TIMELESS SOFTWARE LIMITED

ANNUAL REPORT

for the year ended
31 March 2011

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, ACA*

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

Chairman's Statement

REVIEW

On 18 October 2010, the State Council of the Chinese government released "Decisions on Accelerating Fostering and Developing New Industries of Strategic Importance", stating that by 2015 strategic emerging industries should account for 8% of GDP and strive to achieve 15% by 2020.

The new generation of information technology ranked one of the seven emerging industries, and is positioned as a pillar industry of national economy in 2020, strategically prominent. This guidance document is the direction of long-term national industrial layout, to be followed by a number of policies to support revitalization, fine dividing industries planning and will be responded positively by local authorities. Weighting of emerging industries among national economy shall continue to rise or double up, leading to rapid growth of information technology related companies, thus its impact to the industry is broad and far reaching.

Timeless, in the past year, continued on with developments in response to the State's appeal; for example, we signed the third development agreement with the Chinese Academy of Sciences, we co-operated with the Guangdong Provincial Science and Technology and Ministry of Education for applying joint development project, so as to apply the research outcomes to primary and secondary schools, we partnered with Guangzhou trade technicians College to foster practical software development talents and we joined hands with Guangdong Southern Weekend New Media to promote digital news-stand.

Over the years, we have been exploring through partnering with various business entities, to strengthen the profitability of our business models so as to enhance our core competence. We shall actively participate in China´s construction of e-Logistics web.

Given Timeless' years of effort spent on "Search" technologies, we are being selected to partner with the Open University of Hong Kong ("OUHK"), to further apply and promote the use of Technology Research in the Education industry. In October 2010, Timeless was invited by OUHK to participate in a Global Education Forum hosted in the US.

The 16th Asian Games hosted in Guangzhou in November 2010, Timeless provided full support by applying its vertical search technology to collect various games information so as to facilitate information dispatch. On the other hand, education informatization maintains its progress momentum in various locations in Guangdong.

All being said, are supporting facts to illustrate Timeless' target — "Technology Education to revitalize our country" and "Brain Power to strengthen our country". Actions are better than words; we implement them through education informatization, talent fostering and autonomous innovation. These projects can bring along long term income for Timeless and that is why we persist on our expansion.

OUTLOOK

One of the main focus within the "Twelfth five year plan" is to stimulate domestic demand, thus our long term strategy remains unchanged. In addition to Education Informatization and Justice Informatization projects, we are making use of our strength to explore new grounds; specifically, digital publishing, e-Book and e-Logistics Web projects remain our focus points.

Of course, we are also paying close attention to any possibility that could bring in additional income and profit to the Group, and that is to say: we will not forgo any opportunity to co-operate various partners in possession of capital market or geological strength, striving for diversified development and thus bringing in more chances to help the Group's growth. We shall continue to uplift the Group's overall operating productivity and bring in better profitability foundation.

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

Hong Kong, 23 June 2011

Review of Operations

RESULTS FOR THE YEAR ENDED 31 MARCH 2011

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 2011, the Group recorded audited turnover of approximately HK$25,091,000, representing an increase of 50% as compared to approximately HK$16,710,000 in last year. The loss attributable to owners of the Company was approximately HK$11,520,000, as compared to the loss of approximately HK$2,864,000 for the year ended 31 March 2010.

For the year ended 31 March 2011, the other income mainly comprised interest income of approximately HK$268,000 (2010: HK$672,000) and rental income from investment properties of approximately HK$565,000 (2010: HK$489,000).

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31 March 2011, the Group had bank balances and cash of approximately HK$68,636,000 (2010: HK$74,322,000).

As at 31 March 2011, the Group had outstanding borrowing of approximately HK$69,000 (2010: HK$111,000), which was an obligations under a finance lease and will be fully repaid on 30 September 2012. The Group had no bank loan outstanding as at 31 March 2011 (2010: HK$975,000).

GEARING RATIO

As at 31 March 2011, the Group's gearing ratio was approximately 0.07% (2010: 1.02%), based on total borrowings of approximately HK$69,000 (2010: HK$1,086,000) and equity attributable to owners of the Company of approximately HK$93,656,000 (2010: HK$106,502,000).

CHARGE ON THE GROUP'S ASSETS

As at 31 March 2010, a commercial property with a carrying value of approximately HK$2,038,000 situated in Guangzhou held by a PRC subsidiary was pledged ("Pledged Asset") to a bank to secure the loan of approximately HK$975,000. During the year under review, the Pledged Asset had been released upon repayment of the secured bank loan by the subsidiary.

CAPITAL STRUCTURE

As at 31 March 2011, the Company's total number of issued shares was 1,134,561,503 (2010: 1,133,261,503). During the year, certain employees of the Group exercised share options granted to them under the 2003 share option scheme and 1,300,000 shares of the Company were issued and alloted thereof.

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 39.8% (2010: 86.6%), 15.1% (2010: 4.1%) and 45.1% (2010: 9.3%) 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$14,202,000 as at 31 March 2011.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND AFFILIATED COMPANIES

On 27 May 2010, the Company entered into a sale and purchase agreement with an independent third party to sell approximately 12% equity interest in Zhuhai Southern Software Park Development Company Limited ("ZSSP") ("Sale Interest") at a consideration of RMB10,800,000 (equivalent to approximately HK$12,706,000). Upon completion of the Sale Interest, the Company will retain a 3.31% equity interest of ZSSP. At the date of this report, the aforesaid transaction was not yet completed.

Save as disclosed above, 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

As at 31 March 2011, there were no material contingent liabilities incurred by the Group.

EMPLOYEE INFORMATION

As at 31 March 2011, the Group employed a total staff of 51. 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 72, 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 64, 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 46, 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 25 years of experience in office administration and accounting in the IT field.

Ms. Zheng Ying Yu, aged 37, 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 15 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 58, 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 38, 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 15 years experience in the IT industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Tsang Wai Chun, Marianna, aged 56, 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 26 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 55, 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 51, 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 50, 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 2011.

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 2011.

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 2011, 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 8 to 9.

The Board held 6 meetings during the year ended 31 March 2011 with an average attendance rate of approximately 86%.

	Attendance
Executive directors	
Cheng Kin Kwan *(Chairman)*	6/6
Law Kwai Lam	6/6
Leung Mei Sheung Eliza	6/6
Zheng Ying Yu	3/6
Fung Chun Pong Louis	6/6
Liao Yun	6/6
Independent non-executive directors	
Tsang Wai Chun Marianna	6/6
Chan Mei Ying Spencer	6/6
Lam Kwai Yan	6/6

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 64.

