, the sensitivity analysis is unrepresentative of the inherent other price risk as the year end exposure does not reflect the exposure during the year.

4. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk

The Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognized financial assets as stated in the consolidated and the Company's statements of financial position respectively. In addition, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to financial guarantees provided by the Group is arising from the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 33. In order to minimize the credit risk, the management of the Group and the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group and the Company review the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

The credit risk on liquid funds is limited because majority of the counterparties are banks with high credit ratings assigned by international credit-rating agencies and state-owned banks with good reputation. The Group's concentration of credit risk on trade receivables by geographical locations is in Hong Kong and in Mainland China (the "PRC"), which accounted for 42% and 58% respectively (2009: 15% and 85% respectively) of the total trade receivables as at 31 March 2010. The Group also has concentration of credit risk on trade receivables by customers as 39% (2009: 63%) and 79% (2009: 93%) of the total trade receivables were due from the Group's largest customer and the five largest customers, respectively, at 31 March 2010. The largest customer is engaged in the system integration services and the remaining customers spread across diverse industries. The management closely monitors the settlement of trade receivables and reviews their recoverability to ensure that adequate impairment losses are recognized for irrecoverable amounts.

Liquidity risk

In the management of liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowing and ensures compliance with loan covenants. The Group and the Company rely on bank borrowing as a significant source of liquidity.

4. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The following tables detail the Group's and the Company's remaining contractual maturity for their financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The tables include both interest and principal cash flows.

Liquidity and interest risk tables

THE GROUP

	Weighted average effective interest rate %	On demand HK$'000	Less than 1 year HK$'000	1-5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March HK$'000
2010							
Non-derivative financial liabilities							
Non-interest bearing	**N/A**	**–**	**4,353**	**–**	**–**	**4,353**	**4,353**
Fixed interest rate instruments	**5.31 to 7.5**	**–**	**276**	**960**	**–**	**1,236**	**1,086**
		–	**4,629**	**960**	**–**	**5,589**	**5,439**
2009							
Non-derivative financial liabilities							
Non-interest bearing	N/A	–	4,136	–	–	4,136	4,136
Fixed interest rate instruments	5.31 to 7.5	–	219	1,010	262	1,491	1,294
		–	4,355	1,010	262	5,627	5,430

4. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables (continued)

THE COMPANY

	Weighted average effective interest rate %	On demand HK$'000	Less than 1 year HK$'000	1 - 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March HK$'000
2010						
Non-derivative financial liabilities						
Non-interest bearing	**N/A**	**54,755**	**1,655**	**–**	**56,410**	**56,410**
Fixed interest rate instruments	**7.5**	**–**	**50**	**76**	**126**	**111**
		54,755	**1,705**	**76**	**56,536**	**56,521**
2009						
Non-derivative financial liabilities						
Non-interest bearing	N/A	35,130	1,936	–	37,066	37,066
Fixed interest rate instruments	7.5	–	50	126	176	150
		35,130	1,986	126	37,242	37,216

4. FINANCIAL INSTRUMENTS (continued)

(c) Fair value

Save as mentioned elsewhere in the financial statements, the fair value of financial assets and financial liabilities are determined as follows:

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

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded at amortized cost in the financial statements approximate their fair values.

Fair value measurements recognized in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) ("Level 2 measurements"); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

THE GROUP AND THE COMPANY

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
2010				
Investments held for trading	9,847	—	—	9,847
Equity-linked notes	—	7,194	—	7,194
	9,847	7,194	—	17,041

There was no transfer between Level 1 and 2 categories in the current year.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which mainly includes the bank loan disclosed in note 27 (net of cash and cash equivalents) and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3 of the financial statements, the management has made various estimates based on past experience, expectations of the future and other information. The key sources of estimation uncertainty at the end of the report period, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated impairment of Cash Generating Units (as defined below), containing goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the Cash Generating Units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the Cash Generating Units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation are disclosed in note 16 to the financial statements.

Estimated useful lives of property, plant and equipment

Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charges where useful lives are less than previously estimated, or it will write-off or write-down obsolete or non-strategic assets that have been abandoned or sold.

Valuation of investment properties

As described in note 13, the investment properties were revalued by independent professional valuers on a market value basis at the end of each reporting period. Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. Any increase or decrease in the valuations would affect the Group's results in future years.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Impairment loss of trade and other receivables

The Group's policy for doubtful receivables is based on the on-going evaluation of the collectability and ageing analysis of the trade and other receivables and on management's judgments. Considerable judgment is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each debtor, and the present values of the estimated future cash flows discounted at the effective interest rates. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss of trade and other receivables may be required.

7. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 April 2009. HKFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and to assessing their performance. In contrast, the predecessor Standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting information was organized by two operating divisions: software development and hardware sales. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

During the year, the Group commenced the business in software sales after the acquisition of a subsidiary, as set out in note 37.

