THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Timeless Software Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

TIMELESS SOFTWARE LIMITED

(incorporated in Hong Kong with limited liability)

Stock Code: 8028

VERY SUBSTANTIAL ACQUISITION REGARDING ACQUISITION OF THE ENTIRE EQUITY INTEREST IN ENCORE TRADING LIMITED

Financial adviser to Timeless Software Limited

Hercules

Hercules Capital Limited

A notice convening an extraordinary general meeting of Timeless Software Limited to be held at 3:00 p.m. on Tuesday, 26 January 2010 at Convention Hall 1B, G/F., Core Building 1, No.1 Science Park East Avenue, Phase 1, Hong Kong Science Park, Tai Po, New Territories, Hong Kong is set out on pages 154 to 155 of this circular. A form of proxy for use at the extraordinary general meeting is also enclosed. Whether or not you are able to attend the extraordinary general meeting, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the registered office of the Company at Units 111-113, 1st Floor, Building 9, Phase One, Hong Kong Science Park, Tai Po, New Territories, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting if you so wish.

30 December 2009

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK 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 Stock 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.

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In this circular, the following expressions have the meanings set out below unless the context requires otherwise:

"Acquisition"	the acquisition by the Company of the Sale Shares from the Vendors pursuant to the Agreement
"Agreement"	the conditional sale and purchase agreement dated 4 December 2009 entered into between the Company and the Vendors regarding the sale and purchase of the Sale Shares
"Announcement"	the announcement of the Company dated 7 December 2009 in respect of the Acquisition
"associates"	has the meanings ascribed thereto in the GEM Listing Rules
"Board"	the board of Directors
"Company"	Timeless Software Limited, a company incorporated in Hong Kong with limited liability, whose Shares are listed on GEM
"Completion"	completion of the Agreement
"connected person"	has the meaning ascribed thereto in the GEM Listing Rules
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened and held to approve the Acquisition
"Encore"	Encore Trading Limited, a company incorporated in Hong Kong with limited liability, shares of which were owned as to 50% by Mr. Ho Kin Lun Albert and 50% by Mr. Ko Chiu Wah as at the date of the Agreement
"Enlarged Group"	the Group and Encore
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"HK$"	the lawful currency of Hong Kong
"HLB"	HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong, being the reporting accountants of Encore
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Latest Practicable Date"	28 December 2009, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"LCH"	LCH (Asia Pacific) Surveyors Limited, an independent qualified professional valuer
"PRC"	the People's Republic of China which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Sale Shares"	6 ordinary shares of HK$1.00 each in the share capital of Encore, representing the entire issued share capital of Encore
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the share(s) of HK$0.05 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendors"	Mr. Ho Kin Lun Albert and Mr. Ko Chiu Wah, both of whom are third parties independent of the Company and its connected persons
"%"	per cent

TIMELESS SOFTWARE LIMITED

(incorporated in Hong Kong with limited liability)

Stock Code: 8028

Executive Directors:
Mr. Cheng Kin Kwan *(Chairman)*
Mr. Law Kwai Lam
Ms. Leung Mei Sheung Eliza
Mr. Zheng Ying Yu
Mr. Fung Chun Pong Louis
Mr. Liao Yun

Independent non-executive Directors:
Ms. Tsang Wai Chun Marianna
Mr. Chan Mei Ying Spencer
Mr. Lam Kwai Yan

Registered office and principal place of business in Hong Kong:
Units 111-113, 1st Floor
Building 9, Phase One
Hong Kong Science Park
Tai Po, New Territories
Hong Kong

30 December 2009

To the Shareholders

Dear Sirs,

VERY SUBSTANTIAL ACQUISITION
ACQUISITION OF THE ENTIRE EQUITY INTEREST IN ENCORE TRADING LIMITED

INTRODUCTION

On 4 December 2009 (after trading hours), the Company and the Vendors entered into the Agreement, pursuant to which the Company conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the Sale Shares, representing the entire equity interest in Encore for a total cash consideration of HK$800,000.

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules and therefore is subject to the approval by the Shareholders, by way of poll, at the EGM. The purpose of this circular is to provide you with, inter alia, (i) further details relating to the Acquisition; (ii) the financial information relating to the Group, Encore and the Enlarged Group; (iii) the valuations of the properties held by the Enlarged Group; (iv) a notice of the EGM; and (v) other information as required under the GEM Listing Rules.

THE AGREEMENT

Date

4 December 2009

Parties involved

Purchaser: the Company

Vendors: the Vendors. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendors are third parties independent of the Company and its connected persons.

Subject matter

The Sale Shares, being six ordinary shares of HK$1.00 each in the share capital of Encore, representing the entire issued share capital of Encore.

Consideration

The total consideration for the Acquisition is HK$800,000, which shall be settled by the Company in the following manner:

(i) a refundable deposit of HK$400,000 has been paid in cash to the Company's designated escrow agent upon signing of the Agreement; and

(ii) HK$400,000 shall be paid in cash upon Completion.

The consideration of the Acquisition was determined after arm's length negotiations between the Company and the Vendors. The Directors noted that Encore recorded a net loss of approximately HK$780,000 for the year ended 31 December 2008 and the consideration represents a premium over the net asset value of Encore of approximately HK$445,000 as at 31 December 2008. Having considered that (i) Encore has been engaged in the software trading business for approximately 15 years and has established a good reputation in the industry; and (ii) Encore possesses an invaluable client base which will effectively facilitate the future business development of the Group, the Directors (including the independent non-executive Directors) are optimistic about the future potential of Encore and consider that the premium of the consideration over the net asset value of Encore is commercially justifiable and the consideration of the Acquisition is fair and reasonable and on normal commercial terms. The Company shall finance the cash consideration with internal resources.

Conditions Precedent

Completion is conditional upon the fulfillment (or waiver, as the case may be) of, among other things, the following conditions:

(i) the Company being satisfied as to the title of each of the Vendors to the Sale Shares owned by them respectively;

(ii) the Company being satisfied with its due diligence of the financial trading and other matters relating to Encore;

(iii) each of the warranties given by the Vendors and the Company in the Agreement remaining true and accurate in all material respects;

(iv) the performance and observance by the Vendors of all the undertakings and covenants on the part of the Vendors contained in the Agreement; and

(v) the passing of the relevant resolution(s) at the EGM by the Shareholders for approving the Agreement and transactions contemplated thereunder.

If any of the conditions precedent is not fulfilled or waived by the Company (save for condition (v) which will not be waived) on or before 29 January 2010, the Agreement shall automatically become null and void and of no further effect. Completion shall take place on 5 February 2010 or such later date as the parties to the Agreement may agree in writing (in any event not later than 5 March 2010).

INFORMATION ON ENCORE

Encore was incorporated in Hong Kong on 1 February 1994. It is principally engaged in trading of computer hardware and software and provision of information technology consultancy services in Hong Kong under the trading name of Encore Software. Encore is an authorized reseller of Adobe, Autodesk, Cansoft, Corel, DacEasy, Eset, Hewlett Packard, IBM, Kaspersky, Lenovo, McAfee, Microsoft, MYOB, Network Automation, Qarbon, Symantec, Trend Micro, Wacom. It also resells many reputable software and hardware brands such as Apple, Barracuda Networks, Fujitsu, OKI, Samsung. Most of the customers of Encore are commercial corporations.

The audited financial results, which have been prepared in accordance with the generally accepted accounting principles in Hong Kong, of Encore for the two years ended 31 December 2008 is summarized as follows:

	For the year ended 31 December	
	2008	**2007**
	HK$	*HK$*
Revenue	11,942,846	14,300,806
(Loss)/profit before and after taxation and extraordinary items	(779,365)	58,332

As at 31 December 2008, the audited net assets of Encore amounted to approximately HK$444,518.

REASONS FOR THE ACQUISITION

The Group is principally engaged in software development, provision of computer consultancy and software maintenance services and sales of computer hardware and software. The Group has no present intention to change its current principal business after the Acquisition.

Encore has been engaged in the software trading business for approximately 15 years and has established good business relationships with both customers and suppliers. The Directors anticipate that the wealth of resources and brand name of Encore shall further strengthen the Company's operation and the Acquisition will facilitate the Group's business development by further broadening the Group's client base and product range. The Directors also expect that the Acquisition will bring in synergy effect to the Group by further improving its operational efficiency. The Directors believe that the terms of the Acquisition are fair and reasonable and in the interests of the Shareholders as a whole.

FINANCIAL EFFECTS OF THE ACQUISITION

Immediately after Completion, Encore shall become a wholly-owned subsidiary of the Company and its results and assets and liabilities shall be consolidated into the accounts of the Group.

As set out in the unaudited pro forma financial information on the Enlarged Group in Appendix III to this circular, if the Acquisition had been completed on 1 April 2008, the consolidated loss for the year would increase from approximately HK$24.0 million to approximately HK$24.8 million. If the Acquisition had been completed on 31 March 2009, each of the consolidated total assets and total liabilities of the Group would increase by approximately HK$0.9 million.

FINANCIAL AND TRADING PROSPECT OF THE ENLARGED GROUP

In addition to the ten individual yet inter-linkable service sub-platforms, namely Tourism Development Services Sub-platform, Education Services Sub-platform, Multi-media Entertainment Sub-platform, Elderly Care Services Sub-platform, Medical Care Services Sub-platform, Workflow Services Sub-platform, Value-Add Services Sub-platform, Aero-Space Technology Sub-platform, Cross Network Information Sub-platform and Search Management Sub-platform, the Company completed and launched a web-based service platform operating system, namely Timeless Consolidated Platform, which is used for managing various mono-platforms, in 2009.

The Directors consider that Timeless Consolidated Platform and its sub-platforms will be the core products of the Group in the medium term and the PRC will be the next global growth engine for the years to come. Given the technological foundation of the Group and years of solid ground work in the PRC market, the Group will continue to explore business opportunities for its core products by focusing its development in the PRC market.

Encore has been engaged in trading of off-the-shelf software products for a long time and has established a long-term relationship with the customers and suppliers. By leveraging on the retail experience and the large customer base of Encore, the Directors anticipate that the Company can expand its product range and client base substantially and rapidly after the Acquisition. The Directors also expect that the Acquisition shall bring in synergy effect to the Group and further improve the performance and prospect of the Group by (i) introducing to Encore the Group's technology competence in specific industries, such as architecture, construction and engineering which require specific know-how on web technology development and deployment and cannot be satisfied by simple off-the-shelf products; (ii) offering the Group's practical technology development experience as training services to customers of Encore; and (iii) leveraging on the corporate image and brand name of the Group for expansion of Encore's business in the PRC.

GEM LISTING RULES IMPLICATION

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules and therefore is subject to the approval by the Shareholders at the EGM. To the best of the knowledge of the Directors, no existing Shareholders have any interest in the Acquisition. Therefore, no Shareholders are required to abstain from voting on the resolution for approving the Agreement and transactions contemplated thereunder.

EGM

The EGM will be held at 3:00 p.m. on Tuesday, 26 January 2010 at Convention Hall 1B, G/F., Core Building 1, No.1 Science Park East Avenue, Phase 1, Hong Kong Science Park, Tai Po, New Territories, Hong Kong to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder.

Notice of the EGM is set out on pages 154 to 155 of this circular and the form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon and return it to the registered office of the Company at Units 111-113, 1st Floor, Building 9, Phase One, Hong Kong Science Park, Tai Po, New Territories, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting thereof should you so wish.