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 2011, the fees payable to the auditors in respect of the audit were as follows:

Types of services	**HLB Hodgson Impey Cheng Amount (HK$)**
Audit services	550,000

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 2011, 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 2011 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 22 to 23 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 2011.

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 37 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 24.

SHARE CAPITAL

Details of the movement in share capital of the Company during the year 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 29 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, Ms. Leung Mei Sheung, Eliza, Mr. Liao Yun and Mr. Chan Mei Ying, Spencer 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 2011, 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	19.52%
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	988,000	—	988,000	0.09%
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:

Name of directors	Date of grant	Exercisable period	Exercise price per share HK$	Number of share options and number of underlying shares: Outstanding at 1.4.2010	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.3.2011
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)

				Number of share options and number of underlying shares				
Name of directors	Date of grant	Exercisable period	Exercise price per share HK$	Outstanding at 1.4.2010	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.3.2011
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 2011, 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 2011, 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 2011
Educational Information Technology (HK) Company Limited *	108,057,374	—	108,057,374	9.52%

* 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.

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 2011, 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.

CONNECTED TRANSACTION

None of the "Related party transactions" as disclosed in the note 34 to the financial statements for the year ended 31 March 2011 constituted discloseable non-exempted connected transaction or non-exempted continuing connected transaction under the GEM Listing Rules.

To the extent of the above "Related party transactions" constituted connected transactions as defined in the GEM Listing Rules, the Company had complied with the relevant requirements under Chapter 20 of the GEM Listing Rules during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 56% (2010: 82%) of the Group's total sales while the sales attributable to the Group's largest customer was approximately 34% (2010: 52%) of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers comprised approximately 54% (2010: 61%) of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 25% (2010: 26%) 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 10 to 14.

COMPETING INTEREST

As at 31 March 2011, 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.

MANAGEMENT CONTRACT

No management contract in force during the year for the management and administration of the whole or any substantial part of the Group's business subsisted at the end of the year or at any time during the year.

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 38 to the financial statements.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. HLB Hodgson Impey Cheng as the auditor of the Company.

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

Hong Kong, 23 June 2011

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 24 to 89, which comprise the consolidated and Company's statements of financial position as at 31 March 2011, 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 information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 the Company's affairs and of the Group as at 31 March 2011, 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 2011

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2011

	Notes	2011 HK$'000	2010 HK$'000
Turnover	7	**25,091**	16,710
Other income		**1,075**	2,146
Purchase costs		**(20,268)**	(8,775)
Staff costs		**(15,415)**	(12,985)
Depreciation		**(849)**	(777)
Other expenses		**(7,496)**	(5,782)
Fair value changes on investment properties		**3,788**	160
Gain on partial disposal of equity interest in a jointly controlled entity		**—**	3,846
Net (losses) / gains on equity-linked notes		**(451)**	3,630
Net gains / (losses) on investments held for trading		**1,710**	(110)
Finance costs	8	**(53)**	(63)
Share of profits / (losses) of an associate		**1,330**	(872)
Loss for the year	9	**(11,538)**	(2,872)
Other comprehensive (expense) / income			
Exchange differences on translation of foreign operations		**1,315**	—
Exchange differences realised on deemed disposal of interests in a jointly controlled entity		**—**	(56)
Share of other comprehensive (expense) / income of an associate		**(2,747)**	3,923
Other comprehensive (expense) / income for the year		**(1,432)**	3,867
Total comprehensive (expense) / income for the year		**(12,970)**	995
Loss for the year attributable to:			
Owners of the Company		**(11,520)**	(2,864)
Non-controlling interests		**(18)**	(8)
		(11,538)	(2,872)
Total comprehensive (expense) / income attributable to:			
Owners of the Company		**(13,036)**	1,003
Non-controlling interests		**66**	(8)
		(12,970)	995
		HK cents	HK cents
Loss per share			
– Basic and diluted	12	**(1.02)**	(0.25)

Consolidated Statement of Financial Position
At 31 March 2011

	Notes	**31/3/2011 HK$'000**	31/3/2010 HK$'000 (restated)	1/4/2009 HK$'000 (restated)
Non-current assets				
Investment properties	13	**10,471**	6,455	6,295
Property, plant and equipment	14	**3,988**	3,974	4,908
Goodwill	16	**1,298**	1,298	—
Interests in associates	17	**3,103**	4,365	1,314
Interests in jointly controlled entities	18	**—**	—	—
Equity-linked notes	19	**—**	—	3,564
		18,860	16,092	16,081
Current assets				
Inventories	20	**3,205**	1,498	—
Trade and other receivables	21	**9,762**	7,424	6,256
Equity-linked notes	19	**—**	7,194	—
Investments held for trading	22	**14,562**	9,847	10,070
Pledged bank deposits	23	**—**	—	11,407
Bank balances and cash	23	**68,636**	74,322	72,208
		96,165	100,285	99,941
Current liabilities				
Trade and other payables	24	**5,938**	6,199	6,171
Consideration received for disposal of interests in jointly controlled entities	18	**12,706**	—	—
Obligations under a finance lease due within one year	25	**45**	42	39
Secured bank loan	27	**—**	975	1,144
Financial guarantee obligations		**—**	—	460
		18,689	7,216	7,814
Net current assets		**77,476**	93,069	92,127
Total assets less current liabilities		**96,336**	109,161	108,208
Non-current liabilities				
Obligations under a finance lease due after one year	25	**24**	69	111

	Notes	**31/3/2011 HK$'000**	31/3/2010 HK$'000 (restated)	1/4/2009 HK$'000 (restated)
Net assets		**96,312**	109,092	108,097
Capital and reserves				
Share capital	28	**56,728**	56,663	56,663
Reserves		**36,928**	49,839	48,836
Equity attributable to owners of the Company		**93,656**	106,502	105,499
Non-controlling interests		**2,656**	2,590	2,598
Total equity		**96,312**	109,092	108,097

The financial statements were approved and authorised for issue by the Board of Directors on 23 June 2011 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 2011