7. SEGMENT INFORMATION (continued)

Segment revenues and results

Management has determined the operating segments based on the reports reviewed by the directors of the Company that are used to assess performance and allocate resources. The segment information provided to the directors of the Company for the reportable segments for the year ended is as follows:

	2010 HK$'000	2009 HK$'000
Turnover		
Software development	**14,476**	2,352
Hardware sales	**679**	6,690
Software sales	**1,568**	—
Elimination on inter-segment sales	**(13)**	—
	16,710	9,042
Results		
Software development	**(9,697)**	(14,909)
Hardware sales	**(367)**	(932)
Software sales	**(204)**	—
Elimination on inter-segment sales	**13**	—
	(10,255)	(15,841)
Interest income	**672**	1,468
Other income	**1,014**	724
Unallocated corporate expenses	**(1,354)**	(3,122)
Amortization of financial guarantee obligations	**460**	2,001
Gain on partial disposal of equity interest in a jointly controlled entity	**3,846**	—
Impairment loss recognized on advance made to an associate	**—**	(160)
Impairment loss recognized on investments in a jointly controlled entity	**—**	(1,379)
Fair value changes on investment properties	**160**	(91)
Net gains/(losses) on equity-linked notes	**3,630**	(5,347)
Net (losses)/gains on investments held for trading	**(110)**	297
Finance costs	**(63)**	(79)
Share of losses of an associate	**(872)**	(2,482)
Loss for the year	**(2,872)**	(24,011)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment loss represents the loss from each segment without allocation of central administration cost and finance cost. This is the measure reported to the management of the Group for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

7. SEGMENT INFORMATION (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

	2010 **HK$'000**	2009 HK$'000
Segment assets		
Segment assets		
– software development	**12,652**	9,389
– hardware sales	**500**	1,775
– software sales	**1,042**	—
	14,194	11,164
Interests in associates	**4,365**	1,314
Interests in jointly controlled entities	**—**	—
Unallocated corporate assets	**97,818**	103,544
Consolidated assets	**116,377**	116,022
Segment liabilities		
Segment liabilities		
– software development	**4,884**	5,440
– hardware sales	**44**	731
– software sales	**1,271**	—
	6,199	6,171
Unallocated corporate liabilities	**1,086**	1,754
Consolidated liabilities	**7,285**	7,925

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than interests in associates, interests in jointly controlled entities, investment properties, equity-linked notes, investments held for trading, pledged bank deposits and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and

- all liabilities are allocated to reportable segments other than obligations under a finance lease and secured long-term bank loan. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

7. SEGMENT INFORMATION (continued)

Other segment information

	2010 HK$'000	2009 HK$'000
Capital additions		
– software development	**95**	1,049
– hardware sales	**13**	332
– software sales	**51**	—
	159	1,381
Depreciation		
– software development	**735**	978
– hardware sales	**34**	97
– software sales	**8**	—
	777	1,075

Geographical information

The Group's operations are mainly situated in Hong Kong and the PRC. The following table provides an analysis of the Group's geographical information by location of geographical markets:

	Turnover from external customers	
	2010 HK$'000	2009 HK$'000
Hong Kong	**3,536**	1,114
PRC	**13,174**	7,928
	16,710	9,042

The following is an analysis of the information about its non-current assets and capital additions, analyzed by the geographical area in which the assets are located:

	Non-current assets		Capital additions	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Hong Kong	**1,724**	482	**146**	54
PRC	**10,003**	10,721	**13**	1,327
	11,727	11,203	**159**	1,381

Note: Non-current assets excluded financial instruments and interests in associates.

7. SEGMENT INFORMATION (continued)

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of total revenue of the Group are as follows:

	2010	2009
	HK$'000	HK$'000
Customer A[1]	**8,704**	—
Customer B[1]	**2,417**	—
Customer C[2]	**—**	6,161

[1] Revenue from software development
[2] Revenue from hardware sales

8. FINANCE COSTS

	2010	2009
	HK$'000	HK$'000
Interest on		
– a finance lease	**11**	14
– bank borrowings not wholly repayable within five years	**52**	65
	63	79

9. LOSS FOR THE YEAR

	2010 HK$'000	2009 HK$'000
Loss for the year has been arrived at after charging/(crediting):		
Directors' remuneration (note 10)	**3,830**	3,631
Other staff's retirement benefits scheme contributions	**183**	194
Other staff costs	**8,972**	8,757
	12,985	12,582
Depreciation of property, plant and equipment		
– owned by the Group	**736**	1,034
– held under a finance lease	**41**	41
	777	1,075
Auditors' remuneration		
– current year	**600**	883
– under provision in prior year	**50**	—
Loss on disposal of property, plant and equipment	**316**	—
Operating lease rentals in respect of rented premises	**902**	982
Amortization of financial guarantee obligations	**(460)**	(2,001)
Interest income	**(672)**	(1,468)
Gross rental income from investment properties	**(489)**	(677)
Less: direct operating expenses from investment properties that generated rental income during the year	**78**	78
	(411)	(599)

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each director were as follows:

	2010						2009					
	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Performance and discretionary bonus HK$'000	Share-based payments HK$'000	Total emoluments HK$'000	Fees HK$'000	Salaries and other benefits HK$'000	Retirement benefits scheme contributions HK$'000	Performance and discretionary bonus HK$'000	Share-based payments HK$'000	Total emoluments HK$'000
Executive directors												
Cheng Kin Kwan	–	1,583	–	–	–	1,583	–	1,394	–	–	–	1,394
Law Kwai Lam	–	422	12	–	–	434	–	422	12	–	–	434
Leung Mei Sheung, Eliza	–	500	12	–	–	512	–	503	12	–	–	515
Zheng Ying Yu	–	300	12	–	–	312	–	323	12	–	–	335
Fung Chun Pong, Louis	–	432	12	–	–	444	–	432	12	–	–	444
Liao Yun	–	240	12	–	–	252	–	255	6	–	–	261
Independent non- executive directors												
Tsang Wai Chun, Marianna	98	–	–	–	–	98	90	–	–	–	–	90
Chan Mei Ying, Spencer	98	–	–	–	–	98	90	–	–	–	–	90
Lam Kwai Yan (appointed on 23 December 2008)	97	–	–	–	–	97	24	–	–	–	–	24
Ng Kwok Tung (resigned on 26 September 2008)	–	–	–	–	–	–	44	–	–	–	–	44
Lam Lee G (appointed on15 February 2008 and resigned on1 September 2008)	–	–	–	–	–	–	–	–	–	–	–	–
	293	3,477	60	–	–	3,830	248	3,329	54	–	–	3,631

Note: The performance and discretionary bonus are determined by the board of directors from time to time with reference to the directors' duties and responsibilities and the Company's performance and profitability.

