TIMELESS
SOFTWARE LIMITED

Annual Report

for the year ended
31 March 2012

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
Enterprise Place Phase One
Hong Kong Science Park
Pak Shek Kok 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

In 2011, global economic growth momentum experienced significant slow-down; the "Arabic Spring" outbreak in early 2011 led to a surge in oil prices followed by a heavy blow to Japan economy caused by the earth quake and tsunami in northern Japan on March 11. Subsequently, around July and August, the topic of raising debt limit led to a political struggle between the U.S. political parties, other than endangering U.S. sovereign credit rating, the U.S. consumer confidence plunged sharply altogether. Across the ocean European debt crisis worsened further, dragging various countries into recession and the impact rippled through trade and finance channels to other countries. On the other hand, to fight rising property prices, the Mainland China Government put forward harsh purchase orders as antidote, finally the measure took effect, cooling off the market and China was happy to see a "soft landing".

All along, Timeless has been deeply convinced in China Market, taking a "cautiously optimistic" attitude to progress along with our mother country; our core business is centered round autonomous innovative software development; our core value aims to consolidate Chinese Culture into scientific development; our base is anchored in GEM market of Hong Kong; we vow to focus on China Market as dominance and, along the course of striving to strengthen Chinese software power to materialise return for shareholders.

The "OSQun", which Timeless has been developing tireless for years, has gained support for various sides; for example, the system Timeless developed for Guangzhou Culture Management office has been in operation for years and still going strong for further development. Such system served as a norm for Chinese Culture industry and shall be promoted to nation-wide.

At the same time, "OSQun" technologies are bettering continuously in parallel; it gained recognition from renowned international names and am preparing to promote such mobile terminal application worldwide. Our technologies are also being recognised by certain department within the HKSAR government, appointing us to be the developer of mobile technologies. As for e-Logistics, we are in full swing deployment, extending to various industries; though in short term, our cost may be increased, however, in the long run, we believe that such investment should bring along long term and stable revenue for the Group.

All along, Timeless has been advocating on the corporate operation principle, that is: "Core business, Core values and pluralistic co-existence" and for the past years, the Group has been actively pursuing other development opportunities, especially in China. In view of the fact that basic metals and precious metals demands are heavy and growing, the outlook for mining industry is optimistic; as mining companies are expected to grow rapidly; thus, after rounds of screening and negotiations, in September 2011, the Group inked our mining decision in a company based in XinJiang to develop our mining opportunities from there. The Board also considers that China's mining industry would be beneficial to the Group and such acquisition would further developed other business opportunities and enhance shareholder value.

Other investors also concurred with the Group's direction and requested to participate with cash capital. A placement was completed back in end October, further strengthening our capital structure.

The acquisition of the mining company was completed in May 2012, from that date on, the Group set foot into the two parallel development trajectory; new revenue and cash source was added and a certain foundation for shareholders' return was established.

OUTLOOK

2012 will be a crucial year for the Group in line with the "12th Five-Year Plan"; riding with the wind and tide of Cloud computing, a new and huge industry innovation and revolution is brewing. The Group shall surmount the trend of IT industry and Cloud Computing, persists on adjustment, innovation and revolution; centered round enterprise and vertical industry SaaS services, we shall march forward towards Cloud computing product and services, actively explore and adapt towards Cloud Computing organisation structure and operating mechanisms.

Timeless Cloud Computing can be segregated into several layers of services, namely: Infrastructure as a Service (Infrasture as a Service "Iaas"), Platform as a Service (Platform as a Service "PaaS") and software as a service (Software as a Service "SaaS").

To these aspects, Timeless has already invested in Guangzhou to build a cloud computing infrastructure platform, to provide leasing services based on virtual machine infrastructure; in addition to Timeless operating platform being migrated, the infrastructure is also being leased to partner companies and customers in various industry operators ranging from leathergoods, bicycle accessories, furniture to eLogistics. The illegal video publications database commissioned by the Ministry of Public Security was also being developed and tested upon such platform. Through leasing service provided by the platform, system deployment cycle could be greatly reduced, thus lowering Total Cost of Ownership. Moreover, by employing GuangCunYuan Storage technology, Massive data storage service based on distributed file system is also being actively pursued.

The widely acclaimed Intelligent Search Engine (SouSuoYuan) and Platform Development Environment (ZiFaYuan) has also extended their services to Cloud Computing Platform, providing various elements of PaaS services such as, Vertical Search, Intelligent Search, Knowledge Management and Program/Apps development. Existing Timeless Customers shall be the first batch of beneficiaries; traditional systems which require to be independently developed could now be easily provisioned via simple leasing.

At present, Timeless is in the course of consolidating various sub-systems such as CRM, DMS, SCM, ERP and WMS required by eCommerce supporting platform; such platform would be based upon Timeless Cloud Computing Infrastructure platform and could be leased to eCommerce partners and customers. Seeing that eCommerce should prosper continuously in China, such service should enjoy even broader and vast applicability outlook.

As for mining business, other than existing mining products should prosper because of economic reasons, the activation of Copper-Nickel mine should also bring in additional revenues and return on investment. Totalling all factors in, we are quite confident of the development of the Group for the year to come.

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

Hong Kong, 22 June 2012

Review Of Operations

RESULTS FOR THE YEAR ENDED 31 MARCH 2012

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 2012, the Group recorded audited turnover of approximately HK$25,785,000, representing an increase of 2.8% as compared to approximately HK$25,091,000 in last year. The loss attributable to owners of the Company was approximately HK$11,050,000, as compared to the loss of approximately HK$11,520,000 for the year ended 31 March 2011.

For the year ended 31 March 2012, the other income mainly comprised interest income of approximately HK$557,000 (2011: HK$268,000) and rental income from investment properties of approximately HK$643,000 (2011: HK$565,000), gain on disposal of a commercial property situated in Guangzhou held by a PRC subsidiary of approximately HK$105,000 (2011: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations and investing activities primarily with internally generated cash flow as well as the net proceeds of approximately HK$24,300,000 from a share placement completed during the year under review.

As at 31 March 2012, the Group had bank balances and cash of approximately HK$63,045,000 (2011: HK$68,636,000).

As at 31 March 2012, the Group had outstanding borrowing of approximately HK$24,000 (2011: HK$69,000), which was obligations under a finance lease and will be fully repaid on 30 September 2012.

GEARING RATIO

As at 31 March 2012, the Group's gearing ratio was approximately 0.02% (2011: 0.07%), based on total borrowings of approximately HK$24,000 (2011: HK$69,000) and equity attributable to owners of the Company of approximately HK$110,310,000 (2011: HK$93,656,000).

CHARGE ON THE GROUP'S ASSETS

As at 31 March 2012, the Group had pledged bank deposits with carrying amounts of approximately HK$110,000 to secure the general credit facilities granted to the Company and a subsidiary.

CAPITAL STRUCTURE

As at 31 March 2012, the Company's total number of issued shares was 1,306,311,503 (2011: 1,134,561,503).

On 21 October 2011, the Company has entered into the placing of an aggregate of up to 168,000,000 placing shares to not less than six placees. The placing and subscription were successfully completed on 26 October 2011 and 3 November 2011 respectively, resulting in the issue of 168,000,000 shares at HK$0.15 each.

During the year under review, certain employees of the Group exercised share options granted to them under the 2003 share option scheme and 3,750,000 shares (2011: 1,300,000 shares) of the Company were issued and allotted thereof.

SEGMENTAL INFORMATION

The Group is currently organised into four operating divisions — software development, hardware sales, software sales and e-Commerce services. External turnover generated from software development, hardware sales, software sales and e-Commerce services accounted for 38.0% (2011: 39.8%), 22.1% (2011: 15.1%), 34.1% (2011: 45.1%) and 5.8% (2011: nil) respectively during the year under review.

ORDER BOOK AND PROSPECTS FOR NEW BUSINESS

The amount of orders on hand of the Group was over HK$6,300,000 as at 31 March 2012.