	Notes	**31/3/2011 HK$'000**	31/3/2010 HK$'000	1/4/2009 HK$'000
Non-current assets				
Property, plant and equipment	14	**843**	382	483
Investments in subsidiaries	15	**9,392**	9,392	8,000
Interests in associates	17	**3,103**	4,365	1,314
Interests in jointly controlled entities	18	**—**	—	—
Equity-linked notes	19	**—**	—	3,564
		13,338	14,139	13,361
Current assets				
Inventories	20	**—**	1,439	—
Trade and other receivables	21	**3,683**	2,998	3,295
Amount due from a subsidiary	26	**23,006**	—	—
Equity-linked notes	19	**—**	7,194	—
Investments held for trading	22	**14,562**	9,847	10,070
Pledged bank deposits	23	**—**	—	5,214
Bank balances and cash	23	**39,349**	60,584	65,725
		80,600	82,062	84,304
Current liabilities				
Trade and other payables	24	**1,590**	1,833	2,322
Consideration received for disposal of interests in jointly controlled entities	18	**12,706**	—	—
Obligations under a finance lease due within one year	25	**45**	42	39
Amounts due to subsidiaries	26	**54,780**	54,775	35,130
		69,121	56,650	37,491
Net current assets		**11,479**	25,412	46,813
Total assets less current liabilities		**24,817**	39,551	60,174

	Notes	**31/3/2011 HK$'000**	31/3/2010 HK$'000	1/4/2009 HK$'000
Non-current liabilities				
Obligations under a finance lease due after one year	25	**24**	69	111
Net assets		**24,793**	39,482	60,063
Capital and reserves				
Share capital	28	**56,728**	56,663	56,663
Reserves	30	**(31,935)**	(17,181)	3,400
Total equity		**24,793**	39,482	60,063

CHENG KIN KWAN	**LAW KWAI LAM**
Chairman and Chief Executive Officer	*Director*

Consolidated Statement of Changes in Equity
For the year ended 31 March 2011

	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	Accumu-lated deficit HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 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
Loss for the year	–	–	–	–	–	–	(11,520)	(11,520)	(18)	(11,538)
Other comprehensive expense for the year	–	–	–	(2,747)	–	1,231	–	(1,516)	84	(1,432)
Total comprehensive expense for the year	–	–	–	(2,747)	–	1,231	(11,520)	(13,036)	66	(12,970)
Recognition of equity-settled share-based payments	–	–	92	–	–	–	–	92	–	92
Issue of ordinary shares under employee share option plan	65	77	(36)	–	–	–	–	106	–	106
Transaction costs attributable to issue of new ordinary shares	–	(8)	–	–	–	–	–	(8)	–	(8)
At 31 March 2011	**56,728**	**637,996**	**2,165**	**1,176**	**1,061**	**5,627**	**(611,097)**	**93,656**	**2,656**	**96,312**

Consolidated Statement of Cash Flows
For the year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Operating activities			
Loss for the year		**(11,538)**	(2,872)
Adjustments for:			
Interest income		**(268)**	(672)
Interest expense		**53**	63
Share of (profits) / losses of an associate		**(1,330)**	872
Depreciation		**849**	777
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		**(3,788)**	(160)
Net losses / (gains) on equity-linked notes		**451**	(3,630)
Net (gains) / losses on investments held for trading		**(1,710)**	110
Amortisation of financial guarantee obligations		**—**	(460)
Share-based payment expense		**92**	—
Operating cash flows before movements in working capital		**(17,189)**	(9,502)
Increase in inventories		**(1,707)**	(1,436)
Increase in trade and other receivables		**(2,215)**	(179)
Decrease in investments held for trading		**3,591**	—
Decrease in trade and other payables		**(362)**	(1,099)
Net cash used in operating activities		**(17,882)**	(12,216)
Investing activities			
Interest received		**268**	670
Dividend received		**154**	115
Purchase of property, plant and equipment		**(738)**	(108)
Decrease in pledged bank deposits		**—**	11,407
Proceeds on partial disposal of equity interest in a jointly controlled entity		**12,706**	3,789
Net cash outflow on acquisition of a subsidiary	35	**—**	(1,272)
Net cash generated by investing activities		**12,390**	14,601
Financing activities			
Proceeds from issue of equity shares		**106**	—
Payment for transaction costs attributable to issue of new ordinary shares		**(8)**	—
Repayment of bank loans		**(1,010)**	(169)
Interest paid		**(53)**	(63)
Repayment of obligations under a finance lease		**(42)**	(39)
Net cash used in financing activities		**(1,007)**	(271)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 March 2011

	Note	2011 HK$'000	2010 HK$'000
Net (decrease) / increase in cash and cash equivalents		**(6,499)**	2,114
Cash and cash equivalents at the beginning of the financial year		**74,322**	72,208
Effect of foreign exchange rate changes		**813**	—
Cash and cash equivalents at the end of the financial year		**68,636**	74,322
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		**68,636**	74,322

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")

New and revised Standards and Interpretations applied in the current year

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

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendments)	Classification of Rights Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners
HK Int 5	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised Standards and Interpretations has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements for the current or prior accounting periods.

HKFRS 3 (as revised in 2008) Business Combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 April 2010 in accordance with the relevant transitional provisions. Its application has no material effect on the accounting for business combinations in the current year.

- HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

The application of HKFRS 3 (Revised) has had no material impact on the Group's results for the reported periods.

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

Hong Kong Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("HK Int 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK Int 5 for the first time in the current year. HK Int 5 requires retrospective application.

In order to comply with the requirements set out in HK Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, a bank loans that contain a repayment on demand clause with the aggregate carrying amounts of approximately HK$797,000 and HK$975,000 have been reclassified from non-current liabilities to current liabilities as at 31 March 2010 and 1 April 2009 respectively. The application of HK Int 5 has had no impact on the reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities that reflects the remaining contractual maturities (see Note 27).

New and revised Standards, Amendments and Interpretations in issue but not yet effective

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)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HK(IFRIC) - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 July 2011
4 Effective for annual periods beginning on or after 1 January 2013
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2011

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

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

New and revised Standards, Amendments and Interpretations in issue but not yet effective (continued)

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013 and that the application of the new Standard may have an impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 may have an impact on deferred tax recognised for investment properties that are measured using the fair value model. However, it is not practicable to provide a reasonable estimate of that effect until a detail review has been completed.

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 in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements 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.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The principle accounting policies are set out below.

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 and 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 in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 April 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1 April 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

Changes in the Group's ownership interests in existing subsidiaries on or after 1 April 2010 (continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Changes in the Group's ownership interests in existing subsidiaries prior to 1 April 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries, regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss.