None of the directors has waived any emoluments during both years.

The aggregate emoluments of the five highest paid individuals included three (2009: two) executive directors of the Company, whose emoluments are detailed above. The aggregate emoluments of the remaining two (2009: three) highest paid individuals are as follows:

	2010 HK$'000	2009 HK$'000
Basic salaries and allowances	951	1,412
Retirement benefits scheme contributions	24	36
Performance and discretionary bonus	3	—
	978	1,448

The emoluments of each of these highest paid individuals were within HK$1,000,000.

During both years, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

11. TAXATION

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate form 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the both years.

No provision for taxation has been made in the financial statements as the Group had no assessable profit for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Taxation for the year is reconciled to loss for the year as follows:

	2010 **HK$'000**	2009 HK$'000
Loss for the year	**(2,872)**	(24,011)
Tax credit at the applicable income tax rate of 16.5%	**(474)**	(3,962)
Tax effect of share of losses of an associate	**144**	410
Tax effect of expenses not deductible for tax purposes	**31**	292
Tax effect of income not taxable for tax purposes	**(653)**	(641)
Tax effect of unrecognized tax losses	**1,554**	4,355
Utilization of tax losses previously not recognized	**(363)**	—
Effect of different tax rates for subsidiaries operating in other jurisdictions	**46**	(512)
Others	**(285)**	58
Taxation for the year	**—**	—

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	2010	2009
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**HK$(2,864,000)**	HK$(23,998,000)
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,133,261,503**	1,133,261,503
Effect of dilutive potential ordinary shares:		
Share options	**3,908,765**	—
Weighted average number of ordinary shares for the purpose of diluted loss per share	**1,137,170,268**	1,133,261,503

The computation of diluted loss per share did not assume the exercise of the Company's outstanding share options existed during the year ended 31 March 2010 since their exercise would result in a decrease in loss per share.

13. INVESTMENT PROPERTIES

	THE GROUP HK$'000
FAIR VALUE	
At 1 April 2008	6,244
Currency realignment	142
Fair value change during the year	(91)
At 31 March 2009	**6,295**
Fair value change during the year	**160**
At 31 March 2010	**6,455**

The fair values of the Group's investment properties at 31 March 2010 and 2009 have been arrived at on the basis of valuation carried out on those dates by LCH (Asia Pacific) Surveyors Limited ("LCH"), independent qualified professional valuers not connected with the Group. LCH is a member of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of properties in the relevant locations. The valuation was arrived at by capitalizing the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the properties.

The Group's property interests which are held under medium-term land use rights are situated in the PRC and are held under operating leases to earn rentals.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Computer equipment HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Total HK$'000
THE GROUP							
COST							
At 1 April 2008	2,840	16,055	1,215	3,238	284	5,579	29,211
Currency realignment	64	157	17	43	–	31	312
Additions	–	1,376	–	–	–	5	1,381
Disposal/write off	–	(42)	–	–	–	(11)	(53)
At 31 March 2009	2,904	17,546	1,232	3,281	284	5,604	30,851
Additions	–	108	–	–	–	–	108
Disposal/write off	–	(3,764)	(425)	(1,908)	–	(1,077)	(7,174)
Acquired on acquisition of a subsidiary	–	–	–	9	–	42	51
At 31 March 2010	**2,904**	**13,890**	**807**	**1,382**	**284**	**4,569**	**23,836**
DEPRECIATION AND IMPAIRMENT							
At 1 April 2008	526	14,894	1,185	2,771	284	5,027	24,687
Currency realignment	12	138	16	42	–	26	234
Provided for the year	164	313	9	458	–	131	1,075
Eliminated on disposal/write off	–	(42)	–	–	–	(11)	(53)
At 31 March 2009	702	15,303	1,210	3,271	284	5,173	25,943
Provided for the year	164	511	1	2	–	99	777
Eliminated on disposal/write off	–	(3,612)	(424)	(1,898)	–	(924)	(6,858)
At 31 March 2010	**866**	**12,202**	**787**	**1,375**	**284**	**4,348**	**19,862**
CARRYING VALUES							
At 31 March 2010	**2,038**	**1,688**	**20**	**7**	**–**	**221**	**3,974**
At 31 March 2009	2,202	2,243	22	10	–	431	4,908

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Computer equipment HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Total HK$'000
THE COMPANY						
COST						
At 1 April 2008	8,595	477	1,373	284	3,372	14,101
Additions	49	–	–	–	5	54
Disposal	(20)	–	–	–	–	(20)
At 31 March 2009	8,624	477	1,373	284	3,377	14,135
Additions	95	–	–	–	–	95
Disposal	(35)	–	–	–	–	(35)
At 31 March 2010	**8,684**	**477**	**1,373**	**284**	**3,377**	**14,195**
DEPRECIATION						
At 1 April 2008	8,279	474	915	284	3,060	13,012
Provided for the year	117	1	458	–	84	660
Eliminated on disposal	(20)	–	–	–	–	(20)
At 31 March 2009	8,376	475	1,373	284	3,144	13,652
Provided for the year	113	1	–	–	82	196
Eliminated on disposal	(35)	–	–	–	–	(35)
At 31 March 2010	**8,454**	**476**	**1,373**	**284**	**3,226**	**13,813**
CARRYING VALUES						
At 31 March 2010	**230**	**1**	**–**	**–**	**151**	**382**
At 31 March 2009	248	2	–	–	233	483

At 31 March 2010, the carrying value of the Group's property interests comprised a building erected on land held under medium-term land use rights in the PRC of approximately HK$2,038,000 (2009: HK$2,202,000). In addition, at 31 March 2010, the Group has pledged this land and building to a bank to secure the credit facilities granted to the Group.