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 珠海南方軟件園發展有限公司 ("ZSSP"), a Sino-foreign joint venture established in the PRC, at a consideration of RMB10,800,000 (equivalent to approximately HK$12,706,000). On 15 May 2011, the Company entered into a further sale and purchase agreement with the same party to sell the remaining 3.31% interest in ZSSP at a consideration of RMB2,310,000 (equivalent to approximately HK$2,817,000). The aforesaid transactions were completed during the year under review.

During the year under review, the Group acquired an additional 20% equity interest in 天時南方(珠海)軟件有限公司, a subsidiary of the Company, from ZSSP for a cash consideration of approximately RMB1,938,000 (equivalent to approximately HK$2,400,000).

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

Acquisition of Goffers Management Limited and its subsidiaries (collectively, the "Goffers Group")

On 7 September 2011 and 10 April 2012, Time Kingdom Limited ("Purchaser"), a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement and supplemental agreement respectively (collectively, the "Agreements") with an independent third party Starmax Holdings Limited ("Vendor"), pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the 102 shares of Goffers Management Limited ("Goffers"), representing 51% of the issued share capital of Goffers, for HK$103,500,000. The consideration shall be satisfied at completion by the Company to issue the consideration shares to the Vendor at the issue price of HK$0.15 each to the Vendor and by the Purchaser issuing the promissory note to the Vendor. The board of directors considers that the acquisition represents a strategic move providing the Group with an opportunity to enter the mining industry in the PRC which will be enhancing value for the shareholders.

All conditions precedent under the Agreements were satisfied and completion took place on 11 May 2012 and the Goffers Group became subsidiaries of the Company since that date. The acquisition results in the issue of 270,000,000 consideration shares by the Company to the Vendor at the issue price of HK$0.15 each and promissory note in the principal amount of HK$63,000,000, representing the consideration of HK$103,500,000.

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

Litigation between Timeless Beijing and Ningxia Educational

天時北方軟件(北京)有限公司 ("Timeless Beijing"), an indirect wholly-owned subsidiary of the Company, was served with a writ of civil proceedings on 13 September 2011 in respect of the civil proceedings commenced by 寧夏教育信息技術股份有限公司 ("Ningxia Educational"), an associated company of the Company in which the Company holds an equity interest of 25.04%, as plaintiff against Timeless Beijing as defendant for the claim of compensation for non-completion of the information engineering project by Timeless Beijing pursuant to the agreement between Ningxia Educational and Timeless Beijing made in 2001.

The following orders were sought to be granted by the Higher People's Court in Ningxia Hui Autonomous Region ("Ningxia Higher People's Court") against Timeless Beijing: (i) Timeless Beijing to return and pay to Ningxia Educational the project fee in the sum of RMB11,834,793.85 prepaid by Ningxia Educational, the interest in the sum of RMB6,265,915.16 and the interest accrued up to the date of full payment by Timeless Beijing; (ii) legal counsel fees incurred by Ningxia Educational in the sum of RMB250,000 to be borne by Timeless Beijing; and (iii) the costs of the proceedings and other costs to be borne by Timeless Beijing.

On 12 March 2012, the Ningxia Higher People's Court has dismissed the claims against Timeless Beijing by Ningxia Educational and ordered that the costs of the proceedings of the court be borne by Ningxia Educational. Under the PRC law, Ningxia Educational may lodge appeal against the judgement on or before 31 March 2012.

On 28 March 2012, Timeless Beijing was served a copy of the appeal petition filed by Ningxia Educational against the decision of the Ningxia Higher People's Court.

As at the date of this report, the appeal brought by Ningxia Educational was still pending.

The directors of the Company, based on the advice obtained from PRC legal advisers, believe that the subsidiary has a valid defence against the above litigation and accordingly, have not provided for any claim arising from the litigation.

EMPLOYEE INFORMATION

As at 31 March 2012, the Group employed a total staff of 90. 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 73, 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 received an Honorary Doctor of Management from Lincoln University and also awarded a Honorary Fellow Member of Canadian Chartered Institute of Business Administration. In recognition of his contribution, he was accredited as Information Technology Specialist by the China World Space Science Academy and appointed as Executive Vice President and Honorary Secretary-General of National Bureau JISC Industry Development Strategy Professional Committee. He held various senior positions in software development companies and provided technical consultancies for multinational vendors.

Mr. Law Kwai Lam, aged 65, 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 47, 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 26 years of experience in office administration and accounting in the IT field.

Ms. Zheng Ying Yu, aged 38, 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 16 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 59, 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 39, 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 16 years experience in the IT industry.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Tsang Wai Chun, Marianna, aged 57, 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, the Society of Registered Financial Planners and the Chartered Institute of Arbitrators. She is appointed as a member of the Board of Review (Inland Revenue Ordinance). Ms. Tsang has over 28 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 56, 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. Chan is currently a non-executive director of Sino Strategic International Limited (stock code: SSI), a company listed on the Australian Securities Exchange. He was appointed as an independent non-excutive director in October 2005.

Mr. Lam Kwai Yan, aged 52, has a degree in Business Studies from the University of Southern Queensland, Australia. He is a member of the Hong Kong Institute of Certified Public Accountants and the New Zealand Institute of Chartered Accountants, and a fellow member of the CPA Australia. Mr. Lam has worked for various large corporations, first starting his accounting career with Cable & Wireless (H.K.) Ltd. and worked in New Zealand for a number of years before returning to Hong Kong and starting an accounting practice. He has vast experiences with SME's, including auditing and consulting on re-organisation 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.

Corporate Governance Report

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 emphasise 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 2012.

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 2012.

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 2012, 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 9 meetings during the year ended 31 March 2012 with an average attendance rate of approximately 98%.

	Attendance
Executive directors	
Cheng Kin Kwan *(Chairman)*	9/9
Law Kwai Lam	9/9
Leung Mei Sheung Eliza	9/9
Zheng Ying Yu	9/9
Fung Chun Pong Louis	9/9
Liao Yun	8/9
Independent non-executive directors	
Tsang Wai Chun Marianna	8/9
Chan Mei Ying Spencer	9/9
Lam Kwai Yan	9/9

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 maximises 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 independent non-executive directors, namely:

Mr. Chan Mei Ying *(Chairman of the Remuneration Committee)*,
Ms. Tsang Wai Chun Marianna and
Mr. Lam Kwai Yan.

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 69.

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 comprises three independent non-executive directors, namely, Mr. Lam Kwai Yan (Chairman of the Nomination Committee), Ms. Tsang Wai Chun Marianna and Mr. Chan Mei Ying Spencer.

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 2012, 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 (Chairman of the Audit Committee), Mr. Chan Mei Ying Spencer and Mr. Lam Kwai Yan. During the year ended 31 March 2012, the Audit Committee held 4 meetings with 92% attendance.

Name of members	Attendance
Tsang Wai Chun Marianna (Chairman)	3/4
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 2012 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.

The accounts for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting.

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 judgements 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 consolidated financial statements for the year ended 31 March 2012.

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 35 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of comprehensive income on page 24.

The directors do not recommend the payment of dividend nor transfer of any amount to reserves (2011: nil).

SHARE CAPITAL

Details of the movement in share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out on page 27 and note 28 to the consolidated 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 consolidated 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 consolidated 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

Independent non-executive directors:

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

In accordance with Article 105(A) of the Company's Articles of Association, Mr. Law Kwai Lam, Ms. Zheng Ying Yu and Mr. Lam Kwai Yan 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 2012, 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 directors	**Beneficial owner**	**Controlled corporation**	**Total number of shares**	**Percentage of shareholding**
Cheng Kin Kwan	221,440,000	–	221,440,000	16.95%
Law Kwai Lam	10,000,000	28,325,000*	38,325,000	2.93%
Leung Mei Sheung, Eliza	13,492,000	–	13,492,000	1.03%
Zheng Ying Yu	4,900,000	–	4,900,000	0.38%
Fung Chun Pong, Louis	588,000	–	588,000	0.05%
Liao Yun	4,510,000	–	4,510,000	0.35%

* 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 1.4.2011	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.3.2012
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
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	–	(1,500,000)	–	1,500,000
Chan Mei Ying, Spencer	24.3.2006	24.3.2006 - 23.3.2016	0.1530	500,000	–	–	–	500,000
				60,400,000	–	(1,800,000)	–	58,600,000

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)

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 2012, 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 2012, 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 2012
Educational Information Technology (HK)Company Limited *	108,057,374	–	108,057,374	8.27%

* 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 25.04% 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 2012, 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 27 to the consolidated 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 33 to the consolidated financial statements for the year ended 31 March 2012 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 40% (2011: 56%) of the Group's total sales while the sales attributable to the Group's largest customer was approximately 14% (2011: 34%) of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers comprised approximately 42% (2011: 54%) of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 10% (2011: 25%) 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 27 to the consolidated 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 2012, 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 37 to the consolidated financial statements.