Business combinations

Business combinations that took place on or after 1 April 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Business combinations that took place on or after 1 April 2010 (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another Standard.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

Business combinations that took place on or after 1 April 2010 (continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Business combinations that took place prior to 1 April 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was 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 met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The minority interest in the acquiree was initially measured at the minority interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against the cost of the acquisition.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

Investments in associates

An associate is an entity over which the Group 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.

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 initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds the Group's 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 recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

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 recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates (continued)

From 1 April 2010 onwards, upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (i.e. when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control).

When a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities.

The Group reports its interests in jointly controlled entities 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 recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising in a business combination.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

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 recognised 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 recognised only to the extent of the expenses recognised that are recoverable.

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

Revenue from software maintenance services is recognised 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.

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 recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised 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.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the 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 at 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 on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting 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) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

From 1 April 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in the foreign currency translation reserve.

Borrowing costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 recognised 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 recognised 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 recognised 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 recognised 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.

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 of items of income or expense that are taxable or deductible in other years and 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 recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with 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 recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of 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 in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The 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.

Current or deferred tax for the year is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including land and buildings (classified as finance leases) held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

An item of property, plant and equipment is derecognised 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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

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

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) 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 recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised 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 and 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 recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" ("FVTPL"), "available-for-sale" ("AFS") financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 and 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 debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- on initial recognition it is part of a portfolio of identified 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 stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the consolidated statement of comprehensive income.

Available-for-sale financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables or (b) financial assets at FVTPL.

AFS financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of the reporting period (see the accounting policy in respect of impairment loss on financial assets below).

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. Loans and receivables (including trade and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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 considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, 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 portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods (see the accounting policy below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified 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 liability other than a financial liability 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 liability 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 liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the consolidated statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Other financial liabilities

Other financial liabilities (including trade and other payables, obligations under a finance lease and secured bank loan) are subsequently measured at amortised cost using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised 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 (including all fees and 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 liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

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 payments when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, 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 recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition (continued)

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
FVTPL				
Designated as at FVTPL	**—**	7,194	**—**	7,194
Investments held for trading	**14,562**	9,847	**14,562**	9,847
Loans and receivables (including cash and cash equivalents)	**75,413**	79,673	**65,825**	62,795
Financial liabilities				
Amortised cost	**16,701**	5,439	**68,839**	56,521

(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, bank balances and cash, trade and other payables, obligations under a finance lease and secured 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.

4. FINANCIAL INSTRUMENTS (continued)

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

Market risks (continued)

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 2011 and 2010 would decrease/increase by HK$1,456,000 and HK$1,704,000, 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 increased during the year mainly due to the violent fluctuation in the stock 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.

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 recognised financial assets as stated in the consolidated and the Company's statements of financial position respectively. In order to minimise 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 98% and 2% respectively (2010: 42% and 58% respectively) of the total trade receivables as at 31 March 2011. The Group has no significant concentration of credit risk on trade receivables by customers and no significant trade receivables were due from the Group's largest customer (2010: 39%) and the five largest customers (2010: 79%) at 31 March 2011. 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 recognised for irrecoverable amounts.

4. FINANCIAL INSTRUMENTS (continued)

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

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 utilisation of bank borrowing and ensures compliance with loan covenants.

The following tables detail the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. 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$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March HK$'000
2011						
Non-derivative financial liabilities						
Non-interest bearing	**N/A**	**–**	**16,632**	**–**	**16,632**	**16,632**
Fixed interest rate instruments	**7.5**	**–**	**50**	**26**	**76**	**69**
		–	**16,682**	**26**	**16,708**	**16,701**
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	975	50	76	1,101	1,086
		975	4,403	76	5,454	5,439

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
2011						
Non-derivative financial liabilities						
Non-interest bearing	**N/A**	**67,486**	**1,284**	**—**	**68,770**	**68,770**
Fixed interest rate instruments	**7.5**	**—**	**50**	**26**	**76**	**69**
		67,486	**1,334**	**26**	**68,846**	**68,839**
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

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 amortised cost in the financial statements approximate their fair values.

Fair value measurements recognised 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**
2011				
Investments held for trading	**14,562**	**—**	**—**	**14,562**
2010				
Investments held for trading	9,847	—	—	9,847
Equity-linked notes	—	7,194	—	7,194

There were no transfer between Levels 1 and 2 categories in the both years.

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 maximising the return to shareholders through the optimisation 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 secured 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 realisation 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

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:

	2011 **HK$'000**	2010 HK$'000
Turnover		
Software development	**9,980**	14,476
Hardware sales	**3,779**	679
Software sales	**14,225**	1,568
Elimination on inter-segment sales	**(2,893)**	(13)
	25,091	16,710
Results		
Software development	**(12,342)**	(9,697)
Hardware sales	**(1,488)**	(367)
Software sales	**(3,032)**	(204)
Elimination on inter-segment sales	**—**	13
	(16,862)	(10,255)
Interest income	**268**	672
Other income	**807**	1,014
Unallocated corporate expenses	**(2,075)**	(1,354)
Amortisation of financial guarantee obligations	**—**	460
Gain on partial disposal of equity interest in a jointly controlled entity	**—**	3,846
Fair value changes on investment properties	**3,788**	160
Net (losses) / gains on equity-linked notes	**(451)**	3,630
Net gains / (losses) on investments held for trading	**1,710**	(110)
Finance costs	**(53)**	(63)
Share of profits / (losses) of an associate	**1,330**	(872)
Loss for the year	**(11,538)**	(2,872)

7. SEGMENT INFORMATION (continued)

Segment revenues and results (continued)

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.