At 31 March 2010, the carrying value of the Group's and the Company's office equipment held under a finance lease was approximately HK$102,000 (2009: HK$143,000).

15. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2010	2009
	HK$'000	HK$'000
Unlisted investments, at cost	**22,897**	21,310
Less: Impairment loss recognized	**(13,505)**	(13,310)
	9,392	8,000

Details of the Company's principal subsidiaries at 31 March 2010 and 2009 are set out in note 39.

16. GOODWILL

	THE GROUP
	HK$'000
Cost and carrying amounts	
At 1 April 2008 and 31 March 2009	—
Arising on acquisition of a subsidiary (note 37)	1,298
At 31 March 2010	**1,298**

Goodwill is allocated to the Group's Cash Generating Units ("CGU") which is principally engaged in trading of computer hardware and software and provisions of information technology consultancy services in Hong Kong.

The recoverable amounts of the CGU are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

During the year, the Group performed impairment review for goodwill based on cash flow forecasts derived from the most recent financial budgets for the next five years approved by management using a discount rate of 7.5% which reflects current market assessments of the time value of money and the risks specific to the CGU. Cash flows beyond the five-year period are ignored. No impairment loss was considered necessary.

17. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted investments, at cost	**95,150**	95,150	**95,150**	95,150
Share of post-acquisition reserves	**(90,785)**	(93,836)	**—**	—
Less: Impairment loss recognized	**—**	—	**(90,785)**	(93,836)
	4,365	1,314	**4,365**	1,314

The principal investment in associate at 31 March 2010 and 2009 represents the Company's 25% equity interest in 寧夏教育信息技術股份有限公司 (Ningxia Educational Information & Technology Co., Ltd.) ("NEITC"), a Sino-foreign joint stock limited company established in the PRC and engaged in the development of education informatisation programmes in Ningxia Hui Autonomous Region of the PRC.

In the opinion of the directors, the above associate principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The summarized financial information in respect of the Group's associates is set out below:

	2010	2009
	HK$'000	HK$'000
Total assets	**28,316**	13,897
Total liabilities	**(10,879)**	(8,647)
Net assets	**17,437**	5,250
Group's share of net assets of associates	**4,365**	1,314
Revenue	**1,077**	4,245
Loss for the year	**(3,482)**	(9,913)
Loss for the year attributable to the Group	**(872)**	(2,482)

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted capital contributions	**26,354**	29,615	**26,354**	29,615
Deemed capital contributions	**2,437**	2,437	**—**	—
Share of post-acquisition losses	**(26,354)**	(29,615)	**—**	—
Less: Impairment loss recognized	**(2,437)**	(2,437)	**(26,354)**	(29,615)
Loan to a jointly controlled entity	**568**	568	**568**	568
Amount due from a jointly controlled entity	**658**	658	**658**	658
Less: Allowance on advance made to a jointly controlled entity	**(1,226)**	(1,226)	**(1,226)**	(1,226)
	—	—	**—**	—

The principal investment in jointly controlled entity at 31 March 2010 represents the Company's 15.3% (2009: 28.5%) interest in 珠海南方軟件園發展有限公司 (Zhuhai Southern Software Park Development Company Limited) ("ZSSP"), a Sino-foreign joint venture established in the PRC and engaged in the development and operation of a software park for a term of 30 years commencing November 2000.

On 28 August 2008, the Company entered into an agreement (the "Agreement") with an investor (the "Investor") to dispose of 4.5% equity interest in ZSSP to the Investor for a cash consideration of RMB3,490,000. In addition, the Investor acquired some but not all equity interest in ZSSP from other existing shareholders of ZSSP and to further invest RMB40,000,000 in ZSSP in the form of additional paid-in capital (the "Restructuring Proposal"). The Investor's equity interest in the enlarged paid-in capital of ZSSP was increased to 71.4%. Immediately after the completion of the Agreement and the Restructuring Proposal in January 2010, the Company held 15.3% interests in ZSSP.