AUDITORS

The accounts for the year were audited by HLB Hodgson Impey Cheng whose term of office will expire upon the forthcoming annual general meeting. In March 2012, the practice of HLB Hodgson Impey Cheng was reorganised as HLB Hodgson Impey Cheng Limited. A resolution for the appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

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

Hong Kong, 22 June 2012

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 (together the "Group") set out on pages 24 to 91, which comprise the consolidated and company statements of financial position as at 31 March 2012, 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' judgement, 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 affairs of the Company and of the Group as at 31 March 2012, 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, 22 June 2012

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Turnover	7	**25,785**	25,091
Other income and gain		**1,600**	1,075
Purchase costs		**(21,218)**	(20,268)
Staff costs		**(19,056)**	(15,415)
Depreciation		**(973)**	(849)
Other expenses		**(14,428)**	(7,496)
Fair value changes on investment properties		**(1,639)**	3,788
Gain on disposal of equity interest in a jointly controlled entity	18	**15,589**	–
Impairment loss recognised on goodwill	16	**(1,298)**	–
Net losses on equity-linked notes		**–**	(451)
Net gains on investments held for trading		**3,334**	1,710
Finance costs	8	**(5)**	(53)
Share of profit of an associate	17	**1,239**	1,330
Loss for the year	9	**(11,070)**	(11,538)
Other comprehensive income, net of income tax			
Exchange differences on translating foreign operations		**1,868**	1,315
Reclassification adjustments on exchange differences upon disposal of equity interest in a jointly controlled entity	18	**(66)**	–
Share of other comprehensive income of an associate	17	**1,088**	(2,747)
Other comprehensive income for the year, net of income tax		**2,890**	(1,432)
Total comprehensive income for the year		**(8,180)**	(12,970)
Loss attributable to:			
Owners of the Company		**(11,050)**	(11,520)
Non-controlling interests		**(20)**	(18)
		(11,070)	(11,538)
Total comprehensive income attributable to:			
Owners of the Company		**(8,281)**	(13,036)
Non-controlling interests		**101**	66
		(8,180)	(12,970)
		HK cents	HK cents
Loss per share			
– Basic and diluted	12	**(0.92)**	(1.02)

Consolidated Statement of Financial Position
At 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Investment properties	13	**9,348**	10,471
Property, plant and equipment	14	**2,838**	3,988
Goodwill	16	**–**	1,298
Interests in associates	17	**5,430**	3,103
Interests in jointly controlled entities	18	**–**	–
		17,616	18,860
Current assets			
Inventories	19	**3,044**	3,205
Trade and other receivables	20	**15,452**	9,762
Investments held for trading	21	**17,533**	14,562
Bank balances and cash	22	**63,045**	68,636
		99,074	96,165
Current liabilities			
Trade and other payables	23	**6,157**	5,938
Consideration received for disposal of equity interest in a jointly controlled entity	18	**–**	12,706
Obligations under a finance lease due within one year	24	**24**	45
		6,181	18,689
Net current assets		**92,893**	77,476
Total assets less current liabilities		**110,509**	96,336
Non-current liabilities			
Obligations under a finance lease due after one year	24	**–**	24
Net assets		**110,509**	96,312
Capital and reserves			
Share capital	26	**65,316**	56,728
Reserves		**44,994**	36,928
Equity attributable to owners of the Company		**110,310**	93,656
Non-controlling interests		**199**	2,656
Total equity		**110,509**	96,312

The financial statements were approved and authorised for issue by the Board of Directors on 22 June 2012 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 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	14	**706**	843
Investments in subsidiaries	15	**8,100**	9,392
Interests in associates	17	**5,430**	3,103
Interests in jointly controlled entities	18	**–**	–
		14,236	13,338
Current assets			
Trade and other receivables	20	**4,442**	3,683
Amounts due from subsidiaries	25	**10,300**	23,006
Investments held for trading	21	**17,533**	14,562
Bank balances and cash	22	**46,889**	39,349
		79,164	80,600
Current liabilities			
Trade and other payables	23	**849**	1,590
Consideration received for disposal of interests in a jointly controlled entity	18	**–**	12,706
Obligations under a finance lease due within one year	24	**24**	45
Amounts due to subsidiaries	25	**42,796**	54,780
		43,669	69,121
Net current assets		**35,495**	11,479
Total assets less current liabilities		**49,731**	24,817
Non-current liabilities			
Obligations under a finance lease due after one year	24	**–**	24
Net assets		**49,731**	24,793
Capital and reserves			
Share capital	26	**65,316**	56,728
Reserves	28	**(15,585)**	(31,935)
Total equity		**49,731**	24,793

Cheng Kin Kwan	**Law Kwai Lam**
Chairman and Chief Executive Officer	Director

Consolidated Statement of Changes in Equity
For the year ended 31 March 2012

	Share capital HK$'000	Share premium HK$'000	Share options reserve HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Accumulated deficit HK$'000	Attributable to owners of the Company HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 April 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 income for the year	–	–	–	(2,747)	–	1,231	–	(1,516)	84	(1,432)
Total comprehensive income 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)
Balance at 31 March 2011	56,728	637,996	2,165	1,176	1,061	5,627	(611,097)	93,656	2,656	96,312
Loss for the year	–	–	–	–	–	–	(11,050)	(11,050)	(20)	(11,070)
Other comprehensive income for the year	–	–	–	935	–	1,834	–	2,769	121	2,890
Total comprehensive income for the year	–	–	–	935	–	1,834	(11,050)	(8,281)	101	(8,180)
Recognition of equity-settled share-based payments	–	–	241	–	–	–	–	241	–	241
Placing of ordinary shares (note 26)	8,400	16,800	–	–	–	–	–	25,200	–	25,200
Issue of ordinary shares under employee share option plan	188	305	(163)	–	–	–	–	330	–	330
Release of reserve upon share options forfeited	–	–	(52)	–	–	–	52	–	–	–
Transaction costs attributable to issue of new ordinary shares	–	(994)	–	–	–	–	–	(994)	–	(994)
Acquisition of non-controlling interests (note 36)	–	–	–	–	–	643	(485)	158	(2,558)	(2,400)
Balance at 31 March 2012	**65,316**	**654,107**	**2,191**	**2,111**	**1,061**	**8,104**	**(622,580)**	**110,310**	**199**	**110,509**

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Loss for the year		**(11,070)**	(11,538)
Adjustments for:			
Interest income		**(557)**	(268)
Interest expense		**5**	53
Share of profit of an associate		**(1,239)**	(1,330)
Depreciation		**973**	849
Gain on disposal of equity interest in a jointly controlled entity	18	**(15,589)**	–
Gain on disposal of property, plant and equipment		**(105)**	–
Impairment loss recognised on goodwill		**1,298**	–
Fair value changes on investment properties		**1,639**	(3,788)
Net losses on equity-linked notes		**–**	451
Net gains on investments held for trading		**(3,334)**	(1,710)
Share-based payment expense		**241**	92
		(27,738)	(17,189)
Movements in working capital:			
Decrease/(increase) in inventories		**161**	(1,707)
Increase in trade and other receivables		**(5,690)**	(2,215)
Decrease in investments held for trading		**17**	3,591
Increase/(decrease) in trade and other payables		**219**	(362)
Net cash used in operating activities		**(33,031)**	(17,882)
Cash flows from investing activities			
Interest received		**557**	268
Dividend received		**346**	154
Payments for property, plant and equipment		**(1,661)**	(738)
Increase in time deposit with original maturity of three months or more and pledged bank deposits		**(124)**	–
Proceeds from disposal of equity interest in a jointly controlled entity		**2,817**	12,706
Proceeds from disposal of property, plant and equipment		**2,096**	–
Net cash generated by investing activities		**4,031**	12,390