Segment assets and liabilities

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

	2011	2010
	HK$'000	HK$'000
Segment assets		
Segment assets		
– software development	**6,658**	12,652
– hardware sales	**3,310**	500
– software sales	**6,987**	1,042
	16,955	14,194
Interests in associates	**3,103**	4,365
Interests in jointly controlled entities	**—**	—
Unallocated corporate assets	**94,967**	97,818
Consolidated assets	**115,025**	116,377
Segment liabilities		
Segment liabilities		
– software development	**10,603**	4,884
– hardware sales	**4,139**	44
– software sales	**3,902**	1,271
	18,644	6,199
Unallocated corporate liabilities	**69**	1,086
Consolidated liabilities	**18,713**	7,285

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 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 bank loan. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

7. SEGMENT INFORMATION (continued)

Other segment information

	2011 HK$'000	2010 HK$'000
Capital additions		
– software development	**733**	95
– hardware sales	**—**	13
– software sales	**5**	51
	738	159
Depreciation		
– software development	**358**	735
– hardware sales	**171**	34
– software sales	**320**	8
	849	777

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	
	2011 HK$'000	2010 HK$'000
Hong Kong	**11,107**	3,536
PRC	**13,984**	13,174
	25,091	16,710

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

	Non-current assets		Capital additions	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Hong Kong	**2,160**	1,724	**693**	146
PRC	**13,597**	10,003	**45**	13
	15,757	11,727	**738**	159

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:

	2011	2010
	HK$'000	HK$'000
Customer A[1]	**8,471**	—
Customer B[1&2]	**2,718**	—
Customer C[1]	**—**	8,704
Customer D[1]	**—**	2,417

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

8. FINANCE COSTS

	2011	2010
	HK$'000	HK$'000
Interest on		
– a finance lease	**8**	11
– bank borrowings not wholly repayable within five years	**45**	52
	53	63

9. LOSS FOR THE YEAR

	2011 **HK$'000**	2010 HK$'000
Loss for the year has been arrived at after charging / (crediting):		
Directors' remuneration (note 10)	**3,982**	3,830
Other staff's retirement benefits scheme contributions	**259**	183
Other staff's share-based payments	**92**	—
Other staff costs	**11,082**	8,972
	15,415	12,985
Depreciation of property, plant and equipment		
– owned by the Group	**808**	736
– held under a finance lease	**41**	41
	849	777
Auditors' remuneration		
– current year	**550**	600
– under provision in prior year	**—**	50
Loss on disposal of property, plant and equipment	**—**	316
Operating lease rentals in respect of rented premises	**1,280**	902
Amortisation of financial guarantee obligations	**—**	(460)
Interest income	**(268)**	(672)
Gross rental income from investment properties	**(565)**	(489)
Less: direct operating expenses from investment properties that generated rental income during the year	**81**	78
	(484)	(411)

10. DIRECTORS' EMOLUMENTS

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

	2011						2010					
	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	–	1,688	–	–	–	1,688	–	1,583	–	–	–	1,583
Law Kwai Lam	–	423	12	–	–	435	–	422	12	–	–	434
Leung Mei Sheung, Eliza	–	513	12	–	–	525	–	500	12	–	–	512
Zheng Ying Yu	–	289	12	–	–	301	–	300	12	–	–	312
Fung Chun Pong, Louis	–	456	12	–	–	468	–	432	12	–	–	444
Liao Yun	–	253	12	–	–	265	–	240	12	–	–	252
Independent non- executive directors												
Tsang Wai Chun, Marianna	100	–	–	–	–	100	98	–	–	–	–	98
Chan Mei Ying, Spencer	100	–	–	–	–	100	98	–	–	–	–	98
Lam Kwai Yan	100	–	–	–	–	100	97	–	–	–	–	97
	300	3,622	60	–	–	3,982	293	3,477	60	–	–	3,830

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 two (2010: three) executive directors of the Company, whose emoluments are detailed above. The aggregate emoluments of the remaining three (2010: two) highest paid individuals are as follows:

	2011 HK$'000	2010 HK$'000
Basic salaries and allowances	**1,437**	951
Retirement benefits scheme contributions	**37**	24
Performance and discretionary bonus	**199**	3
Share-based payment expense	**13**	—
	1,686	978

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

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.

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

	2011 **HK$'000**	2010 HK$'000
Loss for the year	**(11,538)**	(2,872)
Tax credit at the applicable income tax rate of 16.5%	**(1,904)**	(474)
Tax effect of share of (profits) / losses of an associate	**(219)**	144
Tax effect of expenses not deductible for tax purposes	**888**	31
Tax effect of income not taxable for tax purposes	**(30)**	(653)
Tax effect of unrecognised tax losses	**2,767**	1,554
Utilisation of tax losses previously not recognised	**(1,362)**	(363)
Effect of different tax rates for subsidiaries operating in other jurisdictions	**406**	46
Others	**(546)**	(285)
Taxation for the year	**—**	—

12. LOSS PER SHARE

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

	2011	2010
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	**HK$(11,520,000)**	HK$(2,864,000)
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,133,649,174**	1,133,261,503
Effect of dilutive potential ordinary shares:		
Share options	**7,568,999**	3,908,765
Weighted average number of ordinary shares for the purpose of diluted loss per share	**1,141,218,173**	1,137,170,268

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 2011 since their exercise would result in a decrease in loss per share.

13. INVESTMENT PROPERTIES

	THE GROUP HK$'000
FAIR VALUE	
At 1 April 2009	6,295
Fair value change during the year	160
At 31 March 2010	**6,455**
Exchange adjustment	**228**
Fair value change during the year	**3,788**
At 31 March 2011	**10,471**

The fair values of the Group's investment properties at 31 March 2011 and 2010 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 capitalising the net rental income derived from the existing tenancies with due allowance for the reversionary potential of the property.

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 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
Exchange adjustments	102	166	12	–	–	14	294
Additions	–	243	9	–	475	11	738
Disposal/write off	–	(606)	–	(9)	–	(353)	(968)
At 31 March 2011	**3,006**	**13,693**	**828**	**1,373**	**759**	**4,241**	**23,900**
DEPRECIATION AND IMPAIRMENT							
At 1 April 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
Exchange adjustments	31	114	11	–	–	13	169
Provided for the year	170	532	–	7	32	108	849
Eliminated on disposal / write off	–	(606)	–	(9)	–	(353)	(968)
At 31 March 2011	**1,067**	**12,242**	**798**	**1,373**	**316**	**4,116**	**19,912**
CARRYING VALUES							
At 31 March 2011	**1,939**	**1,451**	**30**	**–**	**443**	**125**	**3,988**
At 31 March 2010	2,038	1,688	20	7	–	221	3,974
At 1 April 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 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
Additions	207	—	—	475	7	689
Disposal	(606)	—	—	—	—	(606)
At 31 March 2011	**8,285**	**477**	**1,373**	**759**	**3,384**	**14,278**
DEPRECIATION AND IMPAIRMENT						
At 1 April 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
Provided for the year	113	1	—	32	82	228
Eliminated on disposal	(606)	—	—	—	—	(606)
At 31 March 2011	**7,961**	**477**	**1,373**	**316**	**3,308**	**13,435**
CARRYING VALUES						
At 31 March 2011	**324**	**–**	**–**	**443**	**76**	**843**
At 31 March 2010	230	1	—	—	151	382
At 1 April 2009	248	2	—	—	233	483

At 31 March 2011, 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$1,939,000 (2010: HK$2,038,000). In addition, at 31 March 2010, the Group had pledged this land and building to a bank to secure the credit facilities granted to the Group.