In the opinion of the directors, the above jointly controlled entity principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES (continued)

The summarized financial information in respect of the Group's share of jointly controlled entities which were accounted for using the equity method is set out below:

	2010	2009
	HK$'000	HK$'000
Non-current assets	**39,187**	85,730
Current assets	**13,983**	23,917
Current liabilities	**(24,151)**	(50,226)
Non-current liabilities	**(36,598)**	(77,727)
Income	**4,036**	19,847
Expenses	**(9,970)**	(27,752)

The Group has discontinued recognition of its share of losses of certain jointly controlled entities. The amounts of unrecognized share of those jointly controlled entities, both for the year and cumulatively, are as follows:

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Unrecognized share of losses of jointly controlled entities for the year	**(5,934)**	(7,905)
Accumulated unrecognized share of losses of jointly controlled entities	**(26,783)**	(20,849)

19. EQUITY-LINKED NOTES

The equity-linked notes are analyzed for reporting purposes as:

	THE GROUP AND THE COMPANY	
	2010	2009
	HK$'000	HK$'000
Non-current asset	**—**	3,564
Current asset	**7,194**	—
	7,194	3,564

Equity-linked notes are designated as financial assets at fair value through profit or loss upon the initial recognition as they contain embedded derivatives, and HKAS 39 permits the entire combined contract to be designated as at fair value through profit or loss. Major terms of the equity-linked notes at 31 March 2010 and 2009 are as follows:

	Maturity	
	2010	2009
Principal amount HK$12,000,000	**May 2010**	May 2010

The equity-linked notes are denominated in Hong Kong dollars and the obligation of interest accrual on a daily basis is at a predetermined equation. The equity-linked notes are subject to mandatory redemption at various intervals until maturity dates. The manner in which it is settled at mandatory termination or redemption at maturity are linked to the performance of an individual or a basket of Hong Kong listed equity securities by comparing the market prices with the pre-determined prices of those equity securities. Accrued interest is paid on a bi-monthly basis. The notes may be mandatory terminated in full amount of the principal amount for cash or, redeemed at maturity either in full amount of the principal amount for cash or equity securities at a pre-determined price in round lots and residue in cash, which may be lower than the principal amount.

The equity-linked notes are measured at fair value at the end of each reporting period. Their fair values of approximately HK$7,194,000 as at 31 March 2010 (2009: HK$3,564,000) are determined based on the valuation provided by the counterparty bank at that date.

20. INVENTORIES

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Computer hardware and software	**1,498**	—	**1,439**	—

21. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**2,254**	866	**122**	134
Accrued revenue	**538**	445	**538**	237
Other receivables	**4,632**	4,945	**2,338**	2,924
	7,424	6,256	**2,998**	3,295

Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable within 30 days of issuance, except for certain well established customers which are payable within 180 days of issuance. The following is an aged analysis of trade receivables at the end of each reporting period:

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Age				
0 to 30 days	**1,717**	866	**122**	134
31 to 60 days	**102**	—	**—**	—
61 to 90 days	**24**	—	**—**	—
More than 90 days	**411**	—	**—**	—
	2,254	866	**122**	134

The trade and other receivables are unsecured, interest-free and expected to be settled within one year. The management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality. At 31 March 2010, included in the Group's and the Company's trade receivables balances are debtors with aggregate carrying amount of approximately HK$578,000 (2009: nil) and nil (2009: nil) respectively which are past due at 31 March 2010 for which the Group has not provided for impairment loss. The Group and the Company do not hold any collateral over these balances. There are no balances included in other receivables which have been past due.

Age of trade receivables which are past due but not impaired

	THE GROUP		THE COMPANY
	2010	2009	**2010 & 2009**
	HK$'000	HK$'000	**HK$'000**
Age			
0 to 30 days	**121**	—	**—**
31 to 60 days	**38**	—	**—**
61 to 90 days	**8**	—	**—**
More than 90 days	**411**	—	**—**
	578	—	**—**

22. INVESTMENTS HELD FOR TRADING

At 31 March 2010, the investments held for trading of approximately HK$9,847,000 (2009: HK$10,070,000) represent Hong Kong listed equity securities. The fair value of these investments is determined based on the quoted market bid prices of securities available on the market.

23. OTHER ASSETS

Pledged bank deposits

At 31 March 2009, the balance represented deposits pledged to banks to secure the short-term credit facilities granted to the Group, the Company and a jointly controlled entity of the Company. The deposits carried interest at the rates ranging between 0.0001% and 4.14% per annum and had been released upon repayment of the secured bank loan.

Bank balances and cash

Bank balances and cash comprise cash held by the Group and the Company and short-term bank deposits which carry interest at the rates ranging between 0.035% and 0.07% (2009: between 0.01% and 0.80%) per annum with an original maturity of three months or less.

24. TRADE AND OTHER PAYABLES

	THE GROUP		**THE COMPANY**	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**999**	18	**—**	—
Customers' deposits received	**1,846**	2,966	**198**	387
Other payables	**3,354**	3,187	**1,635**	1,935
	6,199	6,171	**1,833**	2,322

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	THE GROUP		**THE COMPANY**
	2010	2009	**2010 & 2009**
	HK$'000	HK$'000	**HK$'000**
0 to 30 days	**875**	18	**—**
31 to 60 days	**103**	—	**—**
61 to 90 days	**—**	—	**—**
More than 90 days	**21**	—	**—**
	999	18	**—**

25. OBLIGATIONS UNDER A FINANCE LEASE

	THE GROUP AND THE COMPANY			
	Minimum lease payments		Present value of minimum lease payments	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under a finance lease:				
Within one year	**50**	50	**42**	39
Between one to two years	**50**	50	**45**	42
Between two to five years	**26**	76	**24**	69
	126	176	**111**	150
Less: Future finance charges	**(15)**	(26)	**—**	—
Present value of lease obligations	**111**	150	**111**	150
Less: Amount due within one year shown under current liabilities			**(42)**	(39)
Amount due after one year			**69**	111

The Group's obligations under a finance lease were secured by the lessor's charge over the leased assets. The effective borrowing rate was 7.5% (2009: 7.5%) per annum. Interest rate was fixed at the contract date and no arrangements have been entered into for contingent rental payment.