RECOMMENDATION

The Directors consider that the terms and conditions of the Agreement are fair and reasonable and the entering into of the Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favor of the resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board
Timeless Software Limited
Cheng Kin Kwan
Chairman & Chief Executive Officer

1. SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the six months ended 30 September 2009 and the three years ended 31 March 2009, as extracted from the interim report and the annual reports of the Company respectively, is set out below.

Results

	For the six months ended 30 September	**For the year ended 31 March**		
	2009	**2009**	**2008**	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	*(audited)*	*(audited)*	*(audited)*
Turnover	5,835	9,042	2,920	2,657
Loss before taxation	(2,407)	(24,011)	(18,760)	(15,533)
Taxation	—	—	—	—
Net loss attributable to owners of the Company	(2,403)	(23,998)	(17,801)	(14,724)
Loss per Share				
— Basic	(HK0.21 cents)	(HK2.12 cents)	(HK1.60 cents)	(HK1.42 cents)
— Diluted	N/A	N/A	N/A	N/A
Dividend per Share	—	—	—	—

Assets and Liabilities

	As at 30 September 2009 HK$'000 (unaudited)	As at 31 March 2009 HK$'000 (audited)	2008 HK$'000 (audited)	2007 HK$'000 (audited)
Total assets	117,109	116,022	138,697	145,995
Total liabilities	(10,246)	(7,925)	(7,790)	(6,428)
Net assets	106,863	108,097	130,907	139,567
Equity attributable to owners of the Company	104,269	105,499	128,351	136,319
Non-controlling interests	2,594	2,598	2,556	3,248
Total equity	106,863	108,097	130,907	139,567

No qualification opinion was issued by Deloitte Touche Tohmatsu in the auditor's report of the Company for each of the three years ended 31 March 2009.

2. AUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 31 MARCH 2009

Set out below is a summary of the audited consolidated accounts of the Company for the year ended 31 March 2009 as extracted from the 2009 annual report of the Company. References to page number in this section are to the page numbers of such annual report of the Company.

Consolidated Income Statement
For the year ended 31 March 2009

	Notes	**2009**	**2008**
		HK$'000	*HK$'000*
Turnover	6	9,042	2,920
Other income		4,193	1,960
Purchase costs		(6,832)	—
Staff costs		(12,582)	(12,453)
Depreciation		(1,075)	(1,346)
Other expenses		(7,516)	(6,989)
Fair value changes on investment properties		(91)	711
Net (losses) gains on equity-linked notes		(5,347)	643
Net gains (losses) on investments held for trading		297	(267)
Net losses on available-for-sale financial assets		—	(46)
Impairment loss recognised on advance made to an associate		(160)	—
Impairment loss recognised on investments in a jointly controlled entity		(1,379)	(1,058)
Discount on acquisition arising from purchase of additional interests in a subsidiary		—	69
Finance costs	7	(79)	(158)
Share of losses of associates		(2,482)	(2,746)
Loss for the year	8	(24,011)	(18,760)
Attributable to:			
Equity holders of the Company		(23,998)	(17,801)
Minority interests		(13)	(959)
		(24,011)	(18,760)
		HK cents	*HK cents*
Loss per share	11		
— Basic		(2.12)	(1.60)
— Diluted		N/A	N/A

Consolidated Balance Sheet
At 31 March 2009

	Notes	**2009**	**2008**
		HK$'000	*HK$'000*
Non-current assets			
Investment properties	12	6,295	6,244
Property, plant and equipment	13	4,908	4,524
Interests in associates	15	1,314	3,323
Interests in jointly controlled entities	16	—	—
Equity-linked notes	17	3,564	5,698
		16,081	19,789
Current assets			
Trade and other receivables	18	6,256	5,308
Equity-linked notes	17	—	11,492
Investments held for trading	19	10,070	1,543
Pledged bank deposits	20	11,407	11,153
Bank balances and cash	20	72,208	89,412
		99,941	118,908
Current liabilities			
Accounts payable	21	6,171	5,154
Obligations under a finance lease due within one year	22	39	36
Financial guarantee obligations	30	460	1,058
Current portion of secured long-term bank loan	24	169	157
Bank overdraft		—	116
		6,839	6,521
Net current assets		93,102	112,387
Total assets less current liabilities		109,183	132,176

	Notes	2009	2008
		HK$'000	*HK$'000*
Non-current liabilities			
Obligations under a finance lease due after one year	22	111	150
Secured long-term bank loan	24	975	1,119
		1,086	1,269
Net assets		108,097	130,907
Capital and reserves			
Share capital	25	56,663	56,663
Reserves		48,836	71,688
Equity attributable to equity holders of the Company		105,499	128,351
Minority interests		2,598	2,556
Total equity		108,097	130,907

The financial statements on pages 23 to 73 were approved and authorised for issue by the Board of Directors on 25 June 2009 and are signed on its behalf by:

CHENG KIN KWAN
Chairman and
Chief Executive Officer

LAW KWAI LAM
Director

Balance Sheet
At 31 March 2009

	Notes	**2009** *HK$'000*	**2008** *HK$'000*
Non-current assets			
Property, plant and equipment	13	483	1,089
Investments in subsidiaries	14	8,000	8,000
Interests in associates	15	1,314	3,323
Interests in jointly controlled entities	16	—	—
Equity-linked notes	17	3,564	5,698
		13,361	18,110
Current assets			
Trade and other receivables	18	3,295	3,288
Equity-linked notes	17	—	11,492
Investments held for trading	19	10,070	1,543
Pledged bank deposits	20	5,214	5,153
Bank balances and cash	20	65,725	88,394
		84,304	109,870
Current liabilities			
Accounts payable	21	2,322	2,333
Obligations under a finance lease due within one year	22	39	36
Amounts due to subsidiaries	23	35,130	35,126
Bank overdraft		—	116
		37,491	37,611
Net current assets		46,813	72,259
Total assets less current liabilities		60,174	90,369
Non-current liability			
Obligations under a finance lease due after one year	22	111	150
Net assets		60,063	90,219
Capital and reserves			
Share capital	25	56,663	56,663
Reserves	27	3,400	33,556
Total equity		60,063	90,219

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2009

	Share capital	Share premium	Share options reserve	Investment revaluation reserve	Property revaluation reserve	Translation reserve	Accumulated deficit	Attributable to equity holders of the Company	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2007	52,693	632,518	4,793	(147)	—	1,990	(555,528)	136,319	3,248	139,567
Exchange differences arising from translation of financial statements of foreign operations recognised directly in equity	—	—	—	—	—	1,711	—	1,711	336	2,047
Increase in fair value of land and buildings upon transfer to investment properties	—	—	—	—	1,061	—	—	1,061	—	1,061
Share of post-acquisition reserve of associates	—	—	—	(826)	—	—	—	(826)	—	(826)
Net (expenses) income recognised directly in equity	—	—	—	(826)	1,061	1,711	—	1,946	336	2,282
Loss for the year	—	—	—	—	—	—	(17,801)	(17,801)	(959)	(18,760)
Transfer to profit or loss on sale of available-for-sale financial assets	—	—	—	578	—	—	—	578	—	578
Total recognised income and expenses for the year	—	—	—	(248)	1,061	1,711	(17,801)	(15,277)	(623)	(15,900)
Issue of shares	3,970	2,675	—	—	—	—	—	6,645	—	6,645
Expenses incurred in connection with the issue of shares	—	(61)	—	—	—	—	—	(61)	—	(61)
Acquisition of additional interests in a subsidiary	—	—	—	—	—	—	—	—	(69)	(69)
Transfer of share options reserve on exercise of share options	—	2,795	(2,795)	—	—	—	—	—	—	—
Transfer of share options reserve on forfeiture of share options	—	—	(156)	—	—	—	156	—	—	—
Recognition of equity-settled share-based payments	—	—	725	—	—	—	—	725	—	725
	3,970	5,409	(2,226)	—	—	—	156	7,309	(69)	7,240
At 31 March 2008 and 1 April 2008	56,663	637,927	2,567	(395)	1,061	3,701	(573,173)	128,351	2,556	130,907

	Share capital	Share premium	Share options reserve	Investment revaluation reserve	Property revaluation reserve	Translation reserve	Accumulated deficit	Attributable to equity holders of the Company	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Exchange differences arising from translation of financial statements of foreign operations recognised directly in equity	—	—	—	—	—	751	—	751	55	806
Share of post-acquisition reserve of associates	—	—	—	(1,824)	—	—	—	(1,824)	—	(1,824)
Net (expenses) income recognised directly in equity	—	—	—	(1,824)	—	751	—	(1,073)	55	(1,018)
Loss for the year	—	—	—	—	—	—	(23,998)	(23,998)	(13)	(24,011)
Transfer to profit or loss on impairment loss recognised in respect of available-for-sale investments held by an associate	—	—	—	2,219	—	—	—	2,219	—	2,219
Total recognised income and expenses for the year	—	—	—	395	—	751	(23,998)	(22,852)	42	(22,810)
Transfer of share options reserve on forfeiture of share options	—	—	(196)	—	—	—	196	—	—	—
	—	—	(196)	—	—	—	196	—	—	—
At 31 March 2009	56,663	637,927	2,371	—	1,061	4,452	(596,975)	105,499	2,598	108,097

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	2009	2008
	HK$'000	*HK$'000*
Operating activities		
Loss for the year	(24,011)	(18,760)
Adjustments for:		
Interest income	(1,468)	(1,591)
Interest expense	79	158
Share of losses of associates	2,482	2,746
Depreciation	1,075	1,346
Loss on disposal of property, plant and equipment	—	9
Fair value changes on investment properties	91	(711)
Net losses (gains) on equity-linked notes	5,347	(643)
Net (gains) losses on investments held for trading	(297)	267
Net losses on available-for-sale financial assets	—	46
Impairment loss recognised on advance made to an associate	160	—
Impairment loss recognised on investments in a jointly controlled entity	1,379	1,058
Discount on acquisition arising from purchase of additional interests in a subsidiary	—	(69)
Amortisation of financial guarantee obligations	(2,001)	—
Share-based payments	—	725
Operating cash flows before movements in working capital	(17,164)	(15,419)
(Increase) decrease in trade and other receivables	(818)	2,967
Increase in investments held for trading	—	(2,083)
Increase (decrease) in accounts payable	959	(229)
Net cash used in operating activities	(17,023)	(14,764)
Investing activities		
Bank interest received	1,297	1,515
Repayment from an associate	208	—
Dividend received	49	273
Purchase of property, plant and equipment	(1,381)	(635)
Advance to an associate	(240)	(208)
Increase in pledged bank deposits	(118)	—
Proceeds from redemption of equity-linked notes	—	221,140
Interest received from equity-linked notes	—	13,936
Proceeds from disposal of available-for-sale financial assets	—	4,822
Proceeds from disposal of property, plant and equipment	—	27
Purchase of equity-linked notes	—	(200,140)
Net cash (used in) from investing activities	(185)	40,730

	2009	2008
	HK$'000	*HK$'000*
Financing activities		
Repayment of bank loans	(160)	(73,675)
Interest paid	(79)	(158)
Repayment of obligations under a finance lease	(36)	(69)
New bank loans raised	—	73,526
Proceeds from issue of shares	—	6,645
Expenses incurred in connection with the issue of shares	—	(61)
Net cash (used in) from financing activities	(275)	6,208
Net (decrease) increase in cash and cash equivalents	(17,483)	32,174
Cash and cash equivalents at beginning of the year	89,296	56,848
Effect of foreign exchange rate changes	395	274
Cash and cash equivalents at end of the year	72,208	89,296
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	72,208	89,412
Bank overdraft	—	(116)
	72,208	89,296

Notes to the Financial Statements
For the year ended 31 March 2009

1. GENERAL

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

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

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

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) - INT 12	Service concession arrangements
HK(IFRIC) - INT 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of financial statements[3]
HKAS 23 (Revised)	Borrowing costs[3]
HKAS 27 (Revised)	Consolidated and separate financial statements[4]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[3]
HKAS 39 (Amendment)	Eligible hedged items[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[3]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[3]

HKFRS 3 (Revised)	Business combinations[4]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments[3]
HKFRS 8	Operating segments[3]
HK(IFRIC) - INT 9 & HKAS 39 (Amendments)	Embedded derivatives[5]
HK(IFRIC) - INT 13	Customer loyalty programmes[6]
HK(IFRIC) - INT 15	Agreements for the construction of real estate[3]
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation[7]
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners[4]
HK(IFRIC) - INT 18	Transfers of assets from customers[8]

1 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.