At 31 March 2011, the carrying value of the Group's and the Company's office equipment held under a finance lease was approximately HK$61,000 (2010: HK$102,000).

15. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY		
	31/3/2011	31/3/2010	1/4/2009
	HK$'000	HK$'000	HK$'000
Unlisted investments, at cost	**22,897**	22,897	21,310
Less: Impairment loss recognised	**(13,505)**	(13,505)	(13,310)
	9,392	9,392	8,000

Details of the Company's principal subsidiaries at 31 March 2011 and 2010 are set out in note 37.

16. GOODWILL

	THE GROUP HK$'000
Cost and carrying amounts	
At 1 April 2009	—
Arising on acquisition of a subsidiary (note 35)	1,298
At 31 March 2010 and 31 March 2011	**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 5% (2010: 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		
	31/3/2011	31/3/2010	1/4/2009	**31/3/2011**	31/3/2010	1/4/2009
	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000	HK$'000
Unlisted investments, at cost	**95,150**	95,150	95,150	**95,150**	95,150	95,150
Share of post-acquisition reserves	**(92,202)**	(90,785)	(93,836)	**–**	–	–
Exchange realignment	**155**	–	–	**155**	–	–
Less: Impairment loss recognised	**–**	–	–	**(92,202)**	(90,785)	(93,836)
	3,103	4,365	1,314	**3,103**	4,365	1,314

The principal investment in an associate at 31 March 2011, 2010 and 1 April 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 summarised financial information in respect of the Group's associates is set out below:

	31/3/2011	31/3/2010	1/4/2009
	HK$'000	HK$'000	HK$'000
Total assets	**28,333**	28,316	13,897
Total liabilities	**(15,938)**	(10,879)	(8,647)
Net assets	**12,395**	17,437	5,250
Group's share of net assets of associates	**3,103**	4,365	1,314
Revenue	**99**	1,077	4,245
Profit / (loss) for the year	**5,314**	(3,482)	(9,913)
Profit / (loss) for the year attributable to the Group	**1,330**	(872)	(2,482)

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP			THE COMPANY		
	31/3/2011	31/3/2010	1/4/2009	**31/3/2011**	31/3/2010	1/4/2009
	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000	HK$'000
Unlisted capital contributions	**26,354**	26,354	29,615	**26,354**	26,354	29,615
Deemed capital contributions	**2,437**	2,437	2,437	**–**	–	–
Share of post-acquisition losses	**(26,354)**	(26,354)	(29,615)	**–**	–	–
Less: Impairment loss recognised	**(2,437)**	(2,437)	(2,437)	**(26,354)**	(26,354)	(29,615)
Loan to a jointly controlled entity	**568**	568	568	**568**	568	568
Amount due from a jointly controlled entity	**658**	658	658	**658**	658	658
Less: Allowance on advance made to a jointly controlled entity	**(1,226)**	(1,226)	(1,226)	**(1,226)**	(1,226)	(1,226)
	–	–	–	**–**	–	–

The principal investment in jointly controlled entity at 31 March 2011 represents the Company's 15.3% (2010: 15.3%) 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 27 May 2010, the Company entered into a sale and purchase agreement (the "Agreement") with an independent third party to sell approximately 12% equity interest in ZSSP ("Sale Interest") at a consideration of RMB10,800,000 (equivalent to approximately HK$12,706,000). Upon completion of the Sale Interest, the Company will retain a 3.31% equity interest of ZSSP. At the date of this report, the aforesaid transaction was not yet completed.

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 summarised 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:

	31/3/2011	31/3/2010	1/4/2009
	HK$'000	HK$'000	HK$'000
Non-current assets	**43,992**	39,187	85,730
Current assets	**13,425**	13,983	23,917
Current liabilities	**(15,275)**	(24,151)	(50,226)
Non-current liabilities	**(39,880)**	(36,598)	(77,727)
Income	**29,214**	4,036	19,847
Expenses	**(46,082)**	(9,970)	(27,752)

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

		THE GROUP	
	31/3/2011	31/3/2010	1/4/2009
	HK$'000	HK$'000	HK$'000
Unrecognised share of losses of jointly controlled entities for the year	**(16,868)**	(5,934)	(7,905)
Accumulated unrecognised share of losses of jointly controlled entities	**(43,651)**	(26,783)	(20,849)

19. EQUITY-LINKED NOTES

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

	THE GROUP AND THE COMPANY		
	31/3/2011	31/3/2010	1/4/2009
	HK$'000	HK$'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 1 April 2009 are as follows:

	Maturity		
	31/3/2011	31/3/2010	1/4/2009
Principal amount HK$12,000,000	**N/A**	May 2010	May 2010

The equity-linked notes were denominated in Hong Kong dollars and the obligation of interest accrual on a daily basis was at a predetermined equation. The equity-linked notes were subject to mandatory redemption at various intervals until maturity dates. The manner in which it was settled at mandatory termination or redemption at maturity were 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 was 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 were measured at fair value at the end of each reporting period. Their fair values of 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.

In May 2010, the equity-linked notes were redeemed at maturity for Hong Kong listed equity securities which were transferred to investments held for trading at fair value of HK$6,749,000, which were determined based on the quoted market bid prices of securities available on the market.