26. AMOUNTS DUE TO SUBSIDIARIES

THE COMPANY

The amounts are unsecured, interest-free and are repayable on demand.

27. BANK LOAN

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates (or repricing dates) are as follows:

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Secured fixed-rate borrowings:		
Within one year	**178**	169
More than one year but not more than two years	**188**	178
More than two years but not more than three years	**198**	188
More than three years but not more than four years	**209**	198
More than four years but not more than five years	**202**	209
More than five years	**—**	202
	975	1,144
Less: Amount due within one year shown under current liabilities	**(178)**	(169)
Amount due after one year	**797**	975

At 31 March 2010 and 2009, the bank loan is secured by the land and building of the Group in the PRC, carrying fixed interest at 5.31% per annum and repayable in monthly installments commencing from 15 March 2000 to 15 March 2015.

28. SHARE CAPITAL

	Number of ordinary shares	**Amount**
		HK$'000
Authorized:		
Ordinary shares of HK$0.05 each		
– at 1 April 2008, 31 March 2009 and 31 March 2010	2,500,000,000	125,000
Issued and fully paid:		
Ordinary shares of HK$0.05 each		
– at 1 April 2008, 31 March 2009 and 31 March 2010	1,133,261,503	56,663

29. SHARE OPTIONS

The options of the 2003 share option scheme may be granted to any director, employee, consultant, customer, supplier, agent, partner, provider of financial assistance, shareholder or adviser of or contractor to the Group or a company in which the Group holds an interest or a subsidiary of such company ("Eligible Participants"), the trustee of the Eligible Participants or a company beneficially owned by the Eligible Participants. The purpose of the 2003 share option scheme is to recognize and acknowledge the contributions that the Eligible Participants had made or may make to the Group.

At 31 March 2010, the total number of shares available for issue under the 2003 share option scheme is 259,452,150 shares, representing 22.89% of the issued share capital of the Company at that date.

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2003 share option scheme and other share option schemes of the Company shall not, in aggregate, exceed 30% of the shares of the Company in issue from time to time. No options may be granted to any Eligible Participants which if exercised in full would result in the total number of shares issued and to be issued upon exercise of the share options already granted to such Eligible Participants in the 12-month period up to and including the date of such new grant exceeding 1% of the issued share capital of the Company as at the date of grant unless approval is obtained from the shareholders of the Company. The exercisable period is determined by the board of directors in its absolute discretion, save that such period shall not be more than ten years from the date of grant. There is no generally applicable minimum period for which the options must be held before it can be exercised.

An offer of the grant of an option shall be accepted when the Company receives in writing the acceptance of the offer from the grantee together with a remittance in favor of the Company of HK$1 by way of consideration for the grant thereof. The option shall remain open for acceptance by the Eligible Participants concerned for a period of 28 days from the date of offer. The exercise price shall be determined by the board of directors at the time of grant of the relevant option and notified to each grantee and shall not be less than the highest of: (i) the closing price of a share as stated in the Stock Exchange's daily quotation sheet on the date of grant of the relevant option, which must be a business day; (ii) an amount equivalent to the average closing price of shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant option; and (iii) the nominal value of a share.

The 2003 share option scheme is valid for a period of ten years commencing on the adoption date of 28 April 2003.

29. SHARE OPTIONS (continued)

Details of the movements in the number of share options granted during the year under the 2003 share option scheme are as follows:

Type of Particulars	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1.4.2008	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.3.2009	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.3.2010
				Number of share options								
Directors	5.9.2003	5.9.2003 – 4.9.2013	0.2280	19,260,000	–	–	–	19,260,000	–	–	–	19,260,000
	26.11.2003	26.11.2003 – 25.11.2013	0.2300	400,000	–	–	–	400,000	–	–	–	400,000
	8.12.2003	8.12.2003 – 7.12.2013	0.2130	5,500,000	–	–	–	5,500,000	–	–	–	5,500,000
	9.1.2004	9.1.2004 – 8.1.2014	0.1900	8,890,000	–	–	–	8,890,000	–	–	–	8,890,000
	25.2.2004	25.2.2004 – 24.2.2014	0.1900	13,500,000	–	–	–	13,500,000	–	–	–	13,500,000
	19.4.2004	19.4.2004 – 18.4.2014	0.2096	600,000	–	–	–	600,000	–	–	–	600,000
	16.9.2004	16.9.2004 – 15.9.2014	0.0870	500,000	–	–	–	500,000	–	–	–	500,000
	30.9.2004	30.9.2004 – 29.9.2014	0.0900	500,000	–	–	–	500,000	–	–	–	500,000
	13.12.2004	13.12.2004 – 12.12.2014	0.0982	350,000	–	–	–	350,000	–	–	–	350,000
	28.2.2005	28.2.2005 – 27.2.2015	0.0722	1,000,000	–	–	–	1,000,000	–	–	–	1,000,000
	22.9.2005	22.9.2005 – 21.9.2015	0.0920	400,000	–	–	–	400,000	–	–	–	400,000
	24.3.2006	24.3.2006 – 23.3.2016	0.1530	2,400,000	–	–	(500,000)	1,900,000	–	–	–	1,900,000
	26.9.2006	26.9.2006 – 25.9.2016	0.0772	9,500,000	–	–	(3,000,000)	6,500,000	–	–	–	6,500,000
	18.6.2007	18.6.2007 – 17.6.2017	0.2980	1,100,000	–	–	–	1,100,000	–	–	–	1,100,000
				63,900,000	–	–	(3,500,000)	60,400,000	–	–	–	60,400,000
Employees	5.9.2003	5.9.2003 – 4.9.2013	0.2280	24,500,000	–	–	–	24,500,000	–	–	(800,000)	23,700,000
	15.9.2003	15.9.2003 – 14.9.2013	0.2550	8,000,000	–	–	–	8,000,000	–	–	–	8,000,000
	26.11.2003	26.11.2003 – 25.11.2013	0.2300	2,400,000	–	–	–	2,400,000	–	–	(400,000)	2,000,000
	8.12.2003	8.12.2003 – 7.12.2013	0.2130	800,000	–	–	–	800,000	–	–	–	800,000
	9.1.2004	9.1.2004 – 8.1.2014	0.1900	6,196,000	–	–	–	6,196,000	–	–	(800,000)	5,396,000
	25.2.2004	25.2.2004 – 24.2.2014	0.1900	20,000,000	–	–	–	20,000,000	–	–	–	20,000,000
	19.4.2004	19.4.2004 – 18.4.2014	0.2096	750,000	–	–	–	750,000	–	–	–	750,000
	16.9.2004	16.9.2004 – 15.9.2014	0.0870	3,250,000	–	–	–	3,250,000	–	–	–	3,250,000
	30.9.2004	30.9.2004 – 29.9.2014	0.0900	1,500,000	–	–	–	1,500,000	–	–	–	1,500,000
	13.12.2004	13.12.2004 – 12.12.2014	0.0982	1,600,000	–	–	–	1,600,000	–	–	–	1,600,000
	28.2.2005	28.2.2005 – 27.2.2015	0.0722	200,000	–	–	–	200,000	–	–	–	200,000
	22.9.2005	22.9.2005 – 21.9.2015	0.0920	4,800,000	–	–	–	4,800,000	–	–	–	4,800,000
	24.3.2006	24.3.2006 – 23.3.2016	0.1530	2,250,000	–	–	–	2,250,000	–	–	(1,000,000)	1,250,000
	26.9.2006	26.9.2006 – 25.9.2016	0.0772	11,100,000	–	–	–	11,100,000	–	–	–	11,100,000
	18.6.2007	18.6.2007 – 17.6.2017	0.2980	3,000,000	–	–	–	3,000,000	–	–	(800,000)	2,200,000
				90,346,000	–	–	–	90,346,000	–	–	(3,800,000)	86,546,000
				154,246,000	–	–	(3,500,000)	150,746,000	–	–	(3,800,000)	146,946,000
Weighted average exercise price				HK$0.1835	–	–	HK$0.0880	HK$0.1857	–	–	HK$0.2152	HK$0.1850

30. RESERVES

THE COMPANY	Share premium HK$'000	Share options reserve HK$'000	Accumulated deficit HK$'000	Total HK$'000
At 1 April 2008	637,927	2,567	(606,938)	33,556
Total comprehensive loss for the year	—	—	(30,156)	(30,156)
Transfer of share options reserve on forfeiture of share options	—	(196)	196	—
At 31 March 2009 and 1 April 2009	637,927	2,371	(636,898)	3,400
Total comprehensive loss for the year	—	—	(20,581)	(20,581)
Transfer of share options reserve on forfeiture of share options	—	(262)	262	—
At 31 March 2010	**637,927**	**2,109**	**(657,217)**	**(17,181)**

At 31 March 2010, the Company had no reserves available for distribution to shareholders.

31. DEFERRED TAXATION

At 31 March 2010, the Group and the Company has unutilized tax losses of approximately HK$346 million (2009: HK$334 million) and HK$212 million (2009: HK$205 million), respectively, available to set off against future assessable profits. No deferred tax asset has been recognized in respect of the unutilized tax losses due to the unpredictability of future profit stream. These tax losses of the Group may be carried forward indefinitely except for an amount of approximately HK$28 million (2009: HK$32 million) which may be carried forward for a maximum of five years. The tax losses of the Company may be carried forward indefinitely.

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$1 million (2009: HK$1 million) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

32. OPERATING LEASE COMMITMENTS

The Group and the Company as lessee

At the end of each reporting period, the Group and the Company were committed to make the following future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**888**	1,161	**740**	740
In the second to fifth year inclusive	**709**	1,449	**709**	1,449
	1,597	2,610	**1,449**	2,189

Leases are negotiated for terms up to three years.

The Group as lessor

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments in respect of the investment properties:

	THE GROUP	
	2010	2009
	HK$'000	HK$'000
Within one year	**545**	568
In the second to fifth year inclusive	**5**	145
	550	713

The properties held have committed tenants for the next two years.

33. CONTINGENT LIABILITIES

Guarantees given

At 31 March 2009, the Group had given guarantee of RMB4.9 million to a bank to secure the credit facilities granted to ZSSP. At 31 March 2009, the amount of facilities utilized by ZSSP amounted to RMB4.9 million. The fair value of the financial guarantee contract at the date of grant of HK$1,379,000 representing a deemed capital contribution to the jointly controlled entity during the year ended 31 March 2009, had been adjusted to the carrying amount of interests in jointly controlled entities and recognized as a financial guarantee obligation. On 6 August 2009, the guarantee period was expired and the loan of RMB4.9 million had been repaid in full by the jointly controlled entity.

At 31 March 2009, the Company had given corporate guarantees of HK$5 million to certain banks to secure the credit facilities granted to its subsidiaries. No subsidiaries had utilized the credit facilities during the year ended 31 March 2009.

34. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the Scheme are held separately from those of the Group in funds under the control of trustee. The Group contributes 5% of the relevant payroll costs to the Scheme up to a limit of HK$1,000, which contribution is matched by employees.

The employees of the Company's PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The Company's PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligations of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

35. RELATED PARTY TRANSACTIONS

Details of balances with related parties are set out in note 26 and guarantees given by the Group to secure the credit facilities granted to ZSSP are set out in note 33.

During the year ended 31 March 2010, the Group made an advance to an associate amounting to approximately HK$65,000 (2009: HK$240,000). The amount is unsecured, non-interest bearing and repayable on demand. An impairment loss of approximately HK$160,000 was recognized during the year ended 31 March 2009. The balance at 31 March 2010 amounting to approximately HK$145,000 (2009: HK$80,000) is included in trade and other receivables.

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 10.

36. MAJOR NON-CASH TRANSACTIONS

Details of the deemed capital contribution to a jointly controlled entity during year ended 31 March 2009 arising from the financial guarantee given by the Group are set out in note 33.

37. BUSINESS COMBINATION

In February 2010, the Company completed the acquisition of the entire equity interest in Encore Trading Limited ("Encore") for a total cash consideration of HK$800,000. Encore is principally engaged in trading of computer hardware and software and provision of information technology consultancy services in Hong Kong.

Assets acquired and liabilities assumed at the date of acquisition	HK$'000
Property, plant and equipment	51
Inventories	62
Trade and other receivables	988
Bank balances and cash	315
Trade and other payables	(1,127)
	289

Goodwill arising on acquisition	HK$'000
Consideration transferred	
– cash consideration	800
– costs directly attributable to the acquisition	787
Less: fair value of identifiable net assets acquired	(289)
Goodwill arising on acquisition	1,298

Goodwill arose in the acquisition of Encore because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Encore. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of a subsidiary	HK$'000
Consideration paid in cash	1,587
Less: cash and cash equivalent balances acquired	(315)
	1,272

Impact of acquisition on the results of the Group

Since it acquisition, Encore contributed approximately HK$1,491,000 to the Group's turnover and approximately HK$195,000 to the consolidated loss for the year ended 31 March 2010.

Had the combination taken place at 1 April 2009, the turnover and the loss of the Group for the year would have been approximately HK$8,946,000 and HK$1,170,000, respectively.

38. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation.

39. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which, excluding those explained below, are limited liability companies, at 31 March 2010 and 2009 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital		Attributable proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
		2010	2009	**Directly**	**Indirectly**	
Three Principles Computer Service Company Limited	Hong Kong	**HK$5,000,000**	HK$5,000,000	100%	–	Provision of computer consultancy services, and development and sales of computer software
Encore Trading Limited	Hong Kong	**HK$6**	–	100%	–	Trading of computer software and hardware and provision of information technology consultancy services in Hong Kong
天時北方軟件（北京）有限公司 ("Timeless Beijing")	PRC for a term of 12 years commencing July 2000	**RMB11,035,066**	RMB11,035,066	–	100%	Design, development and maintenance of computer software and systems as well as provision of computer consultancy services
廣州市新信薈智信息產業有限公司 (Talent Valley Company Limited)	PRC for a term of 30 years commencing November 2004	**RMB16,000,000**	RMB16,000,000	–	100%	Provision of computer consultancy services

39. PRINCIPAL SUBSIDIARIES (continued)

Each of Timeless Beijing and Talent Valley Company Limited is a wholly foreign owned enterprise established in the PRC.

天時軟件（廣州）有限公司 ("Timeless Guangzhou"), whose equity interests were owned as to 100% by the Company indirectly, was a Sino-foreign co-operative joint venture company established in the PRC with fully paid registered capital of RMB10,000,000. During the year ended 31 March 2008, Timeless Guangzhou was under liquidation upon expiry of the operation period stated in the registration documents. The liquidation process has not yet been completed at the date of approval of these financial statements.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

40. EVENT AFTER THE REPORTING PERIOD

On 27 May 2010, the Company entered into a sale and purchase agreement with an independent third party to sell approximately 12% equity interest of ZSSP ("Sale Interest") at a consideration of RMB10,800,000 (equivalent to HK$12,000,000). Upon completion of the Sale Interest, the Company will retain a 3.31% equity interest of ZSSP.

Financial Summary

	Year ended 31 March				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
RESULTS					
Turnover	3,638	2,657	2,920	9,042	**16,710**
(Loss)/Profit before taxation	2,144	(15,533)	(18,760)	(24,011)	**(2,872)**
Taxation	—	—	—	—	**—**
(Loss)/Profit for the year	2,144	(15,533)	(18,760)	(24,011)	**(2,872)**
Attributable to:					
Owners of the Company	2,355	(14,724)	(17,801)	(23,998)	**(2,864)**
Non-controlling interests	(211)	(809)	(959)	(13)	**(8)**
	2,144	(15,533)	(18,760)	(24,011)	**(2,872)**

	At 31 March				
	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	**2010** **HK$'000**
ASSETS AND LIABILITIES					
Total assets	159,525	145,995	138,697	116,022	**116,377**
Total liabilities	(6,659)	(6,428)	(7,790)	(7,925)	**(7,285)**
	152,866	139,567	130,907	108,097	**109,092**
Attributable to:					
Owners of the Company	146,101	136,319	128,351	105,499	**106,502**
Non-controlling interests	6,765	3,248	2,556	2,598	**2,590**
	152,866	139,567	130,907	108,097	**109,092**