3 Effective for annual periods beginning on or after 1 January 2009.

4 Effective for annual periods beginning on or after 1 July 2009.

5 Effective for annual periods ending on or after 30 June 2009.

6 Effective for annual periods beginning on or after 1 July 2008.

7 Effective for annual periods beginning on or after 1 October 2008.

8 Effective for transfers on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Improvement to HKFRSs requires property being constructed or developed for future use as investment property to classify as investment property for annual period beginning on or after 1 January 2009. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and 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 and include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

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

Basis of consolidation

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

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

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

Discount on acquisition arising on acquisition of additional interests in a subsidiary represents the excess of the book value of the net assets of the subsidiary attributable to the additional interest acquired over the cost of acquisition of the additional interests.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associates, less any identified impairment losses. When the Group's share of losses of an associate equals or exceeds its interest in the 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. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Joint ventures

Jointly controlled entities

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

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

Revenue recognition

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

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

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

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

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

Investment properties

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

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

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

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the income statement on a straight line basis over the term of the relevant lease.

The Group as lessee

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

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

Property, plant and equipment

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

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

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

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

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

An item of property, plant and equipment is 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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet 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

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

Effective interest method

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

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or

- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial instruments: Recognition and measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

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

Impairment of financial assets

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

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

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

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

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

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

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

Financial liabilities and equity

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

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

Effective interest method

The effective interest method is a method of calculating the 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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

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

Equity instruments

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

Financial guarantee contracts

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

Derecognition

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

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

Impairment loss

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

Share-based payment transactions

Equity-settled share-based payment transactions

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

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

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

Share options granted to employees of the Company on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 January 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 the income statement 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.

Borrowing costs

All borrowing cost are recognised as and included in finance costs in the income statement in the period in which they are incurred.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement 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 balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such 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 arising on investments in subsidiaries/associates/jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rates of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefit costs

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

4. **FINANCIAL INSTRUMENTS**

Categories of financial instruments

	THE GROUP		**THE COMPANY**	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets				
FVTPL				
Designated as at FVTPL	3,564	17,190	3,564	17,190
Investments held for trading	10,070	1,543	10,070	1,543
Loans and receivables (including cash and cash equivalents)	87,555	104,404	73,671	96,278
Financial liabilities				
Amortised cost	1,312	1,578	35,280	35,428
Financial guarantee obligations	460	1,058	—	—

Financial risk management objectives and policies

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

Market risks

Foreign currency risk

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

Interest rate risk

The Group and the Company are exposed to fair value interest rate risk in relation to fixed-rate borrowings (see notes 22 and 24). However, the management considered that the risk is insignificant to the Group.

Other price risk

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

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date from investments held for trading and equity-linked notes.

If the prices of the respective equity instruments had been 10% higher/lower, loss for the years ended 31 March 2009 and 2008 would decrease/increase by HK$1,363,000 and HK$1,873,000, respectively, as a result of the changes in fair values of investments held for trading and equity-linked notes.

The Group's and the Company's sensitivity to investments held for trading and equity-linked notes increased during the year mainly due to the violent fluctuation in the share market during the year.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent other price risk as the year end exposure does not reflect the exposure during the year. An equity-linked note of the Group and the Company was redeemed at maturity for equity securities and classified as investments held for trading during the year which resulted in an increase in the balance of investments held for trading at year end.

Credit risk

The Group's and the Company's maximum exposure to credit risk which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated balance sheet and balance sheet respectively. In addition, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to financial guarantees provided by the Group is arising from the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in note 30. 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 each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's and the Company's credit risk is significantly reduced.

The credit risk on liquid funds is limited because majority of the counterparties are banks with high credit-ratings assigned by international credit-rating agencies and state-owned banks with good reputation.

The Group's concentration of credit risk on trade receivables by geographical locations is in Hong Kong and in Mainland China (the "PRC"), which accounted for 15% and 85% respectively (2008: 100% and nil respectively) of the total trade receivables as at 31 March 2009.

The Group also has concentration of credit risk on trade receivables by customers as 63% (2008: 49%) and 93% (2008: 82%) of the total trade receivables were due from the Group's largest customer and the five largest customers, respectively, at 31 March 2009. The largest customer is engaged in the system integration services and the remaining customers spread across diverse industries. The management closely monitors the settlement of trade receivables and reviews their recoverability to ensure that adequate impairment losses are recognised for irrecoverable amounts.

Liquidity risk

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

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

Liquidity and interest risk tables

THE GROUP

	Weighted average effective interest rate	On demand	Less than 1 year	1-5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31.3.2009
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009							
Non-derivative financial liabilities							
Non-interest bearing	N/A	—	478	—	—	478	478
Fixed interest rate instruments	5.31 to 7.5	—	219	1,010	262	1,491	1,294
		—	697	1,010	262	1,969	1,772

	Weighted average effective interest rate	On demand	Less than 1 year	1-5 years	More than 5 years	Total undiscounted cash flows	Carrying amount at 31.3.2008
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008							
Non-derivative financial liabilities							
Non-interest bearing	N/A	—	1,058	—	—	1,058	1,058
Variable interest rate instruments	5.25	116	—	—	—	116	116
Fixed interest rate instruments	5.31 to 7.5	—	207	997	521	1,725	1,462
		116	1,265	997	521	2,899	2,636

THE COMPANY

	Weighted average effective interest rate	On demand	Less than 1 year	1-5 years	Total undiscounted cash flows	Carrying amount at 31.3.2009
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009						
Non-derivative financial liabilities						
Non-interest bearing	N/A	35,130	—	—	35,130	35,130
Fixed interest rate instruments	7.5	—	50	126	176	150
		35,130	50	126	35,306	35,280

	Weighted average effective interest rate	On demand	Less than 1 year	1-5 years	Total undiscounted cash flows	Carrying amount at 31.3.2008
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008						
Non-derivative financial liabilities						
Non-interest bearing	N/A	35,126	—	—	35,126	35,126
Variable interest rate instruments	5.25	116	—	—	116	116
Fixed interest rate instruments	7.5	—	50	176	226	186
		35,242	50	176	35,468	35,428

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analyses using prices or rates from observable current market transactions as input.

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

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which mainly includes the bank loan disclosed in note 24 (net of cash and cash equivalents) and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

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

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

In 2008, the Group used geographical segment as primary segment information as it was principally engaged in software development business. As the Group is currently organised into two operating divisions - software development and hardware sales, it changed to report business segments as primary segment information. These divisions, which are subject to different risks and returns, are the basis on which the Group reports its primary segment information.

Business segments for the year are as follows:

	2009 *HK$'000*	2008 *HK$'000*
Turnover		
Software development	2,352	2,920
Hardware sales	6,690	—
	9,042	2,920
Results		
Software development	(14,909)	(15,508)
Hardware sales	(932)	—
	(15,841)	(15,508)
Interest income from bank	1,468	1,591
Other income	724	416
Unallocated corporate expenses	(3,122)	(2,407)
Amortisation of financial guarantee obligations	2,001	—
Impairment loss recognised on advance made to an associate	(160)	—
Impairment loss recognised on investments in a jointly controlled entity	(1,379)	(1,058)
Discount on acquisition arising from purchase of additional interests in a subsidiary	—	69
Fair value changes on investment properties	(91)	711
Net (losses) gains on equity-linked notes	(5,347)	643
Net gains (losses) on investments held for trading	297	(267)
Net losses on available-for-sale financial assets	—	(46)
Finance costs	(79)	(158)
Share of results of associates	(2,482)	(2,746)
Loss for the year	(24,011)	(18,760)

	2009	2008
	HK$'000	*HK$'000*
CONSOLIDATED BALANCE SHEET		
Assets		
Segment assets		
— software development	9,389	9,832
— hardware sales	1,775	—
	11,164	9,832
Interests in associates	1,314	3,323
Interests in jointly controlled entities	—	—
Unallocated corporate assets	103,544	125,542
	116,022	138,697
Liabilities		
Segment liabilities		
— software development	5,440	5,154
— hardware sales	731	—
	6,171	5,154
Unallocated corporate liabilities	1,754	2,636
	7,925	7,790
OTHER INFORMATION		
Capital additions		
— software development	1,049	839
— hardware sales	332	—
	1,381	839
Depreciation		
— software development	978	1,346
— hardware sales	97	—
	1,075	1,346
Share-based payments		
— software development	—	725

Geographical segments

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

	Turnover	
	2009	**2008**
	HK$'000	*HK$'000*
Hong Kong	1,114	1,720
PRC	7,928	1,200
	9,042	2,920

The following is an analysis of the carrying amount of segment assets and capital additions, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital additions	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	3,788	4,489	54	354
PRC	7,376	5,343	1,327	485
	11,164	9,832	1,381	839

7. **FINANCE COSTS**

	2009	**2008**
	HK$'000	*HK$'000*
Interest on		
— a finance lease	14	9
— bank borrowings wholly repayable within five years	—	77
— bank borrowings not wholly repayable within five years	65	72
	79	158

8. LOSS FOR THE YEAR

	2009	2008
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging:		
Directors' remuneration (note 9)	3,631	3,737
Other staff's retirement benefits scheme contributions	194	186
Other staff's share-based payments	—	531
Other staff costs	8,757	7,999
	12,582	12,453
Depreciation of property, plant and equipment		
— owned by the Group	1,034	1,296
— held under a finance lease	41	50
	1,075	1,346
Auditor's remuneration	883	829
Loss on disposal of property, plant and equipment	—	9
Operating lease rentals in respect of rented premises	982	944
and after crediting:		
Amortisation of financial guarantee obligations	2,001	—
Bank interest income	1,468	1,591
Property rental income before deduction of negligible outgoings	677	292

9. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 11 (2008: 11) directors were as follows:

	2009						2008					
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Performance and discretionary bonus	Share-based payments	Total emoluments	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Performance and discretionary bonus	Share-based payments	Total emoluments
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors												
Cheng Kin Kwan	—	1,394	—	—	—	1,394	—	1,356	—	—	—	1,356
Law Kwai Lam	—	422	12	—	—	434	—	374	12	—	141	527
Leung Mei Sheung, Eliza	—	503	12	—	—	515	—	447	12	—	—	459
Zheng Ying Yu	—	323	12	—	—	335	—	142	—	—	—	142
Fung Chun Pong, Louis	—	432	12	—	—	444	—	366	12	—	53	431
Liao Yun	—	255	6	—	—	261	—	131	—	—	—	131
Chung Yiu Fai (resigned on 28 January 2008)	—	—	—	—	—	—	—	400	10	—	—	410
Independent non-executive directors												
Tsang Wai Chun, Marianna	90	—	—	—	—	90	90	—	—	—	—	90
Chan Mei Ying, Spencer	90	—	—	—	—	90	90	—	—	—	—	90
Lam Kwai Yan (appointed on 23 December 2008)	24	—	—	—	—	24	—	—	—	—	—	—
Ng Kwok Tung (resigned on 26 September 2008)	44	—	—	—	—	44	90	—	—	—	—	90
Lam Lee G. (appointed on 15 February 2008 and resigned on 1 September 2008)	—	—	—	—	—	—	11	—	—	—	—	11
Total	248	3,329	54	—	—	3,631	281	3,216	46	—	194	3,737

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

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

The aggregate emoluments of the five highest paid individuals included two (2008: two) executive directors of the Company, whose emoluments are detailed above. The aggregate emoluments of the remaining three (2008: three) highest paid individuals are as follows:

	2009	**2008**
	HK$'000	*HK$'000*
Basic salaries and allowances	1,412	1,239
Retirement benefits scheme contributions	36	36
Performance and discretionary bonus	—	—
Share-based payments	—	230
	1,448	1,505

The emoluments of each of these highest paid individuals were all 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.

10. TAXATION

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

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

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the tax rate from 15% to 25% from 1 January 2008. A PRC subsidiary of the Company is accredited as a High and New Tech Enterprise which was entitled to a reduced income tax rate of 15% up to 31 December 2007. The enactment of the New Law did not have any significant financial effect on the amounts accrued in the consolidated balance sheet in respect of taxation payable and deferred taxation as the PRC subsidiaries incurred tax loss during both years.

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

	2009	2008
	HK$'000	*HK$'000*
Loss for the year	(24,011)	(18,760)
Tax credit at the applicable income tax rate of 16.5% (2008: 17.5%)	(3,962)	(3,283)
Tax effect of share of losses of associates	410	481
Tax effect of expenses not deductible for tax purposes	292	204
Tax effect of income not taxable for tax purposes	(641)	(307)
Tax effect of unrecognised tax losses	4,355	3,036
Effect of different tax rates for subsidiaries operating in other jurisdictions	(512)	(358)
Others	58	227
Taxation for the year	—	—

11. **LOSS PER SHARE**

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

	2009	2008
Loss for the year attributable to equity holders of the Company for the purpose of basic loss per share	HK$(23,998,000)	HK$(17,801,000)
Number of ordinary shares:		
Weighted average number of ordinary shares for the purpose of basic loss per share	1,133,261,503	1,113,825,165

No diluted loss per share has been presented for both years as the assumed exercise of share options granted by the Company would decrease the loss per share for both years.

12. **INVESTMENT PROPERTIES**

	THE GROUP
	HK$'000
FAIR VALUE	
At 1 April 2007	2,100
Currency realignment	233
Transfer from property, plant and equipment	3,200
Fair value change during the year	711
At 31 March 2008	6,244
Currency realignment	142
Fair value change during the year	(91)
At 31 March 2009	6,295

The fair values of the Group's investment properties at 31 March 2009 and 2008 and at the date of transfer have been arrived at on the basis of valuation carried out on those dates by LCH (Asia Pacific) Surveyors Limited ("LCH"), independent qualified professional valuers not connected with the Group. The valuers in LCH are members of the Hong Kong Institue of Surveyors. The valuations were arrived at by reference to market evidence of transaction prices or rental transacted and the yield for similar properties in the same locations and conditions.

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.

13. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Computer equipment	Furniture and fixtures	Leasehold improvements	Motor vehicles	Office equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP							
COST							
At 1 April 2007	66,636	14,857	1,144	3,052	284	5,552	91,525
Currency realignment	511	643	74	186	—	136	1,550
Additions	—	617	—	—	—	222	839
Eliminated on transfer to investment properties	(2,257)	—	—	—	—	—	(2,257)
Disposal/write off	(62,050)	(62)	(3)	—	—	(331)	(62,446)
At 31 March 2008	2,840	16,055	1,215	3,238	284	5,579	29,211
Currency realignment	64	157	17	43	—	31	312
Additions	—	1,376	—	—	—	5	1,381
Disposal/write off	—	(42)	—	—	—	(11)	(53)
At 31 March 2009	2,904	17,546	1,232	3,281	284	5,604	30,851
DEPRECIATION AND IMPAIRMENT							
At 1 April 2007	62,415	13,904	1,111	2,127	232	5,104	84,893
Currency realignment	42	569	71	184	—	110	976
Provided for the year	237	483	5	460	52	109	1,346
Eliminated on transfer to investment properties	(118)	—	—	—	—	—	(118)
Eliminated on disposal/ write off	(62,050)	(62)	(2)	—	—	(296)	(62,410)
At 31 March 2008	526	14,894	1,185	2,771	284	5,027	24,687
Currency realignment	12	138	16	42	—	26	234
Provided for the year	164	313	9	458	—	131	1,075
Eliminated on disposal/ write off	—	(42)	—	—	—	(11)	(53)
At 31 March 2009	702	15,303	1,210	3,271	284	5,173	25,943
CARRYING VALUES							
At 31 March 2009	2,202	2,243	22	10	—	431	4,908
At 31 March 2008	2,314	1,161	30	467	—	552	4,524

	Computer equipment HK$'000	Furniture and fixtures HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Total HK$'000
THE COMPANY						
COST						
At 1 April 2007	8,522	479	1,373	284	3,483	14,141
Additions	134	—	—	—	220	354
Disposal	(61)	(2)	—	—	(331)	(394)
At 31 March 2008	8,595	477	1,373	284	3,372	14,101
Additions	49	—	—	—	5	54
Disposal	(20)	—	—	—	—	(20)
At 31 March 2009	8,624	477	1,373	284	3,377	14,135
DEPRECIATION						
At 1 April 2007	8,236	474	458	232	3,263	12,663
Provided for the year	104	2	457	52	94	709
Eliminated on disposal	(61)	(2)	—	—	(297)	(360)
At 31 March 2008	8,279	474	915	284	3,060	13,012
Provided for the year	117	1	458	—	84	660
Eliminated on disposal	(20)	—	—	—	—	(20)
At 31 March 2009	8,376	475	1,373	284	3,144	13,652
CARRYING VALUES						
At 31 March 2009	248	2	—	—	233	483
At 31 March 2008	316	3	458	—	312	1,089

At 31 March 2009, the carrying value of the Group's property interests comprised a building erected on land held under medium-term land use rights in the PRC of HK$2,202,000 (2008: HK$2,314,000). In addition, at 31 March 2009, the Group has pledged this land and building to a bank to secure the credit facilities granted to the Group.

At 31 March 2009, the carrying value of the Group's and the Company's office equipment held under a finance lease was HK$143,000 (2008: HK$184,000).

During the year ended 31 March 2008, the Group rented out certain of its land and buildings to outsiders for rental income and transferred those properties to investment properties carried at fair value. The difference between the carrying amount of the properties of HK$2,139,000 and their fair value of HK$3,200,000 at the date of transfer has been credited directly to property revaluation reserve.

14. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2009	**2008**
	HK$'000	*HK$'000*
Unlisted investments, at cost	21,310	21,310
Less: Impairment loss recognised	(13,310)	(13,310)
	8,000	8,000

Details of the Company's principal subsidiaries at 31 March 2009 and 2008 are set out in note 34.

15. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted investments, at cost	95,150	95,150	95,150	95,150
Share of post-acquisition reserves	(93,836)	(91,827)	—	—
Less: Impairment loss recognised	—	—	(93,836)	(91,827)
	1,314	3,323	1,314	3,323

The principal investment in associate at 31 March 2009 and 2008 represents the Company's 25% equity interest in 寧夏教育信息技術股份有限公司 (Ningxia Educational Information & Technology Co., Ltd.) ("NEITC"), a sino-foreign joint stock limited company established in the PRC and engaged in the development of education informatisation programmes in Ningxia Hui Autonomous Region of the PRC.

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

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

	2009 *HK$'000*	2008 *HK$'000*
Total assets	13,897	22,809
Total liabilities	(8,647)	(9,530)
Net assets	5,250	13,279
Group's share of net assets of associates	1,314	3,323
Revenue	4,245	6,716
Loss for the year	(9,913)	(10,970)
Loss for the year attributable to the Group	(2,482)	(2,746)

16. **INTERESTS IN JOINTLY CONTROLLED ENTITIES**

	THE GROUP		THE COMPANY
	2009 *HK$'000*	2008 *HK$'000*	2009 & 2008 *HK$'000*
Unlisted capital contributions	29,615	29,615	29,615
Deemed capital contributions	2,437	1,058	—
Share of post-acquisition losses	(29,615)	(29,615)	—
Less: Impairment loss recognised	(2,437)	(1,058)	(29,615)
Loan to a jointly controlled entity	568	568	568
Amount due from a jointly controlled entity	658	658	658
Less: Allowance on advance made to a jointly controlled entity	(1,226)	(1,226)	(1,226)
	—	—	—

The principal investment in jointly controlled entity at 31 March 2009 and 2008 represents the Company's 28.5% interest in 珠海南方軟件園發展有限公司 (Zhuhai Southern Software Park Development Company Limited) ("ZSSP"), a sino-foreign joint venture established in the PRC and engaged in the development and operation of a software park for a term of 30 years commencing November 2000.

During the year, the Group has reviewed the carrying amounts of the interests in jointly controlled entities and an impairment loss of HK$1,379,000 (2008: HK$1,058,000) is recognised on the investments in a jointly controlled entity as the Group has discontinued recognition of its share of losses and these impairment losses are attributable to the deemed capital contribution for both years.

On 28 August 2008, the Company entered into an agreement (the "Agreement") with a potential investor (the "Investor") to dispose of 4.5% equity interest in ZSSP to the Investor for a cash consideration of RMB3,490,000. In addition, the Investor will acquire some but not all equity interest in ZSSP from other existing shareholders of ZSSP and to further invest RMB40,000,000 in ZSSP in the form of additional paid-in capital (the "Restructuring Proposal"). The Investor's equity interest in the enlarged paid-in capital of ZSSP will be 71.4%. Immediately after the completion of the Agreement and the Restructuring Proposal, the Company will hold 15.3% interests in ZSSP. At the date of this report, the aforesaid transaction was not yet completed.