20. INVENTORIES

	THE GROUP			THE COMPANY		
	31/3/2011	31/3/2010	1/4/2009	**31/3/2011**	31/3/2010	1/4/2009
	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000	HK$'000
Computer hardware and software	**3,205**	1,498	—	**—**	1,439	—

21. TRADE AND OTHER RECEIVABLES

	THE GROUP			THE COMPANY		
	31/3/2011	31/3/2010	1/4/2009	**31/3/2011**	31/3/2010	1/4/2009
	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000	HK$'000
Trade receivables	**1,168**	2,254	866	**2,473**	122	134
Accrued revenue	**—**	538	445	**—**	538	237
Other receivables	**8,594**	4,632	4,945	**1,210**	2,338	2,924
	9,762	7,424	6,256	**3,683**	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		
	31/3/2011	31/3/2010	1/4/2009	**31/3/2011**	31/3/2010	1/4/2009
	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000	HK$'000
Age						
0 to 30 days	**650**	1,717	866	**415**	122	134
31 to 60 days	**82**	102	—	**—**	—	—
61 to 90 days	**205**	24	—	**—**	—	—
More than 90 days	**231**	411	—	**2,058**	—	—
	1,168	2,254	866	**2,473**	122	134

The trade and other receivables are unsecured, interest-free and expected to be settled within one year. As at 31 March 2011, included in the Company's trade receivables is an amount of approximately HK$2,058,000 (2010: nil) which is trade receivables from a subsidiary. 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 2011, included in the Group's and the Company's trade receivables balances are debtors with aggregate carrying amount of approximately HK$613,000 (2010: HK$578,000) and HK$2,060,000 (2010: nil) respectively which are past due at 31 March 2011 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.

21. TRADE AND OTHER RECEIVABLES (continued)

Age of trade receivables which are past due but not impaired

	THE GROUP			THE COMPANY		
	31/3/2011	31/3/2010	1/4/2009	**31/3/2011**	31/3/2010	1/4/2009
	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000	HK$'000
Age						
0 to 30 days	**119**	121	—	**—**	—	—
31 to 60 days	**223**	38	—	**2**	—	—
61 to 90 days	**40**	8	—	**—**	—	—
More than 90 days	**231**	411	—	**2,058**	—	—
	613	578	—	**2,060**	—	—

22. INVESTMENTS HELD FOR TRADING

At 31 March 2011, the investments held for trading of approximately HK$14,562,000 (2010: 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 1 April 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. During the year ended 31 March 2010, the pledged bank deposit 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 1.49% (2010: between 0.035% and 0.07%, 2009: between 0.01% and 0.80%) per annum with an original maturity of three months or less.

At 31 March 2011, the Group had bank balances and cash of approximately HK$22,730,000 (2010: HK$12,358,000, 2009: HK$11,627,000) which are denominated in Renminbi. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

24. TRADE AND OTHER PAYABLES

	THE GROUP			THE COMPANY		
	31/3/2011	31/3/2010	1/4/2009	**31/3/2011**	31/3/2010	1/4/2009
	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000	HK$'000
Trade payables	**614**	999	18	**—**	—	—
Customers' deposits received	**2,012**	1,846	2,966	**306**	198	387
Other payables	**3,312**	3,354	3,187	**1,284**	1,635	1,935
	5,938	6,199	6,171	**1,590**	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
				31/3/2011, 31/3/2010 &
	31/3/2011	31/3/2010	1/4/2009	1/4/2009
	HK$'000	HK$'000	HK$'000	HK$'000
Age				
0 to 30 days	**361**	875	18	—
31 to 60 days	**—**	103	—	—
61 to 90 days	**235**	—	—	—
More than 90 days	**18**	21	—	—
	614	999	18	—

25. OBLIGATIONS UNDER A FINANCE LEASE

	THE GROUP AND THE COMPANY					
	Minimum lease payments			Present value of minimum lease payments		
	31/3/2011	31/3/2010	1/4/2009	**31/3/2011**	31/3/2010	1/4/2009
	HK$'000	HK$'000	HK$'000	**HK$'000**	HK$'000	HK$'000
Amount payable under a finance lease:						
Within one year	**50**	50	50	**45**	42	39
Between one to two years	**26**	50	50	**24**	45	42
Between two to five years	**–**	26	76	**–**	24	69
	76	126	176	**69**	111	150
Less: Future finance charges	**(7)**	(15)	(26)	**–**	–	–
Present value of lease obligations	**69**	111	150	**69**	111	150
Less: Amount due within one year shown under current liabilities				**(45)**	(42)	(39)
Amount due after one year				**24**	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% (2010 and 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 FROM/(TO) SUBSIDIARIES

THE COMPANY

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

27. SECURED BANK LOAN

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

	THE GROUP		
	31/3/2011	31/3/2010	1/4/2009
	HK$'000	HK$'000	HK$'000
		(Restated)	(Restated)
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
Carrying amount of the secured bank loan that is not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	**–**	797	975
Add: Amount due within one year	**–**	178	169
	–	975	1,144

At 31 March 2010 and 1 April 2009, the bank loan was 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. During the year ended 31 March 2011, the bank loan was fully settled.

28. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2011	2010 & 2009	**2011**	2010 & 2009
			HK$'000	HK$'000
Authorised:				
Ordinary shares of HK$0.05 each	**2,500,000,000**	2,500,000,000	**125,000**	125,000
Issued and fully paid:				
Ordinary shares of HK$0.05 each				
At 1 April	**1,133,261,503**	1,133,261,503	**56,663**	56,663
Exercise of share options	**1,300,000**	—	**65**	—
At 31 March	**1,134,561,503**	1,133,261,503	**56,728**	56,663

Details of share options exercised during the year ended 31 March 2011 are as follows:

Subscription price per share	Number of share options exercised
HK$0.087	500,000
HK$0.0772	800,000
	1,300,000

As a result, an aggregate of 1,300,000 new ordinary shares of HK$0.05 each in the Company are issued during the year ended 31 March 2011.

All the shares issued during the year ended 31 March 2011 rank pari passu with the then existing shares in all respects.

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 recognise and acknowledge the contributions that the Eligible Participants had made or may make to the Group.

At 31 March 2011, the total number of shares available for issue under the 2003 share option scheme is 256,952,150 shares, representing 22.65% 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$	Number of share options: Outstanding at 1.4.2009	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.3.2010	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.3.2011
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	1,900,000	—	—	—	1,900,000	—	—	—	1,900,000
	26.9.2006	26.9.2006 - 25.9.2016	0.0772	6,500,000	—	—	—	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
				60,400,000	—	—	—	60,400,000	—	—	—	60,400,000