Consolidated Statement of Cash Flows (Continued)
For the year ended 31 March 2012

	Notes	2012 HK$'000	2011 HK$'000
Cash flows from financing activities			
Proceeds from issue of equity shares		**25,530**	106
Payment for transaction costs attributable to issue of new ordinary shares		**(994)**	(8)
Repayment of bank loans		**–**	(1,010)
Acquisition of non-controlling interests	36	**(2,400)**	–
Interest paid		**(5)**	(53)
Repayment of obligations under a finance lease		**(45)**	(42)
Net cash generated by/(used in) financing activities		**22,086**	(1,007)
Net decrease in cash and cash equivalents		**(6,914)**	(6,499)
Cash and cash equivalents at the beginning of year		**68,636**	74,322
Effect of foreign exchange rate changes		**1,199**	813
Cash and cash equivalents at the end of year		**62,921**	68,636
Analysis of the balances of cash and cash equivalents			
Bank balances and cash	22	**63,045**	68,636
Time deposit with original maturity of three months or more and pledged bank deposits	22	**(124)**	–
		62,921	68,636

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 principally engaged in the provision of computer consultancy and software maintenance services, software development and sales of computer hardware and software. The address of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

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

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

In the current year, the Group has applied the following new and revised Hong Kong Accounting Standards ("HKAS(s)"), HKFRS(s), amendments and interpretations ("HK(IFRIC) – Int") (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"):

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
Amendments to HKFRS 1	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised HKFRSs has had no material effect on the Group's financial performance and positions for the current and prior years and/or the disclosures set out in these consolidated financial statements.

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

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvement to HKFRSs 2009 – 2011 cycle[4]
Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters[1]
Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[4]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclsoures[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10	Consolidated Financial Statements[4]
HKFRS 11	Joint Arrangements[4]
HKFRS 12	Disclosure of Interests in Other Entities[4]
HKFRS 13	Fair Value Measurement[4]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[3]
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets[2]
HKAS 19 (as revised in 2011)	Employee Benefits[4]
HKAS 27 (as revised in 2011)	Separate Financial Statements[4]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[4]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2012.
3 Effective for annual periods beginning on or after 1 July 2012.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2014.
6 Effective for annual periods beginning on or after 1 January 2015.

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

New and revised HKFRSs in issue but not yet effective (Continued)

The amendments to HKAS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The amendments to HKFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amended offsetting disclosures are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should also be provided retrospectively for all comparative periods. However, the amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required.

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at 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 reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. 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 recognition 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.

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

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2015 and that the application of HKFRS 9 might have 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.

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC) – Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK (SIC) – Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 April 2013. The application of these five standards may have significant impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

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

New and revised HKFRSs in issue but not yet effective (Continued)

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 *Financial Instruments: Disclosures* will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 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 affect the amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

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 incorporate 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.

Income and expenses 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. Total comprehensive income of subsidiaries 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 (effective from 1 April 2010 onwards).

Where necessary, adjustments are made to the financial statements of 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.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest 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)

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost; (ii) derecognises the carrying amount of any non-controlling interest in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts of 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 Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to accumulated deficit as specified by applicable HKFRSs). 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.

Business combinations

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, 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 arrangements of the acquire or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); 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)

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 net 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, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group 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 included 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 against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at 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.

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.

The policy described above is applied to all business combinations that take place on or after 1 April 2010.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

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.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

In the company statement of financial position, investments in subsidiaries are stated at cost less any impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 *Non-current Assets held for Sale and Discontinued Operations*. 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 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.

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 Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 venturer has an interest are referred to as jointly controlled entities.

The Group reports its interests in jointly controlled entities using equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in jointly controlled entities 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 jointly controlled entities. When the Group's share of losses of a jointly controlled entity exceeds the Group's 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 entities), 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 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 (see the accounting policy above).

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 Group's 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 and e-Commerce services is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy below.

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 on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee

Assets held under finance leases are initially 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 statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land for own use

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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 translation reserve (attributed to non-controlling interests as appropriate).

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, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), 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 equity under the heading of translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefit costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment arrangements

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

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, 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 and deferred tax are 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 are 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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.

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 properties 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. When 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. When 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.

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.

When 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. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts (if any).

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 consolidated statement of comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets (AFS 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, (b) held-to-maturity investments or (c) financial assets at FVTPL.

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

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, amounts due from subsidiaries 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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 assets, 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, as well as 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 investment 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 an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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 consolidated statement of comprehensive income.

Other financial liabilities

Other financial liabilities (including trade and other payables, amounts due to subsidiaries, consideration received for disposal of equity interest in a jointly controlled entity and obligations under a finance lease) are subsequently measured at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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.

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 continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. 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.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

(a) the party is a person or a close member of that person's family and that person,

- (i) has controls or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

4. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Fair value through profit or loss				
Investments held for trading	**17,533**	14,562	**17,533**	14,562
Loans and receivables (including cash and cash equivalents)	**73,952**	75,413	**58,261**	65,825
Financial liabilities				
Amortised cost	**4,223**	16,701	**43,501**	68,839

(b) Financial risk management objectives and policies

The Group's and the Company's major financial instruments include trade and other receivables, amounts due from subsidiaries, investments held for trading, bank balances and cash, trade and other payables, consideration received for disposal of equity interest in a jointly controlled entity, obligations under a finance lease and amounts due to subsidiaries. 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 risk

Foreign currency risk management

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 other 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 management

The Group and the Company are not exposed to significant fair value interest rate risk and cash flow interest rate risk. Thus the Group and the Company have not used any interest rate swaps in order to mitigate its exposure associated with fluctuations relating to cash flows of interest receipts. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

4. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Other price risks

The Group and the Company are exposed to equity price risk through their investments in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's and the Company's equity price risk is mainly concentrated on the fluctuation of market price of equity securities listed in the Stock Exchange. 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.

Equity price 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. If the prices of the respective equity instruments had been 10% higher/lower, loss for the years ended 31 March 2012 and 2011 would decrease/increase by approximately HK$1,753,000 and HK$1,456,000, respectively, as a result of the changes in fair values of investments held for trading.

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 management

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 company 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 the People's Republic of China (the "PRC"), which accounted for 22% and 78% respectively (2011: 98% and 2% respectively) of the total trade receivables as at 31 March 2012. In addition, the Group has certain concentration of credit risk by customers as 45% (2011: nil) of the Group's trade receivables were due from the Group's five largest customers which 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 management

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. 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 and 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 amounts at 31 March HK$'000
2012						
Non-derivative financial liabilities						
Non-interest bearing	**N/A**	**–**	**4,199**	**–**	**4,199**	**4,199**
Fixed interest rate instruments	**7.5**	**–**	**26**	**–**	**26**	**24**
		–	**4,225**	**–**	**4,225**	**4,223**
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

4. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk management (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 amounts at 31 March HK$'000
2012						
Non-derivative financial liabilities						
Non-interest bearing	**N/A**	**42,796**	**681**	**–**	**43,477**	**43,477**
Fixed interest rate instruments	**7.5**	**–**	**26**	**–**	**26**	**24**
		42,796	**707**	**–**	**43,503**	**43,501**
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

4. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value

Save as mentioned elsewhere in the consolidated 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 in active markets are determined with reference to quoted market bid and ask prices respectively.
- 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.

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

Fair value measurements recognised in the consolidated and company statements 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); 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
2012				
Investments held for trading	**17,533**	**–**	**–**	**17,533**
2011				
Investments held for trading	14,562	–	–	14,562

There were no transfer between Levels 1 and 2 categories in 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 includes obligations under a finance lease, net of bank balances and cash) and equity attributable to owners of the Company, comprising issued share capital and reserves.

Net debt to equity ratio

The directors 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 debts.