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

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

	2009	**2008**
	HK$'000	*HK$'000*
Non-current assets	85,730	65,437
Current assets	23,917	24,080
Current liabilities	(50,226)	(24,322)
Non-current liabilities	(77,727)	(76,117)
Income	19,847	20,331
Expenses	(27,752)	(27,341)

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

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Unrecognised share of losses of jointly controlled entities for the year	(7,905)	(7,010)
Accumulated unrecognised share of losses of jointly controlled entities	(20,849)	(12,944)

17. **EQUITY-LINKED NOTES**

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

	THE GROUP AND THE COMPANY	
	2009	**2008**
	HK$'000	*HK$'000*
Non-current asset	3,564	5,698
Current asset	—	11,492
	3,564	17,190

Equity-linked notes are designated as financial assets at fair value through profit or loss upon the initial recognition as they contain embedded derivatives, and HKAS 39 permits the entire combined contract to be designated as at fair value through profit or loss. Major terms of the entity-linked notes at 31 March 2009 and 2008 are as follows:

	Maturity	
	2009	**2008**
Principal amount		
HK$12,000,000	May 2010	May 2010
HK$20,000,000	N/A	November 2008

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

The equity-linked notes are measured at fair value at the balance sheet date. Their fair values of HK$3,564,000 as at 31 March 2009 (2008: HK$17,190,000) are determined based on the valuation provided by the counterparty bank at that date.

In November 2008, an equity-linked note was redeemed at maturity for Hong Kong listed equity securities which were transferred to investments held for trading at their fair value of HK$8,279,000, which was determined based on the quoted market bid prices on the Stock Exchange.

18. **TRADE AND OTHER RECEIVABLES**

	THE GROUP		**THE COMPANY**	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	866	258	134	258
Accrued revenue	445	971	237	193
Other receivables	4,945	4,079	2,924	2,837
	6,256	5,308	3,295	3,288

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 balance sheet date:

	THE GROUP		**THE COMPANY**	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Age				
0 to 30 days	866	224	134	224
31 to 60 days	—	—	—	—
61 to 90 days	—	13	—	13
91 to 120 days	—	21	—	21
	866	258	134	258

The trade and other receivables are unsecured, interest free and expected to be settled within one year.

The management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality. At 31 March 2008, included in the Group's and Company's trade receivables balances are debtors with aggregate carrying amount of HK$34,000 which are past due at 31 March 2008 for which the Group has not provided for impairment loss (2009: nil). The Group and the Company do not hold any collateral over these balances. There are no balances included in other receivables which have been past due.

Age of trade receivables which are past due but not impaired

	THE GROUP AND THE COMPANY	
	2009	**2008**
	HK$'000	*HK$'000*
31 to 60 days	—	—
61 to 90 days	—	13
91 to 120 days	—	21
	—	34

19. **INVESTMENTS HELD FOR TRADING**

At 31 March 2009, the investments held for trading of HK$10,070,000 (2008: HK$1,543,000) 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.

20. **OTHER ASSETS**

Pledged bank deposits

The balance represents deposits pledged to banks to secure the short-term credit facilities granted to the Group, the Company and a jointly controlled entity of the Company.

The deposits carry interest at the rates ranging between 0.0001% and 4.14% (2008: between 1.10% and 4.55%) per annum and will be released upon repayment of the secured bank loan.

Bank balances and cash

Bank balances and cash comprise cash held by the Group and the Company and short-term bank deposits which carry interest at the rates ranging between 0.01% and 0.80% (2008: between 1.20% and 4.97%) per annum with an original maturity of three months or less.

21. ACCOUNTS PAYABLE

	THE GROUP		THE COMPANY	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	18	—	—	—
Customers' deposits received	2,966	1,937	387	326
Other payables	3,187	3,217	1,935	2,007
	6,171	5,154	2,322	2,333

22. OBLIGATIONS UNDER A FINANCE LEASE

	THE GROUP AND THE COMPANY			
	Minimum lease payments		Present value of minimum lease payments	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount payable under a finance lease:				
Within one year	50	50	39	36
Between one to two years	50	50	42	39
Between two to five years	76	126	69	111
	176	226	150	186
Less: Future finance charges	(26)	(40)	—	—
Present value of lease obligations	150	186	150	186
Less: Amount due within one year shown under current liabilities			(39)	(36)
Amount due after one year			111	150

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% (2008: 7.5%) per annum. Interest rate was fixed at the contract date and no arrangements have been entered into for contingent rental payment.

23. **AMOUNTS DUE TO SUBSIDIARIES**

THE COMPANY

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

24. **BANK LOAN**

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

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Secured fixed-rate borrowings:		
Within one year	169	157
More than one year but not more than two years	178	165
More than two years but not more than three years	188	174
More than three years but not more than four years	198	184
More than four years but not more than five years	209	194
More than five years	202	402
	1,144	1,276
Less: Amount due within one year shown under current liabilities	(169)	(157)
Amount due after one year	975	1,119

At 31 March 2009 and 2008, the bank loan is secured by the land and building of the Group in the PRC, carrying fixed interest at 5.31% per annum and repayable in monthly instalments commencing from 15 March 2000 to 15 March 2015.

At 31 March 2009, the Group had available HK$5 million (2008: HK$5 million) of undrawn credit facilities.

25. **SHARE CAPITAL**

	Number of ordinary shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.05 each		
— at 1 April 2007, 31 March 2008 and 31 March 2009	2,500,000,000	125,000
Issued and fully paid:		
Ordinary shares of HK$0.05 each		
— at 1 April 2007	1,053,851,503	52,693
— exercise of share options	79,410,000	3,970
— at 31 March 2008 and 31 March 2009	1,133,261,503	56,663

During the year ended 31 March 2009, no share option was exercised.

Details of share options exercised during the year ended 31 March 2008 are as follows:

Number of share options exercised	Subscription price per share
	HK$
11,650,000	0.0722
47,930,000	0.0772
3,900,000	0.0870
2,200,000	0.0900
3,600,000	0.0920
4,480,000	0.0982
3,000,000	0.1038
1,050,000	0.1530
1,300,000	0.1900
300,000	0.2550
79,410,000	

As a result, an aggregate of 79,410,000 new ordinary shares of HK$0.05 each in the Company were issued during the year ended 31 March 2008.

All the shares issued during last year rank pari passu with the then existing shares in all respects.

26. 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 2009, the total number of shares available for issue under the 2003 share option scheme is 263,252,150 shares, representing 23.23% 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 favour 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.

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

Type of participants	Date of grant	Exercisable period	Exercise price per share HK$	Number of share options: Outstanding at 1.4.2007	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.3.2008	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 31.3.2009	Weighted average closing price: At date of exercise 2008 HK$	Immediately before the date of exercise 2008 HK$
Directors	5.9.2003	5.9.2003 - 4.9.2013	0.2280	24,760,000	—	—	(5,500,000)	19,260,000	—	—	—	19,260,000	N/A	N/A
	26.11.2003	26.11.2003 - 25.11.2013	0.2300	400,000	—	—	—	400,000	—	—	—	400,000	N/A	N/A
	8.12.2003	8.12.2003 - 7.12.2013	0.2130	5,900,000	—	—	(400,000)	5,500,000	—	—	—	5,500,000	N/A	N/A
	9.1.2004	9.1.2004 - 8.1.2014	0.1900	9,790,000	—	(900,000)	—	8,890,000	—	—	—	8,890,000	0.2650	0.2700
	25.2.2004	25.2.2004 - 24.2.2014	0.1900	19,950,000	—	—	(6,450,000)	13,500,000	—	—	—	13,500,000	N/A	N/A
	19.4.2004	19.4.2004 - 18.4.2014	0.2096	600,000	—	—	—	600,000	—	—	—	600,000	N/A	N/A
	16.9.2004	16.9.2004 - 15.9.2014	0.0870	2,800,000	—	(2,300,000)	—	500,000	—	—	—	500,000	0.1680	0.1790
	30.9.2004	30.9.2004 - 29.9.2014	0.0900	800,000	—	(300,000)	—	500,000	—	—	—	500,000	0.2600	0.2600
	13.12.2004	13.12.2004 - 12.12.2014	0.0982	4,830,000	—	(4,480,000)	—	350,000	—	—	—	350,000	0.2340	0.2410
	28.2.2005	28.2.2005 - 27.2.2015	0.0722	7,150,000	—	(6,150,000)	—	1,000,000	—	—	—	1,000,000	0.2100	0.2080
	22.9.2005	22.9.2005 - 21.9.2015	0.0920	4,000,000	—	(3,600,000)	—	400,000	—	—	—	400,000	0.2340	0.2410
	24.3.2006	24.3.2006 - 23.3.2016	0.1530	3,000,000	—	(300,000)	(300,000)	2,400,000	—	—	(500,000)	1,900,000	0.2800	0.2950
	26.9.2006	26.9.2006 - 25.9.2016	0.0772	35,500,000	—	(26,000,000)	—	9,500,000	—	—	(3,000,000)	6,500,000	0.2350	0.2350
	18.6.2007	18.6.2007 - 17.6.2017	0.2980	—	1,100,000	—	—	1,100,000	—	—	—	1,100,000	N/A	N/A
				119,480,000	1,100,000	(44,030,000)	(12,650,000)	63,900,000	—	—	(3,500,000)	60,400,000		
Employees	5.9.2003	5.9.2003 - 4.9.2013	0.2280	24,500,000	—	—	—	24,500,000	—	—	—	24,500,000	N/A	N/A
	15.9.2003	15.9.2003 - 14.9.2013	0.2550	8,400,000	—	(300,000)	(100,000)	8,000,000	—	—	—	8,000,000	0.3000	0.3200
	26.11.2003	26.11.2003 - 25.11.2013	0.2300	2,400,000	—	—	—	2,400,000	—	—	—	2,400,000	N/A	N/A
	8.12.2003	8.12.2003 - 7.12.2013	0.2130	800,000	—	—	—	800,000	—	—	—	800,000	N/A	N/A
	9.1.2004	9.1.2004 - 8.1.2014	0.1900	6,596,000	—	(400,000)	—	6,196,000	—	—	—	6,196,000	0.2950	0.2980
	25.2.2004	25.2.2004 - 24.2.2014	0.1900	20,000,000	—	—	—	20,000,000	—	—	—	20,000,000	N/A	N/A
	19.4.2004	19.4.2004 - 18.4.2014	0.2096	750,000	—	—	—	750,000	—	—	—	750,000	N/A	N/A
	16.9.2004	16.9.2004 - 15.9.2014	0.0870	5,450,000	—	(1,600,000)	(600,000)	3,250,000	—	—	—	3,250,000	0.2780	0.2770
	30.9.2004	30.9.2004 - 29.9.2014	0.0900	3,600,000	—	(1,900,000)	(200,000)	1,500,000	—	—	—	1,500,000	0.2670	0.2670
	13.12.2004	13.12.2004 - 12.12.2014	0.0982	1,600,000	—	—	—	1,600,000	—	—	—	1,600,000	N/A	N/A
	28.2.2005	28.2.2005 - 27.2.2015	0.0722	5,900,000	—	(5,500,000)	(200,000)	200,000	—	—	—	200,000	0.2420	0.2470
	11.5.2005	11.5.2005 - 10.5.2015	0.1038	3,000,000	—	(3,000,000)	—	—	—	—	—	—	0.2650	0.2750
	22.9.2005	22.9.2005 - 21.9.2015	0.0920	4,800,000	—	—	—	4,800,000	—	—	—	4,800,000	N/A	N/A
	24.3.2006	24.3.2006 - 23.3.2016	0.1530	3,600,000	—	(750,000)	(600,000)	2,250,000	—	—	—	2,250,000	0.2620	0.2740
	26.9.2006	26.9.2006 - 25.9.2016	0.0772	33,030,000	—	(21,930,000)	—	11,100,000	—	—	—	11,100,000	0.2090	0.2100
	18.6.2007	18.6.2007 - 17.6.2017	0.2980	—	3,000,000	—	—	3,000,000	—	—	—	3,000,000	N/A	N/A
				124,426,000	3,000,000	(35,380,000)	(1,700,000)	90,346,000	—	—	—	90,346,000		
				243,906,000	4,100,000	(79,410,000)	(14,350,000)	154,246,000	—	—	(3,500,000)	150,746,000		
Weighted average exercise price				HK$0.1613	HK$0.0772	HK$0.1478	HK$0.1947	HK$0.1629	—	—	HK$0.0880	HK$0.1647		

No options were granted or exercised during the year ended 31 March 2009. During the year ended 31 March 2008, options were granted on 18 June 2007. The estimated fair value of the options granted on that date was HK$0.1768 per option.