29. SHARE OPTIONS (continued)

Type of Particulars	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	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.3.2011
				Number of share options								
Employees	5.9.2003	5.9.2003 - 4.9.2013	0.2280	24,500,000	—	—	(800,000)	23,700,000	—	—	(500,000)	23,200,000
	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	—	—	(400,000)	2,000,000	—	—	—	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	—	—	(800,000)	5,396,000	—	—	(500,000)	4,896,000
	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	—	(500,000)	—	2,750,000
	30.9.2004	30.9.2004 - 29.9.2014	0.0900	1,500,000	—	—	—	1,500,000	—	—	(200,000)	1,300,000
	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	—	—	(1,000,000)	1,250,000	—	—	—	1,250,000
	26.9.2006	26.9.2006 - 25.9.2016	0.0772	11,100,000	—	—	—	11,100,000	—	(800,000)	—	10,300,000
	18.6.2007	18.6.2007 - 17.6.2017	0.2980	3,000,000	—	—	(800,000)	2,200,000	—	—	—	2,200,000
	14.2.2011	14.2.2011 - 13.2.2021	0.0882	—	—	—	—	—	3,500,000	—	(50,000)	3,450,000
				90,346,000	—	—	(3,800,000)	86,546,000	3,500,000	(1,300,000)	(1,250,000)	87,496,000
				150,746,000	—	—	(3,800,000)	146,946,000	3,500,000	(1,300,000)	(1,250,000)	147,896,000
Weighted average exercise price				HK$0.1857	—	—	HK$0.2152	HK$0.1850	HK$0.0882	HK$0.0810	HK$0.1851	HK$0.1836

29. SHARE OPTIONS (continued)

During the year ended 31 March 2011, options were granted on 14 February 2011. The estimated fair value of the options granted on that date was HK$0.026258 per option.

The Company used the Binomial Option Pricing Model (the "Model") to value the share options granted during the year. The Model is one of the commonly used models to estimate the fair value of share options. The value of an option varies with different variables of certain subjective assumptions. Any change in the variables so adopted may materially affect the estimation of the fair value of an option.

Details of the fair values of share options determined at the date of grant using the Model with the inputs are as follows:

	14 February 2011
Closing share price	HK$0.087
Exercise price	HK$0.0882
Expected volatility	94%
Expected life	10 years
Risk-free rate	3.02%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous year. The expected life used in the Model has been adjusted, based on the management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of HK$92,000 for the year ended 31 March 2011 (2010: nil) in relation to share options granted by the Company.

30. RESERVES

THE COMPANY

	Share premium	Share options reserve	Accumulated deficit	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2009	637,927	2,371	(636,898)	3,400
Total comprehensive expense for the year	—	—	(20,581)	(20,581)
Transfer of share options reserve on forfeiture of share options	—	(262)	262	—
At 31 March 2010 and 1 April 2010	637,927	2,109	(657,217)	(17,181)
Total comprehensive expense for the year	—	—	(14,879)	(14,879)
Recognition of equity-settled share-based payments	—	92	—	92
Issue of ordinary shares under employee share option plan	77	(36)	—	41
Transaction costs attributable to issue of new ordinary shares	(8)	—	—	(8)
At 31 March 2011	**637,996**	**2,165**	**(672,096)**	**(31,935)**

At 31 March 2011, the Company had no reserves available for distribution to shareholders.

31. DEFERRED TAXATION

At 31 March 2011, the Group and the Company has unutilised tax losses of approximately HK$363 million (2010: HK$346 million) and HK$226 million (2010: HK$212 million), respectively, available to set off against future assessable profits. No deferred tax asset has been recognised in respect of the unutilised 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$23 million (2010: HK$28 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 (2010: 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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**2,643**	888	**709**	740
In the second to fifth year inclusive	**1,352**	709	**—**	709
	3,995	1,597	**709**	1,449

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	
	2011	2010
	HK$'000	HK$'000
Within one year	**586**	545
In the second to fifth year inclusive	**639**	5
	1,225	550

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

33. 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 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.

34. RELATED PARTY TRANSACTIONS

Details of balances with related parties are set out in note 26.

During the year ended 31 March 2011, the Group made an advance to an associate amounting to approximately HK$1,307,000 (2010: HK$65,000). The amount is unsecured, non-interest bearing and repayable by 20 December 2011 (2010: repayable on demand). The balance at 31 March 2011 amounting to approximately HK$1,458,000 (2010: HK$145,000) 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.

35. 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 recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

35. BUSINESS COMBINATION (continued)

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.

36. COMPARATIVE FIGURES

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

37. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which, excluding those explained below, are limited liability companies, at 31 March 2011 and 2010 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital 2011	2010	Attributable proportion of nominal value of issued capital/ registered capital held by the Company Directly	Indirectly	Principal activities
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**	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	**RMB20,000,000**	RMB11,035,066	–	100%	Design, development and maintenance of computer software and systems as well as provision of computer consultancy services
廣州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
廣東厚德寶網絡科技有限公司	PRC for a term of 10 months commencing December 2010	**RMB12,000,000**	–	–	100%	Provision of e-commerce software development and information technology services as well as retail and wholesale of computer software, hardware and ironware
廣東厚德寶供應鏈服務有限公司	PRC for a term of over 10 years commencing February 2011	**RMB10,100,000**	–	–	100%	Provision of supply chain management, storage and corporate management consultancy services

37. PRINCIPAL SUBSIDIARIES (continued)

Each of Timeless Beijing, Talent Valley Company Limited, 廣東厚德寶網絡科技有限公司 and 廣東厚德寶供應鏈服務有限公司 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.

38. EVENT AFTER THE REPORTING PERIOD

On 3 May 2011, Talent Valley Company Limited, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party pursuant to which Talent Valley Company Limited agreed to sell the Group's land and buildings at a cash consideration of RMB1,700,000 (equivalent to approximately HK$2,000,000). The transaction was completed on 1 June 2011.

Financial Summary

	Year ended 31 March				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Turnover	2,657	2,920	9,042	16,710	**25,091**
Loss before taxation	(15,533)	(18,760)	(24,011)	(2,872)	**(11,538)**
Taxation	—	—	—	—	**—**
Loss for the year	(15,533)	(18,760)	(24,011)	(2,872)	**(11,538)**
Attributable to:					
Owners of the Company	(14,724)	(17,801)	(23,998)	(2,864)	**(11,520)**
Non-controlling interests	(809)	(959)	(13)	(8)	**(18)**
	(15,533)	(18,760)	(24,011)	(2,872)	**(11,538)**

	At 31 March				
	2007	2008	2009	2010	**2011**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	145,995	138,697	116,022	116,377	**115,025**
Total liabilities	(6,428)	(7,790)	(7,925)	(7,285)	**(18,713)**
	139,567	130,907	108,097	109,092	**96,312**
Attributable to:					
Owners of the Company	136,319	128,351	105,499	106,502	**93,656**
Non-controlling interests	3,248	2,556	2,598	2,590	**2,656**
	139,567	130,907	108,097	109,092	**96,312**