The net debt to equity ratio at the end of the reporting period was as follows:

	2012	2011
	HK$'000	HK$'000
Debt	**24**	69
Less: Bank balances and cash	**(63,045)**	(68,636)
Net debt	**(63,021)**	(68,567)
Equity attributable to owners of the Company	**110,310**	93,656
Net debt to equity ratio	**N/A**	N/A

6. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies which are described in note 3 of the consolidated 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 consolidated financial statements.

6. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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.

Estimated impairment loss of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of changes in customer taste and competitor actions in response to changes to economic conditions.

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.

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 judgements. Considerable judgement 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, being the chief operating decision maker, 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:

	2012 HK$'000	2011 HK$'000
Turnover		
Software development	11,661	9,980
Hardware sales	5,684	3,779
Software sales	8,803	14,225
e-Commerce services	1,489	–
Elimination on inter-segment sales	(1,852)	(2,893)
	25,785	25,091
Results		
Software development	(14,822)	(12,342)
Hardware sales	(5,139)	(1,488)
Software sales	(1,443)	(3,032)
e-Commerce services	(7,160)	–
	(28,564)	(16,862)
Interest income	557	268
Other income and gain	1,043	807
Unallocated corporate expenses	(2,624)	(2,075)
Fair value changes on investment properties	(1,639)	3,788
Gain on disposal of equity interest in a jointly controlled entity	15,589	–
Net losses on equity-linked notes	–	(451)
Net gains on investments held for trading	3,334	1,710
Finance costs	(5)	(53)
Share of profit of an associate	1,239	1,330
Loss for the year	(11,070)	(11,538)

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, interest and other income and gain, fair value changes on investment properties, gain on disposal of equity interest in a jointly controlled entity, net losses on equity-linked notes, net gains on investments held for trading, finance cost and share of profit of an associate. This is the measure reported to the management of the Group for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

7. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	2012	2011
	HK$'000	HK$'000
Segment assets		
Segment assets		
– software development	**11,852**	6,658
– hardware sales	**5,399**	3,310
– software sales	**2,790**	6,987
– e-Commerce services	**1,293**	–
	21,334	16,955
Interests in associates	**5,430**	3,103
Interests in jointly controlled entities	**–**	–
Unallocated corporate assets	**89,926**	94,967
Consolidated assets	**116,690**	115,025
Segment liabilities		
Segment liabilities		
– software development	**3,562**	10,603
– hardware sales	**1,823**	4,139
– software sales	**438**	3,902
– e-Commerce services	**334**	–
	6,157	18,644
Unallocated corporate liabilities	**24**	69
Consolidated liabilities	**6,181**	18,713

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

7. SEGMENT INFORMATION (Continued)

Other segment information

	2012 HK$'000	2011 HK$'000
Additions to non-current assets		
– software development	**186**	733
– hardware sales	**30**	—
– software sales	**711**	5
– e-Commerce services	**734**	—
	1,661	738
Depreciation		
– software development	**489**	358
– hardware sales	**245**	171
– software sales	**157**	320
– e-Commerce services	**82**	—
	973	849

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	
	2012 HK$'000	2011 HK$'000
Hong Kong	**9,875**	11,107
PRC	**15,910**	13,984
	25,785	25,091

7. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

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

	Non-current assets		Additions to non-current assets	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**1,279**	2,160	**848**	693
PRC	**10,907**	13,597	**813**	45
	12,186	15,757	**1,661**	738

Note: Non-current assets excluded interests in associates.

Information about major customers

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

	2012	2011
	HK$'000	HK$'000
Customer A[1]	**3,532**	N/A[3]
Customer B[1]	**N/A[3]**	8,471
Customer C[1&2]	**N/A[3]**	2,718

1 Revenue from software development
2 Revenue from hardware sales
3 The corresponding revenue did not contribute over 10% of the total revenue of the Group

8. FINANCE COSTS

	2012	2011
	HK$'000	HK$'000
Interest on		
– a finance lease	**5**	8
– bank borrowings not wholly repayable within five years	**–**	45
	5	53

9. LOSS FOR THE YEAR

	2012 HK$'000	2011 HK$'000
Loss for the year has been arrived at after charging/(crediting):		
Directors' remuneration (note 10)	**4,165**	3,982
Other staff's retirement benefits scheme contributions	**1,275**	669
Other staff's share-based payments	**241**	92
Other staff costs	**13,375**	10,672
	19,056	15,415
Depreciation of property, plant and equipment		
– owned by the Group	**932**	808
– held under a finance lease	**41**	41
	973	849
Auditors' remuneration	**550**	550
Gain on disposal of property, plant and equipment	**(105)**	–
Operating lease rentals in respect of rented premises	**3,053**	1,280
Dividends from listed equity securities	**(346)**	(154)
Net foreign exchange (gains)/losses	**(282)**	286
Interest income	**(557)**	(268)
Gross rental income from investment properties	**(643)**	(565)
Less: direct operating expenses from investment properties that generated rental income during the year	**85**	81
	(558)	(484)

10. DIRECTORS' EMOLUMENTS

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

	2012						2011					
	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	**–**	**1,706**	**–**	**–**	**–**	**1,706**	–	1,688	–	–	–	1,688
Law Kwai Lam	**–**	**422**	**8**	**–**	**–**	**430**	–	423	12	–	–	435
Leung Mei Sheung, Eliza	**–**	**516**	**14**	**–**	**–**	**530**	–	513	12	–	–	525
Zheng Ying Yu	**–**	**351**	**14**	**5**	**–**	**370**	–	289	12	–	–	301
Fung Chun Pong, Louis	**–**	**443**	**14**	**50**	**–**	**507**	–	456	12	–	–	468
Liao Yun	**–**	**306**	**13**	**–**	**–**	**319**	–	253	12	–	–	265
Independent non-executive directors												
Tsang Wai Chun, Marianna	**101**	**–**	**–**	**–**	**–**	**101**	100	–	–	–	–	100
Chan Mei Ying, Spencer	**101**	**–**	**–**	**–**	**–**	**101**	100	–	–	–	–	100
Lam Kwai Yan	**101**	**–**	**–**	**–**	**–**	**101**	100	–	–	–	–	100
	303	**3,744**	**63**	**55**	**–**	**4,165**	300	3,622	60	–	–	3,982

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 Group's performance and profitability.

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

10. DIRECTORS' EMOLUMENTS (Continued)

The aggregate emoluments of the five highest paid individuals included three (2011: two) executive directors of the Company, whose emoluments are detailed above. The aggregate emoluments of the remaining two (2011: three) highest paid individuals are as follows:

	2012	2011
	HK$'000	HK$'000
Basic salaries and allowances	**988**	1,437
Retirement benefits scheme contributions	**29**	37
Performance and discretionary bonus	**57**	199
Share-based payment expense	**45**	13
	1,119	1,686

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. INCOME TAX

Hong Kong Profits Tax is calculated at 16.5% of the estimated profit for both years. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profit arising in or derived from Hong Kong 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.

The tax charge for the year can be reconciled to the loss per the consolidated statement of comprehensive income as follows:

	2012	2011
	HK$'000	HK$'000
Loss for the year	**(11,070)**	(11,538)
Tax credit at the applicable income tax rate of 16.5%	**(1,827)**	(1,904)
Tax effect of share of profit of an associate	**(204)**	(219)
Tax effect of expenses not deductible for tax purposes	**490**	888
Tax effect of income not taxable for tax purposes	**(2,669)**	(30)
Tax effect of unrecognised tax losses	**5,700**	2,767
Utilisation of tax losses previously not recognised	**–**	(1,362)
Effect of different tax rates for subsidiaries operating in other jurisdictions	**(1,418)**	406
Others	**(72)**	(546)
Income tax charge for the year	**–**	–

12. LOSS PER SHARE

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

	2012	2011
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**HK$(11,050,000)**	HK$(11,520,000)
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**1,205,126,256**	1,133,649,174

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 2012 since their exercise would result in a decrease in loss per share.