The Company used the Black-Scholes option pricing model (the "Model") to value the share options granted during last 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:

	18 June 2007
Closing share price	HK$0.2950
Exercise price	HK$0.2980
Expected volatility	91.89%
Expected life	3 years
Risk-free rate	4.472%
Expected dividend yield	0%

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

The Group recognised the total expense of HK$725,000 for the year ended 31 March 2008 (2009: nil) in relation to share options granted by the Company.

27. **RESERVES**

	Share premium HK$'000	Share options reserve HK$'000	Investment revaluation reserve HK$'000	Accumulated deficit HK$'000	Total HK$'000
THE COMPANY					
At 1 April 2007	632,518	4,793	(578)	(591,193)	45,540
Loss for the year	—	—	—	(15,901)	(15,901)
Transfer to profit or loss on sale of available-for-sale financial assets	—	—	578	—	578
Total recognised income and expenses for the year	—	—	578	(15,901)	(15,323)
Issue of shares	2,675	—	—	—	2,675
Expenses incurred in connection with the issue of shares	(61)	—	—	—	(61)
Transfer of share options reserve on exercise of share options	2,795	(2,795)	—	—	—
Transfer of share options reserve on forfeiture of share options	—	(156)	—	156	—
Recognition of equity-settled share-based payments	—	725	—	—	725
	5,409	(2,226)	—	156	3,339
At 31 March 2008	637,927	2,567	—	(606,938)	33,556
Loss for the year and total recognised expenses or the year	—	—	—	(30,156)	(30,156)
Transfer of share options reserve on forfeiture of share options	—	(196)	—	196	—
	—	(196)	—	196	—
At 31 March 2009	637,927	2,371	—	(636,898)	3,400

At 31 March 2009, the Company had no reserves available for distribution to shareholders.

28. DEFERRED TAXATION

At 31 March 2009, the Group and the Company has unutilised tax losses of approximately HK$334 million (2008: HK$310 million) and HK$205 million (2008: HK$186 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$32 million (2008: HK$26 million) which may be carried forward for a maximum of five years. The tax losses of the Company may be carried forward indefinitely.

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$1 million (2008: nil) 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.

29. OPERATING LEASE COMMITMENTS

The Group and the Company as lessee

At the balance sheet date, 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**	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	1,161	698	740	546
In the second to fifth year inclusive	1,449	—	1,449	—
	2,610	698	2,189	546

Leases are negotiated for terms up to three years (2008: one year).

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments in respect of the investment properties:

	THE GROUP	
	2009	**2008**
	HK$'000	*HK$'000*
Within one year	568	284
In the second to fifth year inclusive	145	487
	713	771

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

30. **CONTINGENT LIABILITIES**

Guarantees given

At 31 March 2009, the Group has given guarantee of RMB4.9 million (2008: RMB4.9 million) to a bank to secure the credit facilities granted to ZSSP. At 31 March 2009, the amount of facilities utilised by ZSSP amounted to RMB4.9 million (2008: RMB4.9 million). The fair value of the financial guarantee contract at the date of grant of HK$1,379,000 (2008: HK$1,058,000) representing a deemed capital contribution to the jointly controlled entity during the year ended 31 March 2009, has been adjusted to the carrying amount of interests in jointly controlled entities and recognised as a financial guarantee obligation.

At 31 March 2009, the Company has given corporate guarantees of HK$5 million (2008: HK$5 million) to certain banks to secure the credit facilities granted to its subsidiaries. No subsidiaries has utilised the credit facilities at the balance sheet date.

Pending litigation

During the year ended 31 March 2007, the Company initiated legal proceedings against a third party (the "Landlord") in respect of an alleged breach of the tenancy agreement in failing to refund the deposit of HK$1,790,000. Concurrently, the Landlord resisted the claim and counterclaimed against the Company on, including but not limited to, reinstatement work and rental losses. The Company, having taken into consideration the underlying factors including advice obtained, did not see any grounds for withholding the deposit and, accordingly, the directors of the Company took the view that no contingency arises for which a provision is required to be made nor no allowance is required to be made to the deposit included in the financial statements as at 31 March 2009 and 2008.

31. RETIREMENT BENEFITS SCHEME

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

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

32. RELATED PARTY TRANSACTIONS

Details of balances with related parties are set out in note 23 and guarantees given by the Group to secure the credit facilities granted to ZSSP are set out in note 30.

During the year ended 31 March 2009, the Group made an advance to an associate amounting to HK$240,000 (2008: HK$208,000). The amount is unsecured, non-interest bearing and repayable by 30 June 2009 (2008: 30 June 2008). An impairment loss of HK$160,000 (2008: nil) is recognised during the year. The balance at 31 March 2009 amounting to HK$80,000 (2008: HK$208,000) is included in trade and other receivables.

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 9.

33. MAJOR NON-CASH TRANSACTIONS

(a) Details of the deemed capital contribution to a jointly controlled entity during both years arising from the financial guarantee given by the Group are set out in note 30.

(b) During the year 31 March 2008, the Group entered into a finance lease arrangement in respect of property, plant and equipment with a total capital value at inception of the lease of HK$204,000 (2009: nil).

34. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which, excluding those explained below, are limited liability companies, at 31 March 2009 and 2008 are as follows:

Name of subsidiary	Place of incorporation/ establishment/ operations	Nominal value of issued and fully paid share capital/ registered capital		Attributable proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
		2009	2008	Directly	Indirectly	
Three Principles Computer Service Co. Limited	Hong Kong	HK$5,000,000	HK$5,000,000	100%	—	Provision of computer consultancy services, and development and sales of computer software
天時北方軟件(北京)有限公司 ("Timeless Beijing")	PRC for a term of 12 years commencing July 2000	RMB11,035,066	RMB2,000,000	—	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 for a term of 30 years commencing November 2004	RMB16,000,000	RMB16,000,000	—	100%	Provision of computer consultancy services

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

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

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.

3. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

Set out below are the unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2009 as extracted from the 2009 interim report of the Company. References to page number in this section are to the page numbers of such interim report of the Company.

Condensed Consolidated Income Statement
For the six months ended 30 September 2009

		(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
	Notes	**2009**	**2008**	**2009**	**2008**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover		3,354	5,853	5,835	6,520
Other income	4	852	1,446	1,340	2,555
Purchase costs		(494)	(3,731)	(1,018)	(3,731)
Staff costs		(3,081)	(3,151)	(6,202)	(6,164)
Depreciation		(152)	(321)	(303)	(634)
Other expenses		(1,784)	(1,754)	(3,191)	(3,012)
Fair value changes on investment properties		—	(91)	—	(91)
Net gains (losses) on equity-linked notes		117	(6,553)	1,195	(6,184)
Net (losses) gains on investments held for trading		(476)	(559)	490	(482)
Impairment loss recognised on advance made to an associate		—	(183)	—	(183)
Impairment loss recognised on investments in a jointly controlled entity		—	(1,379)	—	(1,379)
Finance costs		(12)	(20)	(31)	(41)
Share of results of associates		(387)	936	(522)	215
Loss for the period		(2,063)	(9,507)	(2,407)	(12,611)
Attributable to:					
Owners of the Company		(2,061)	(9,505)	(2,403)	(12,607)
Non-controlling interests		(2)	(2)	(4)	(4)
		(2,063)	(9,507)	(2,407)	(12,611)
Loss per share	7				
— Basic		(0.18) cents	(0.84) cents	(0.21) cents	(1.11) cents
— Diluted		N/A	N/A	N/A	N/A

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2009

	Three months ended 30 September		Six months ended 30 September	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Loss for the period	(2,063)	(9,507)	(2,407)	(12,611)
Other comprehensive (expense) income				
Share of post-acquisition reserve of associates	—	(930)	1,217	(1,444)
Realised on deemed disposal of partial interests in a jointly controlled entity	(44)	—	(44)	—
Exchange differences arising from translation of financial statements of foreign operations	—	458	—	403
Other comprehensive (expense) income for the period	(44)	(472)	1,173	(1,041)
Total comprehensive expense for the period	(2,107)	(9,979)	(1,234)	(13,652)
Total comprehensive (expense) income attributable to:				
Owners of the Company	(2,105)	(10,030)	(1,230)	(13,701)
Non-controlling interests	(2)	51	(4)	49
	(2,107)	(9,979)	(1,234)	(13,652)

Condensed Consolidated Statement of Financial Position
At 30 September 2009

	Notes	**(Unaudited) 30 September 2009** *HK$'000*	**(Audited) 31 March 2009** *HK$'000*
Non-current assets			
Investment properties		6,295	6,295
Property, plant and equipment	8	4,550	4,908
Interests in associates		2,010	1,314
Interests in jointly controlled entities	17(a)	—	—
Equity-linked note	9	—	3,564
		12,855	16,081
Current assets			
Trade and other receivables	10	6,419	6,256
Equity-linked note	9	4,759	—
Investments held for trading	11	10,450	10,070
Pledged bank deposits		5,216	11,407
Bank balances and cash		77,410	72,208
		104,254	99,941
Current liabilities			
Accounts payable	12	9,054	6,171
Obligations under a finance lease due within one year		41	39
Financial guarantee obligations		—	460
Current portion of secured long-term bank loan		174	169
		9,269	6,839
Net current assets		94,985	93,102
Total assets less current liabilities		107,840	109,183
Non-current liabilities			
Obligations under a finance lease due after one year		90	111
Secured long-term bank loan		887	975
		977	1,086
Net assets		106,863	108,097
Capital and reserves			
Share capital	13	56,663	56,663
Reserves		47,606	48,836
Equity attributable to owners of the Company		104,269	105,499
Non-controlling interests		2,594	2,598
Total equity		106,863	108,097

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2009

	Share capital	Share premium	Share options reserve	Investment revaluation reserve	Property revaluation reserve	Translation reserve	Accumulated deficit	Attributable to owners of the Company	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2009 (audited)	56,663	637,927	2,371	—	1,061	4,452	(596,975)	105,499	2,598	108,097
Loss for the period	—	—	—	—	—	—	(2,403)	(2,403)	(4)	(2,407)
Share of post-acquisition reserve of associates	—	—	—	1,217	—	—	—	1,217	—	1,217
Realised on deemed disposal of partial interests in a jointly controlled entity	—	—	—	—	—	(44)	—	(44)	—	(44)
Total comprehensive income (expense) for the period	—	—	—	1,217	—	(44)	(2,403)	(1,230)	(4)	(1,234)
At 30 September 2009 (unaudited)	56,663	637,927	2,371	1,217	1,061	4,408	(599,378)	104,269	2,594	106,863
At 1 April 2008 (audited)	56,663	637,927	2,567	(395)	1,061	3,701	(573,173)	128,351	2,556	130,907
Loss for the period	—	—	—	—	—	—	(12,607)	(12,607)	(4)	(12,611)
Exchange differences arising from translation of financial statements of foreign operations	—	—	—	—	—	350	—	350	53	403
Share of post-acquisition reserve of associates	—	—	—	(1,444)	—	—	—	(1,444)	—	(1,444)
Total comprehensive (expense) income for the period	—	—	—	(1,444)	—	350	(12,607)	(13,701)	49	(13,652)
Transfer of share options reserve on forfeiture of share options	—	—	(196)	—	—	—	196	—	—	—
At 30 September 2008 (unaudited)	56,663	637,927	2,371	(1,839)	1,061	4,051	(585,584)	114,650	2,605	117,255

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2009

	(Unaudited) Six months ended 30 September	
	2009	**2008**
	HK$'000	*HK$'000*
Net cash used in operating activities	(1,022)	(8,640)
Net cash from investing activities		
Decrease in pledged bank deposits	6,191	—
Purchase of property, plant and equipment	(108)	(200)
Other investing cash flows	274	888
	6,357	688
Net cash used in financing activities		
Repayment of bank loans	(83)	(79)
Interest paid	(31)	(41)
Repayment of obligations under a finance lease	(19)	(18)
	(133)	(138)
Net increase (decrease) in cash and cash equivalents	5,202	(8,090)
Cash and cash equivalents at 1 April	72,208	89,296
Effect of foreign exchange rate changes	—	61
Cash and cash equivalents at 30 September, representing bank balances and cash	77,410	81,267

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 September 2009

1. **Basis of preparation**

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. **Principal accounting policies**

The condensed consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2009.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2009.

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 "Operating segments" is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 "Segment reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3). The adoption of the new and revised HKFRSs had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	First-time adoption of Hong Kong Financial Reporting Standards[1]
HKFRS 2 (Amendment)	Group cash-settled share based payments transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HK(IFRIC) - INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) - INT 18	Transfers of assets from customers[4]

1 Effective for annual periods beginning on or after 1 July 2009.

2 Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

3 Effective for annual periods beginning on or after 1 January 2010.

4 Effective for transfers on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in loss of control of the subsidiary. Changes in the Group's ownership interest that do not result in loss of control of the subsidiary will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

3. **Segment information**

The Group has adopted HKFRS 8 "Operating segments" with effect from 1 April 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14 "Segment reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 nor has the adoption of HKFRS 8 changed the basis of the measurement of segment profit or loss.

The Group determines its operating segments and measurement of segment profit based on the internal reports to Chief Executive Officer, the Group's chief operating decision maker, for the purposes of resources allocation and performance assessment.

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

	Three months ended 30 September		**Six months ended 30 September**	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover				
Software development	3,354	980	5,626	1,647
Hardware sales	—	4,873	209	4,873
	3,354	5,853	5,835	6,520
Results				
Software development	(1,446)	(3,441)	(3,363)	(6,942)
Hardware sales	(91)	765	(168)	765
	(1,537)	(2,676)	(3,531)	(6,177)
Interest income	554	519	598	849
Other income	183	250	282	394
Unallocated corporate expenses	(620)	(428)	(1,348)	(844)
Amortisation of financial guarantee obligations	115	677	460	1,312
Impairment loss recognised on advance made to an associate	—	(183)	—	(183)
Impairment loss recognised on investments in a jointly controlled entity	—	(1,379)	—	(1,379)
Fair value changes on investment properties	—	(91)	—	(91)
Net gains (losses) on equity-linked notes	117	(6,553)	1,195	(6,184)
Net (losses) gains on investments held for trading	(476)	(559)	490	(482)
Finance costs	(12)	(20)	(31)	(41)
Share of results of associates	(387)	936	(522)	215
Loss for the period	(2,063)	(9,507)	(2,407)	(12,611)

4. **Other income**

	Three months ended 30 September		Six months ended 30 September	
	2009	**2008**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest income	554	519	598	849
Amortisation of financial guarantee obligations	115	677	460	1,312
Others	183	250	282	394
	852	1,446	1,340	2,555

5. **Taxation**

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the interim periods. Taxation arising on other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

6. **Interim dividend**

The directors do not recommend the payment of an interim dividend (nil for the six months ended 30 September 2008).

7. **Loss per share**

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

	Three months ended 30 September		Six months ended 30 September	
	2009	**2008**	**2009**	**2008**
Loss attributable to owners of the Company for the purpose of basic loss per share	HK$(2,061,000)	HK$(9,505,000)	HK$(2,403,000)	HK$(12,607,000)
Number of ordinary shares:				
Weighted average number of ordinary shares for the purpose of basic loss per share	1,133,261,503	1,133,261,503	1,133,261,503	1,133,261,503

No diluted loss per share for the three months and six months ended 30 September 2009 and 2008 had been presented as the assumed exercise of share options granted by the Company would decrease the loss per share during those periods.

8. **Movements in property, plant and equipment**

During the six months ended 30 September 2009, the Group incurred HK$108,000 (HK$200,000 for the six months ended 30 September 2008) on acquisition of property, plant and equipment.

9. **Equity-linked note**

The equity-linked note is analysed for reporting purposes as:

	30 September 2009	**31 March 2009**
	HK$'000	*HK$'000*
Non-current asset	—	3,564
Current asset	4,759	—
	4,759	3,564

Equity-linked note is designated as financial assets at fair value through profit or loss upon the initial recognition as it contain embedded derivatives, and HKAS 39 permits the entire combined contract to be designated as at fair value through profit or loss. Major terms of the equity-linked note at 30 September 2009 and 31 March 2009 are as follows:

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

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

The equity-linked note is measured at fair value at the reporting date. Its fair value of HK$4,759,000 as at 30 September 2009 (31 March 2009: HK$3,564,000) is determined based on the valuation provided by the counterparty bank at that date.

10. **Trade and other receivables**

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 reporting date:

	30 September 2009	**31 March 2009**
	HK$'000	*HK$'000*
Age		
0 to 30 days	16	866
31 to 60 days	—	—
61 to 90 days	263	—
91 to 120 days	1	—
More than 120 days	555	—
	835	866

11. **Investments held for trading**

Investments held for trading at the reporting date represent Hong Kong listed equity securities which are stated at fair value with reference to quoted market bid prices.

12. **Accounts payable**

At 30 September 2009, included in accounts payable are trade payables of HK$166,000 (31 March 2009: HK$18,000), all of which are aged less than 90 days.

13. **Share capital**

During the six months ended 30 September 2009 and 2008, no share option was exercised.

14. **Share-based payment arrangement**

During the six months ended 30 September 2009 and 2008, no share option was granted.

15. **Contingent liabilities**

Guarantee given

At 30 September 2008, the Group had given guarantee (the "Guarantee") of RMB4,900,000 to a bank to secure the credit facilities granted to 珠海南方軟件園發展有限公司 (Zhuhai Southern Software Park Development Company Limited) ("ZSSP"), a jointly controlled entity of the Company. At 30 September 2008, the amount of facilities utilised by ZSSP amounted to RMB4,900,000. The fair value of the financial guarantee contract at the date of grant of HK$1,379,000 representing a deemed capital contribution to the jointly controlled entity during the period ended 30 September 2008, has been adjusted to the carrying amount of interests in jointly controlled entities and recognised as a financial guarantee obligation. On 6 August 2009, the Guarantee period was expired and the loan of RMB4,900,000 has been repaid in full by ZSSP.

16. **Related party transactions**

Advance to an associate

During the six months ended 30 September 2009, the Group has made an advance to an associate amounting to HK$54,000 (30 September 2008: HK$183,000). The amount is unsecured, non-interest bearing and repayable on demand (30 September 2008: repayable by 30 June 2009). An impairment loss of HK$183,000 is recognised during the six months ended 30 September 2008. The balance at 30 September 2009 amounting to HK$54,000 (31 March 2009: HK$80,000) is included in trade and other receivables.

Guarantees given

Details of the guarantee given by the Group to a bank to secure the credit facilities granted to ZSSP are set out in note 15.

17. **Significant event**

(a) *Interest in ZSSP*

On 28 August 2008, the Company entered into an agreement (the "Agreement") with a potential investor (the "Investor") to dispose of 4.5% equity interest in ZSSP to the Investor for a cash consideration of RMB3,490,000. In addition, the Investor will acquire some but not all equity interest in ZSSP from other existing shareholders of ZSSP and to further invest RMB40,000,000 in ZSSP in the form of additional paid-in capital (the "Restructuring Proposal"). The Investor's equity interest in the enlarged paid-in capital of ZSSP will be 71.4%. At the date of this report, the Restructuring Proposal was completed, but the Agreement was not yet completed. Accordingly, the Company's interest in ZSSP decreased from 28.5% to 18.2%. Immediately after the completion of the Agreement, the Company will hold 15.3% interests in ZSSP.

(b) *Litigation*

During the year ended 31 March 2007, the Company initiated legal proceedings against a third party (the "Landlord") in respect of an alleged breach of the tenancy agreement in failing to refund the deposit of HK$1,790,000 (the "Case"). Concurrently, the Landlord resisted the claim and counterclaimed against the Company on, including but not limited to, reinstatement work and rental losses. Hearing of the Case took place in the early half of 2009. The judgment, entered in favour of the Company, includes the full amount claimed and costs of the action. At the date of report, an amount of HK$2,230,014.24, representing the deposit and interest accrued up to the date of payment has been received.

Of the amount received, HK$435,000, representing the interest on the deposit claimed from 4 July 2006 to 30 September 2009, is included in other income for the six months ended 30 September 2009.

4. INDEBTEDNESS STATEMENT

At the close of business on 30 November 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding indebtedness of approximately HK$1,156,000, comprising secured bank loan of approximately HK$1,032,000 which was secured by legal charge over the Group's land and building and obligations under finance lease of approximately HK$124,000.

At 30 November 2009, the Company has given corporate guarantees of HK$5,000,000 to certain banks to secure the credit facilities granted to its subsidiaries. No subsidiaries has utilised the credit facilities at 30 November 2009.

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have at the close of business on 30 November 2009 any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities.

There has been no material change in the indebtedness or contingent liabilities of the Enlarged Group since 30 November 2009.

5. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, taking into account the internal resources and credit facilities available to the Enlarged Group, the Enlarged Group would have sufficient working capital for at least 12 months from the date of this circular.

6. MATERIAL CHANGE

Save for the information disclosed in the 2009 interim report of the Company, the Directors confirm that as at the Latest Practicable Date, there have been no other material changes in the financial or trading position or outlook of the Group since 31 March 2009, being the date to which the latest audited consolidated financial statements of the Company were made up.

The following is the text of a report, prepared for the sole purpose of incorporation in this circular, received from the reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

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

30 December 2009

The board of directors
Timeless Software Limited
Units 111-113 1st Floor
Building 9 Phase One
Hong Kong Science Park
Tai Po, New Territories
Hong Kong

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Encore Trading Limited (the "Encore") for the three years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2009 (the "Relevant Periods"), for inclusion in the circular ("Circular") dated 30 December 2009 (the "Circular") issued by Timeless Software Limited (the "Company") in connection with the very substantial acquisition whereby the Company conditionally agreed to acquire the entire equity interest in Encore (the "Acquisition").