13. INVESTMENT PROPERTIES

	THE GROUP HK$'000
At fair value	
Balance at 1 April 2010	6,455
Exchange adjustments	228
Fair value change during the year	3,788
Balance at 31 March 2011	10,471
Exchange adjustments	516
Fair value change during the year	(1,639)
Balance at 31 March 2012	**9,348**

The fair values of the Group's investment properties at 31 March 2012 and 2011 have been arrived at on the basis of valuation carried out on that date by independent qualified professional valuers not connected with the Group. The valuation was arrived at by the weighted average of the results of the direct comparison method and capitalising the net rent income derived from the existing tenancies with due allowance for the reversionary potential of the properties.

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

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Computer equipment HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Total HK$'000
THE GROUP							
Cost							
Balance at 1 April 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
Disposals/write-off	–	(606)	–	(9)	–	(353)	(968)
Balance at 31 March 2011	3,006	13,693	828	1,373	759	4,241	23,900
Exchange adjustments	149	241	16	–	–	21	427
Additions	–	461	64	–	–	1,136	1,661
Disposals/write-off	(3,155)	–	–	–	–	–	(3,155)
Balance at 31 March 2012	**–**	**14,395**	**908**	**1,373**	**759**	**5,398**	**22,833**
Accumulated depreciation and impairment							
Balance at 1 April 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 disposals/write-off	–	(606)	–	(9)	–	(353)	(968)
Balance at 31 March 2011	1,067	12,242	798	1,373	316	4,116	19,912
Exchange adjustments	52	186	17	–	–	19	274
Provided for the year	45	579	11	–	95	243	973
Eliminated on disposals/write-off	(1,164)	–	–	–	–	–	(1,164)
Balance at 31 March 2012	**–**	**13,007**	**826**	**1,373**	**411**	**4,378**	**19,995**
Carrying amounts							
Balance at 31 March 2012	**–**	**1,388**	**82**	**–**	**348**	**1,020**	**2,838**
Balance at 31 March 2011	1,939	1,451	30	–	443	125	3,988

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						
Balance at 1 April 2010	8,684	477	1,373	284	3,377	14,195
Additions	207	–	–	475	7	689
Disposal	(606)	–	–	–	–	(606)
Balance at 31 March 2011	8,285	477	1,373	759	3,384	14,278
Additions	137	–	–	–	–	137
Balance at 31 March 2012	**8,422**	**477**	**1,373**	**759**	**3,384**	**14,415**
Accumulated depreciation and impairment						
Balance at 1 April 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)
Balance at 31 March 2011	7,961	477	1,373	316	3,308	13,435
Provided for the year	129	–	–	95	50	274
Balance at 31 March 2012	**8,090**	**477**	**1,373**	**411**	**3,358**	**13,709**
Carrying amounts						
Balance at 31 March 2012	**332**	**–**	**–**	**348**	**26**	**706**
Balance at 31 March 2011	324	–	–	443	76	843

At 31 March 2011, the carrying amounts 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.

At 31 March 2012, the carrying amounts of the Group's and the Company's office equipment held under a finance lease was approximately HK$20,000 (2011: HK$61,000).

15. INVESTMENTS IN SUBSIDIARIES

	2012 HK$'000	2011 HK$'000
Unlisted investments, at cost	**22,897**	22,897
Less: Impairment loss recognised	**(14,797)**	(13,505)
	8,100	9,392

Details of the Company's principal subsidiaries at 31 March 2012 and 2011 are set out in note 35.

16. GOODWILL

	THE GROUP HK$'000
Cost and carrying amounts	
Balance at 1 April 2010 and 31 March 2011	1,298
Impairment loss recognised in the year	(1,298)
Balance at 31 March 2012	**–**

Goodwill is allocated to the Group's Cash Generating Units ("CGU") which is principally engaged in trading of computer software in Hong Kong.

The recoverable amount of the CGU is determined from value in use calculation. The key assumptions for the value in use calculation 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 domestic economic 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 4.64% (2011: 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. The directors of the Company are of the opinion that based on value in use calculation, goodwill allocated to the CGU was fully impaired at 31 March 2012 and recognised an impairment loss of approximately HK$1,298,000 during the year (2011: nil).

17. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted investments, at cost	**95,150**	95,150	**95,150**	95,150
Share of post-acquisition results and other comprehensive income, net of dividends received	**(89,720)**	(92,047)	**–**	–
Less: Impairment loss recognised	**–**	–	**(89,720)**	(92,047)
	5,430	3,103	**5,430**	3,103

The principal investment in an associate at 31 March 2012 and 2011 represents the Company's 25.04% equity interest in 寧夏教育信息技術股份有限公司 (Ningxia Educational Information & Technology Co., Ltd.) ("Ningxia Educational"), 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:

	2012	2011
	HK$'000	HK$'000
Total assets	**37,140**	28,333
Total liabilities	**(15,452)**	(15,938)
Net assets	**21,688**	12,395
Group's share of net assets of associates	**5,430**	3,103
Total revenue	**–**	99
Total profit for the year	**4,947**	5,314
Group's share of profit of an associate	**1,239**	1,330
Group's share of other comprehensive income of an associate	**1,088**	(2,747)

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted capital contributions	**–**	26,354	**–**	26,354
Deemed capital contributions	**–**	2,437	**–**	–
Share of post-acquisition losses	**–**	(26,354)	**–**	–
Less: Impairment loss recognised	**–**	(2,437)	**–**	(26,354)
Loan to a jointly controlled entity	**–**	568	**–**	568
Amount due from a jointly controlled entity	**–**	658	**–**	658
Less: Allowance on advance made to a jointly controlled entity	**–**	(1,226)	**–**	(1,226)
	–	–	**–**	–

The principal investment in jointly controlled entity at 31 March 2011 represented the Company's 15.31% 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 with an independent third party to sell approximately 12% equity interest in ZSSP at a consideration of RMB10,800,000 (equivalent to approximately HK$12,706,000). On 15 May 2011, the Company entered into a further sale and purchase agreement with the same party to sell the remaining 3.31% interest in ZSSP at a consideration of RMB2,310,000 (equivalent to approximately HK$2,817,000). The aforesaid transactions were completed during the year ended 31 March 2012. The transactions have resulted in the recognition of a gain in profit or loss, calculated as follows:

	THE GROUP
	HK$'000
Proceeds of disposal	**15,523**
Less: Carrying amount of the 15.31% investment	**–**
Add: Reclassification adjustments on exchange differences released	**66**
Gain recognised	**15,589**

18. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)

The summarised financial information in respect of the Group's interests of jointly controlled entities in prior year which were accounted for using the equity method was set out below:

	2011 HK$'000
Non-current assets	43,992
Current assets	13,425
Current liabilities	(15,275)
Non-current liabilities	(39,880)
Income	29,214
Expenses	(46,082)

The Group had 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, were as follows:

	THE GROUP 2011 HK$'000
Unrecognised share of losses of jointly controlled entities for the year	(16,868)
Accumulated unrecognised share of losses of jointly controlled entities	(43,651)

19. INVENTORIES

	THE GROUP	
	2012 **HK$'000**	2011 HK$'000
Computer hardware and software	**3,044**	3,205

20. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**6,108**	1,168	**19**	2,473
Other receivables	**9,344**	8,594	**4,423**	1,210
	15,452	9,762	**4,442**	3,683

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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Age				
0 to 30 days	**3,300**	650	**19**	415
31 to 60 days	**608**	82	**–**	–
61 to 90 days	**39**	205	**–**	–
More than 90 days	**2,161**	231	**–**	2,058
	6,108	1,168	**19**	2,473

The trade receivables are unsecured, interest-free and expected to be settled within one year. At 31 March 2012, the Company's trade receivables did not include any receivable from a subsidiary (2011: approximately HK$2,058,000). 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 2012, included in the Group's and the Company's trade receivables balances are debtors with aggregate carrying amount of approximately HK$2,200,000 (2011: HK$613,000) and nil (2011: HK$2,060,000) respectively which are past due at 31 March 2012 for which the Group and the Company have not provided for impairment loss because there has been no significant change in credit quality and the amounts are still considered recoverable. The Group and the Company do not hold any collateral over these balances.

20. TRADE AND OTHER RECEIVABLES (Continued)

Age of trade receivables that are past due but not impaired

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Overdue by				
1 to 30 days	**–**	119	**–**	–
31 to 60 days	**39**	223	**–**	2
61 to 90 days	**571**	40	**–**	–
More than 90 days	**1,590**	231	**–**	2,058
	2,200	613	**–**	2,060

At 31 March 2012, included in the Group's other receivables are an amount due from an associate and interest-bearing loan to an associate amounting to HK$209,000 and HK$1,358,000 (2011: HK$164,000 and HK$1,294,000) respectively. The loan carries interest at the best-lending rate of similar loans offered by the banks in PRC. These amounts are unsecured and repayable within one year.

21. INVESTMENTS HELD FOR TRADING

At 31 March 2012, the investments held for trading of approximately HK$17,533,000 (2011: HK$14,562,000) 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.

22. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and the Company and short-term bank deposits which carry effective interest at the rates ranging between 0.001% and 5.02% (2011: between 0.035% and 1.49%) per annum with an original maturity of three months or less.

Pledged bank deposits represent deposits pledged to a bank to secure banking facilities granted to the Company and a subsidiary of the Company. Included in bank balances and cash are deposits of the Group and the Company amounting to HK$110,000 and HK$55,000 respectively have been pledged to secure short-term credit facilities and are therefore classified as current assets. The pledged bank deposits will be released upon the expiry of relevant banking facilities.

At 31 March 2012, the Group had bank balances and cash of approximately HK$12,626,000 (2011: HK$22,730,000) which are denominated in Renminbi and placed with banks in the PRC. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

23. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**1,285**	614	**–**	–
Customers' deposits received	**1,958**	2,012	**168**	306
Other payables	**2,914**	3,312	**681**	1,284
	6,157	5,938	**849**	1,590

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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Age				
0 to 30 days	**501**	361	**–**	–
31 to 60 days	**–**	–	**–**	–
61 to 90 days	**–**	235	**–**	–
More than 90 days	**784**	18	**–**	–
	1,285	614	**–**	–

24. OBLIGATIONS UNDER A FINANCE LEASE

	THE GROUP AND THE COMPANY			
	Minimum lease payments		**Present value of minimum lease payments**	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amount payable under a finance lease:				
Within one year	**26**	50	**24**	45
Between one to two years	**–**	26	**–**	24
Between two to five years	**–**	–	**–**	–
	26	76	**24**	69
Less: Future finance charges	**(2)**	(7)	**–**	–
Present value of lease obligations	**24**	69	**24**	69
Less: Amount due within one year shown under current liabilities			**(24)**	(45)
Amount due after one year			**–**	24

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% (2011: 7.5%) per annum. The Group has options to purchase the equipment for a nominal amount at the end of the lease term. No arrangements have been entered into for contingent rental payments.

25. AMOUNTS DUE FROM/TO SUBSIDIARIES

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

26. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2012	2011	**2012**	2011
			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 beginning of year	**1,134,561,503**	1,133,261,503	**56,728**	56,663
Placing of ordinary shares	**168,000,000**	–	**8,400**	–
Exercise of share options	**3,750,000**	1,300,000	**188**	65
At end of year	**1,306,311,503**	1,134,561,503	**65,316**	56,728

Details of share options exercised during the year ended 31 March 2012 are as follows:

Subscription price per share	Number of share options exercised
HK$0.1530	300,000
HK$0.0882	1,550,000
HK$0.0772	1,900,000
	3,750,000

As a result, an aggregate of 3,750,000 (2011: 1,300,000) new ordinary shares of HK$0.05 each in the Company are issued during the year ended 31 March 2012.

On 21 October 2011, the Company has entered into the placing of an aggregate of up to 168,000,000 placing shares to not less than six placees. The placing and subscription were successfully completed on 26 October 2011 and 3 November 2011 respectively, resulting in the issue of 168,000,000 shares at HK$0.15 each.

All the shares issued during the year ended 31 March 2012 rank pari passu with the then existing shares in all respects.

27. 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 2012, the total number of shares available for issue under the 2003 share option scheme is 250,802,150 (2011: 256,952,150) shares, representing 19.20% (2011: 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.

27. 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:

				Number of share options								
Type of Particulars	**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**	**Granted during the year**	**Exercised during the year**	**Forfeited during the year**	**Outstanding at 31.3.2012**
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	–	(300,000)	–	1,600,000
	26.9.2006	26.9.2006 – 25.9.2016	0.0772	6,500,000	–	–	–	6,500,000	–	(1,500,000)	–	5,000,000
	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	–	(1,800,000)	–	58,600,000

27. SHARE OPTIONS (Continued)

Type of Particulars	Date of grant	Exercisable period	Exercise price per share HK$	Number of share options: Outstanding at 1.4.2010	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.3.2011	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.3.2012
Employees	5.9.2003	5.9.2003 – 4.9.2013	0.2280	23,700,000	–	–	(500,000)	23,200,000	–	–	(300,000)	22,900,000
	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	2,000,000	–	–	–	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	5,396,000	–	–	(500,000)	4,896,000	–	–	(500,000)	4,396,000
	25.2.2004	25.2.2004 – 24.2.2014	0.1900	20,000,000	–	–	–	20,000,000	–	–	–	20,000,000
	19.4.2004	19.4.2004 – 18.4.2014	0.2096	750,000	–	–	–	750,000	–	–	–	750,000
	16.9.2004	16.9.2004 – 15.9.2014	0.0870	3,250,000	–	(500,000)	–	2,750,000	–	–	(200,000)	2,550,000
	30.9.2004	30.9.2004 – 29.9.2014	0.0900	1,500,000	–	–	(200,000)	1,300,000	–	–	(200,000)	1,100,000
	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	1,250,000	–	–	–	1,250,000	–	–	–	1,250,000
	26.9.2006	26.9.2006 – 25.9.2016	0.0772	11,100,000	–	(800,000)	–	10,300,000	–	(400,000)	(1,000,000)	8,900,000
	18.6.2007	18.6.2007 – 17.6.2017	0.2980	2,200,000	–	–	–	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	–	(1,550,000)	(200,000)	1,700,000
	9.9.2011	9.9.2011 – 8.9.2021	0.1500	–	–	–	–	–	2,700,000	–	–	2,700,000
				86,546,000	3,500,000	(1,300,000)	(1,250,000)	87,496,000	2,700,000	(1,950,000)	(2,600,000)	85,646,000
				146,946,000	3,500,000	(1,300,000)	(1,250,000)	147,896,000	2,700,000	(3,750,000)	(2,600,000)	144,246,000
Weighted average exercise price				HK$0.1850	HK$0.0882	HK$0.0810	HK$0.1851	HK$0.1836	HK$0.1500	HK$0.0878	HK$0.1184	HK$0.1866

27. SHARE OPTIONS (Continued)

During the year ended 31 March 2012, options were granted on 9 September 2011 (2011: 14 February 2011). The estimated fair value of the options granted on that date was approximately HK$0.0892 (2011: HK$0.0263) 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:

	9 September 2011	14 February 2011
Closing share price	HK$0.1500	HK$0.0870
Exercise price	HK$0.1500	HK$0.0882
Expected volatility	94%	94%
Expected life	10 years	10 years
Risk-free rate	1.57%	3.02%
Expected dividend yield	0%	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous years. 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 a total expense of approximately HK$241,000 for the year ended 31 March 2012 (2011: HK$92,000) in relation to share options granted by the Company.

The weighted average share price at the date of exercise for share options exercised during the year was HK$0.1316 per share (2011: HK$0.1024 per share).

28. RESERVES

THE COMPANY

	Share premium HK$'000	Share options reserve HK$'000	Accumulated deficit HK$'000	Total HK$'000
Balance at 1 April 2010	637,927	2,109	(657,217)	(17,181)
Total comprehensive income 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)
Balance at 31 March 2011	637,996	2,165	(672,096)	(31,935)
Total comprehensive income for the year	–	–	161	161
Recognition of equity-settled share-based payments	–	241	–	241
Placing of ordinary shares	16,800	–	–	16,800
Issue of ordinary shares under employee share option plan	305	(163)	–	142
Release of reserve upon share options forfeited	–	(52)	52	–
Transaction costs attributable to issue of new ordinary shares	(994)	–	–	(994)
Balance at 31 March 2012	**654,107**	**2,191**	**(671,883)**	**(15,585)**

At 31 March 2012, the Company had no reserves available for distribution to shareholders.

29. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The profit attributable to owners of the Company is dealt with in the financial statements of the Company to the extent of approximately HK$2,094,000 (2011: loss of approximately HK$15,567,000).

30. DEFERRED TAXATION

At 31 March 2012, the Group and the Company has unutilised tax losses of approximately HK$325 million (2011: HK$363 million) and HK$236 million (2011: HK$226 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$27 million (2011: HK$23 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 approximately HK$276,000 (2011: 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.

31. 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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**3,809**	2,643	**907**	709
In the second to fifth year inclusive	**2,197**	1,352	**1,772**	–
	6,006	3,995	**2,679**	709

Leases are negotiated for terms up to three years. The Group and the Company do not have an option to purchase the leased assets at the expiry of the lease period.

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	
	2012	2011
	HK$'000	HK$'000
Within one year	**643**	586
In the second to fifth year inclusive	**27**	639
	670	1,225

Property rental income earned during the year was HK$643,000 (2011: HK$565,000). All of the Group's investment properties are held for rental purposes. All of the properties held have committed tenants for the next year.

32. 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 obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

During the year ended 31 March 2012, the total amount contributed by the Group to the schemes and charged to the consolidated statement of comprehensive income amounted to approximately HK$1,338,000 (2011: HK$729,000).

33. RELATED PARTY TRANSACTIONS

Details of balances with related parties are set out in note 25.

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following significant transactions with related parties during the year:

	2012	2011
	HK$'000	HK$'000
Loan advances made to an associate	**–**	1,294

Note: The amount is unsecured, repayable within one year and carries interest at the best-lending rate of similar loans offered by the banks in PRC.

Compensation of key management personnel

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

34. CONTINGENT LIABILITIES

Litigation between Timeless Beijing and Ningxia Educational

天時北方軟件(北京)有限公司 (Timeless Northern Software (Beijing) Company Limited) ("Timeless Beijing"), an indirect wholly-owned subsidiary of the Company, was served with a writ of civil proceedings on 13 September 2011 in respect of the civil proceedings commenced by Ningxia Educational, an associated company of the Company in which the Company holds an equity interest of 25.04%, as plaintiff against Timeless Beijing as defendant for the claim of compensation for non-completion of the information engineering project by Timeless Beijing pursuant to the agreement between Ningxia Educational and Timeless Beijing made in 2001.

The following orders were sought to be granted by the Higher People's Court in Ningxia Hui Autonomous Region ("Ningxia Higher People's Court") against Timeless Beijing: (i) Timeless Beijing to return and pay to Ningxia Educational the project fee in the sum of RMB11,834,793.85 prepaid by Ningxia Educational, the interest in the sum of RMB6,265,915.16 and the interest accrued up to the date of full payment by Timeless Beijing; (ii) legal counsel fees incurred by Ningxia Educational in the sum of RMB250,000 to be borne by Timeless Beijing; and (iii) the costs of the proceedings and other costs to be borne by Timeless Beijing.

On 12 March 2012, the Ningxia Higher People's Court has dismissed the claims against Timeless Beijing by Ningxia Educational and ordered that the costs of the proceedings of the court be borne by Ningxia Educational. Under the PRC law, Ningxia Educational may lodge appeal against the judgement on or before 31 March 2012.

On 28 March 2012, Timeless Beijing was served a copy of the appeal petition filed by Ningxia Educational against the decision of the Ningxia Higher People's Court.

As at the date of approval of these consolidated financial statements, the appeal brought by Ningxia Educational was still pending.

The directors of the Company, based on the advice obtained from PRC legal advisers, believe that the subsidiary has a valid defence against the above litigation and accordingly, have not provided for any claim arising from the litigation.

35. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which, excluding those explained below, are limited liability companies, at 31 March 2012 and 2011 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital 2012	2011	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
Timeless Beijing	PRC	**RMB20,000,000**	RMB20,000,000	–	100%	Design, development and maintenance of computer software and systems as well as provision of computer consultancy services
廣州市新信薈智信息產業有限公司 ("Talent Valley Company Limited")	PRC	**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	**RMB12,000,000**	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	**RMB10,100,000**	RMB10,100,000	–	100%	Provision of supply chain management, storage and corporate management consultancy services

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 consolidated 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.

36. ACQUISITION OF NON-CONTROLLING INTERESTS

During the year ended 31 March 2012, the Group acquired an additional 20% equity interest in 天時南方(珠海)軟件有限公司 ("Timeless Zhuhai") from its former jointly controlled entity ZSSP for a cash consideration of approximately RMB1,938,000 (equivalent to approximately HK$2,400,000). The carrying amount of the non-controlling interests in Timeless Zhuhai on the date of acquisition was approximately HK$2,558,000. The Group recognised a decrease in non-controlling interests and an increase in equity attributable to owners of the Company of approximately HK$2,558,000 and HK$158,000 respectively. The effect of changes in the ownership interest of Timeless Zhuhai on the equity attributable to owners of the Company during the year is summarised as follows:

	THE GROUP HK$'000
Carrying amount of non-controlling interests acquired	**2,558**
Less: Consideration paid to non-controlling interests	**(2,400)**
Net effect for transaction with non-controlling interests on changes in equity attributable to owners of the Company	**158**

37. EVENTS AFTER THE REPORTING PERIOD

Acquisition of Goffers Management Limited and its subsidiaries (collectively, the "Goffers Group")

On 7 September 2011 and 10 April 2012, Time Kingdom Limited ("Purchaser"), a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement and supplemental agreement respectively (collectively, the "Agreements") with an independent third party Starmax Holdings Limited ("Vendor"), pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the 102 shares of Goffers Management Limited ("Goffers"), representing 51% of the issued share capital of Goffers, for HK$103,500,000. The consideration shall be satisfied at completion by the Company to issue the consideration shares to the Vendor at the issue price of HK$0.15 each to the Vendor and by the Purchaser issuing the promissory note to the Vendor. The board of directors considers that the acquisition represents a strategic move providing the Group with an opportunity to enter the mining industry in the PRC which will be enhancing value for the shareholders.

All conditions precedent under the Agreements were satisfied and completion took place on 11 May 2012 and the Goffers Group became subsidiaries of the Company since that date. The acquisition results in the issue of 270,000,000 consideration shares by the Company to the Vendor at the issue price of HK$0.15 each and promissory note in the principal amount of HK$63,000,000, representing the consideration of HK$103,500,000.

As at the date of approval of these consolidated financial statements, the management of the Group is still in the midst of determining the financial effect of the aforesaid acquisition.

Disposal of investment properties

On 16 June 2012, Timeless Beijing entered into a sale and purchase agreement with an independent third party pursuant to which Timeless Beijing agreed to sell the Group's investment properties at a cash consideration of RMB7,130,000. The transaction was completed on 18 June 2012.

Financial Summary

	Year ended 31 March				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Turnover	2,920	9,042	16,710	25,091	**25,785**
Loss before tax	(18,760)	(24,011)	(2,872)	(11,538)	**(11,070)**
Taxation	–	–	–	–	**–**
Loss for the year	(18,760)	(24,011)	(2,872)	(11,538)	**(11,070)**
Attributable to:					
Owners of the Company	(17,801)	(23,998)	(2,864)	(11,520)	**(11,050)**
Non-controlling interests	(959)	(13)	(8)	(18)	**(20)**
	(18,760)	(24,011)	(2,872)	(11,538)	**(11,070)**

	At 31 March				
	2008	2009	2010	2011	**2012**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	138,697	116,022	116,377	115,025	**116,690**
Total liabilities	(7,790)	(7,925)	(7,285)	(18,713)	**(6,181)**
	130,907	108,097	109,092	96,312	**110,509**
Attributable to:					
Owners of the Company	128,351	105,499	106,502	93,656	**110,310**
Non-controlling interests	2,556	2,598	2,590	2,656	**199**
	130,907	108,097	109,092	96,312	**110,509**