Encore is a private limited liability company incorporated in Hong Kong on 1 February 1994. The address of its registered office and principal place of business are Room 2201, 22/F., Marina House, 68 Hing Man Street, Shaukeiwan, Hong Kong. Its principal activities are trading of computer software and hardware and provision of information technology consultancy services in Hong Kong under the trading name of Encore Software.

The statutory financial statements of Encore for each of the three years ended 31 December 2006, 2007 and 2008 were audited by Lam Tai Yin, certified public accountant, Hong Kong.

For the purpose of this report, we have carried out independent audit procedures in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") on the management accounts of Encore for the Relevant Periods, which were prepared in accordance with accounting principles generally accepted in Hong Kong.

We have examined the management accounts (the "Underlying Financial Statements") of Encore for the Relevant Periods. Our examination was made in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The statements of comprehensive income, the statements of changes in equity and the statements of cash flows of Encore for the Relevant Periods and the statements of financial position as at 31 December 2006, 2007 and 2008 and 30 September 2009 as set out in this report have been prepared based on the Underlying Financial Statements for the Relevant Periods for the purpose of preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of Encore who approved their issue. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of Encore as at 31 December 2006, 2007 and 2008 and 30 September 2009 and of the results and cash flows of Encore for the Relevant Periods.

The comparative statement of comprehensive income, statement of changes in equity and statement of cash flows of Encore for the nine months period ended 30 September 2008 together with the notes thereon (the "30 September 2008 Financial Information"), have been extracted from the financial information of Encore for the same period which were prepared by the directors of Encore solely for the purpose of this report. We have reviewed the 30 September 2008 Financial Information in accordance with the Hong Kong Standards on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the 30 September 2008 Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the 30 September 2008 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 September 2008 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with Hong Kong Financial Reporting Standards issued by the HKICPA.

I. FINANCIAL INFORMATION

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Nine months ended 30 September	
		2006	2007	2008	2008	2009
	Notes	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
					(Unaudited)	
Revenue	8	13,788,817	14,300,806	11,942,846	10,310,269	6,944,748
Cost of sales		(12,992,454)	(12,830,811)	(10,538,892)	(8,732,102)	(6,313,138)
Gross profit		796,363	1,469,995	1,403,954	1,578,167	631,610
Other income	9	790,709	440,440	463,312	31,617	415,410
Administrative expenses		(1,972,245)	(1,852,103)	(2,646,631)	(2,206,599)	(1,169,657)
(Loss)/profit before tax	10	(385,173)	58,332	(779,365)	(596,815)	(122,637)
Income tax expense	12	—	—	—	—	—
(Loss)/profit and the total comprehensive income for the year/period attributable to owners of Encore		(385,173)	58,332	(779,365)	(596,815)	(122,637)

STATEMENTS OF FINANCIAL POSITION

	Notes	At 31 December 2006 HK$	2007 HK$	2008 HK$	At 30 September 2009 HK$
Non-current assets					
Property, plant and equipment	14	135,933	156,875	82,612	58,978
Current assets					
Inventories	15	218,647	208,412	108,535	59,558
Trade and other receivables	16	967,973	1,367,325	1,044,327	967,580
Bank balances and cash	17	1,953,292	716,505	76,117	121,295
		3,139,912	2,292,242	1,228,979	1,148,433
Current liabilities					
Bank overdrafts	18	—	255,636	501,746	—
Trade and other payables	19	606,333	739,157	270,470	885,530
Amount due to a related company	20	125,732	—	4,859	—
Amounts due to directors	20	1,378,231	230,443	89,998	—
		2,110,296	1,225,236	867,073	885,530
Net current assets		1,029,616	1,067,006	361,906	262,903
Net assets		1,165,549	1,223,881	444,518	321,881
Capital and reserves					
Share capital	21	4	4	6	6
Retained earnings		1,165,545	1,223,877	444,512	321,875
Total equity		1,165,549	1,223,881	444,518	321,881

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Retained earnings	Total equity
	HK$	*HK$*	*HK$*
At 1 January 2006	4	1,550,718	1,550,722
Loss and the total comprehensive income for the year	—	(385,173)	(385,173)
At 31 December 2006	4	1,165,545	1,165,549
Profit and the total comprehensive income for the year	—	58,332	58,332
At 31 December 2007	4	1,223,877	1,223,881
Issue of ordinary shares	2	—	2
Loss and the total comprehensive income for the year	—	(779,365)	(779,365)
At 31 December 2008	6	444,512	444,518
Loss and the total comprehensive income for the period	—	(122,637)	(122,637)
At 30 September 2009	6	321,875	321,881
(Unaudited)			
At 1 January 2008	4	1,223,877	1,223,881
Issue of ordinary shares	2	—	2
Loss and the total comprehensive income for the period	—	(596,815)	(596,815)
At 30 September 2008	6	627,062	627,068

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Nine months ended 30 September	
	2006	2007	2008	2008	2009
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(Unaudited)	
Operating activities					
(Loss)/profit before tax	(385,173)	58,332	(779,365)	(596,815)	(122,637)
Adjustments for:					
- Interest income	(36,032)	(26,273)	(797)	(598)	(7)
- Depreciation of property, plant and equipment	57,410	76,998	74,263	55,697	23,634
Operating cash flows before movements in working capital	(363,795)	109,057	(705,899)	(541,716)	(99,010)
- Inventories	732,819	10,235	99,877	99,877	48,977
- Trade and other receivables	724,598	(399,352)	322,998	390,851	76,747
- Trade and other payables	(1,184,407)	132,824	(468,687)	(287,097)	615,060
- Amount due to a shareholder	(99,999)	—	—	—	—
- Amount due to a related company	(265,475)	(125,732)	4,859	4,859	(4,859)
- Amounts due to directors	227,232	(1,147,788)	(140,445)	(114,689)	(89,998)
Net cash (used in)/generated by operating activities	(229,027)	(1,420,756)	(887,297)	(447,915)	546,917
Investing activities					
Interest received	36,032	26,273	797	598	7
Purchase of property, plant and equipment	(59,620)	(97,940)	—	—	—
Net cash (used in)/generated by investing activities	(23,588)	(71,667)	797	598	7
Financing activities					
Proceeds from issuance of ordinary shares	—	—	2	2	—
Net cash generated by financing activities	—	—	2	2	—
Net (decrease)/increase in cash and cash equivalents	(252,615)	(1,492,423)	(886,498)	(447,315)	546,924
Cash and cash equivalents at beginning of the year/period	2,205,907	1,953,292	460,869	460,869	(425,629)
Cash and cash equivalents at end of the year/period	1,953,292	460,869	(425,629)	13,554	121,295
Analysis of the balances of cash and cash equivalents					
Bank balances and cash	1,953,292	716,505	76,117	376,125	121,295
Bank overdrafts	—	(255,636)	(501,746)	(362,571)	—
	1,953,292	460,869	(425,629)	13,554	121,295

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PREPARATION OF THE FINANCIAL INFORMATION

The Financial Information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The Financial Information of Encore is presented in Hong Kong dollars which is the same as the functional currency of Encore, except where otherwise indicated.

The Financial Information has been prepared in accordance with all of the Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKAS") and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

Encore has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs issued in 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HK(IFRIC) — Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC) — Int 18	Transfers of Assets from Customers[4]

1. Effective for annual periods beginning on or after 1 July 2009.

2. Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

3. Effective for annual periods beginning on or after 1 January 2010.

4. Effective for transfers on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect the accounting treatment for non-common control business combination for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for change in the ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of Encore anticipate that the application of HKFRS 3 (Revised) will have no financial impact to Encore's operating results and financial positions.

HK(IFRIC) — Int 18 applies to agreements in which an entity receives cash from a customer when that amount of cash must be used only to construct or acquire an item of property, plant and equipment and the entity must then use the item of property, plant and equipment either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or to do both. The directors of Encore anticipate that the application of HK(IFRIC) — Int 18 will have no financial impact to Encore's operating results and financial positions.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

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

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

Service income is recognized when services are rendered to customers.

Rental income is recognized on a straight-line basis over the terms of the relevant leases.

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

Sundry income is recognized when received.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated deprecation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and taking into account of their estimated residual value, using the straight-line method.

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

Leases

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.

Encore as lessor

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

Encore as lessee

Rental expenses arising from operating leases is charged to the statement of comprehensive income on a straight line basis over the relevant lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Foreign currencies

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

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

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/period. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items of income and expense that are never taxable or deductible. Encore's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

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

The carrying amount of deferred tax assets is reviewed at 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Impairment losses

At the end of each reporting period, Encore reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

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

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognized on the statement of financial position when Encore 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 ("FVTPL") are recognized immediately in profit or loss.

Financial assets

Encore's financial assets are classified into one of the three categories, including financial assets at FVTPL, loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized 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 amortized cost of a financial asset and of allocating interest income over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount of the asset on initial recognition.

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that Encore 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 fair value through profit or loss 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 Encore'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 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At the end of each reporting period subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

Loans and receivables

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL and loans and receivables.

At the end of each reporting period subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognized in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognized in equity is removed from equity and recognized in profit or loss. Any impairment losses on available-for-sale financial assets are recognized in profit or loss (see accounting policy in respect of impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition (see accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

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

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment 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
- default or delinquency in interest or principal payments; or
- when it becomes probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include Encore'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 amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

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.

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

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

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognized directly in equity.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Encore's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

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

Interest expense is recognized on an effective interest basis other than those financial liabilities designated as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is a part of an identified portfolio of financial instruments that Encore 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 Encore'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 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At the end of each reporting period subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

Other financial liabilities

Other financial liabilities (including bank overdrafts, trade and other payables, amount due to a related company and amounts due to directors) are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

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

Derecognition

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

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

Provisions

Provisions are recognized when Encore has a present obligation as a result of a past event, and it is probable that Encore will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of each reporting period, and are discounted to present value where the effect is material.

4. CAPITAL RISK MANAGEMENT

Encore manages its capital to ensure that entities in Encore will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. Encore's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Encore consists of debt, which includes advances from directors and equity attributable to equity holders of Encore, comprising issued share capital and retained earnings.

The directors of Encore review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, Encore will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the repayment of existing debt.

5. CATEGORIES OF FINANCIAL INSTRUMENTS

		As at 31 December			As at 30 September
		2006	**2007**	**2008**	**2009**
	Notes	*HK$*	*HK$*	*HK$*	*HK$*
Financial assets					
Loans and receivables:					
- Trade and other receivables	16	967,973	1,367,325	1,044,327	967,580
- Bank balances and cash	17	1,953,292	716,505	76,117	121,295
Financial liabilities					
Financial liabilities at amortized cost:					
- Bank overdrafts	18	—	255,636	501,746	—
- Trade and other payables	19	606,333	739,157	270,470	885,530
- Amount due to a related company	20	125,732	—	4,859	—
- Amounts due to directors	20	1,378,231	230,443	89,998	—

6. KEY SOURCE OF ESTIMATION UNCERTAINTY

In the process of applying Encore's accounting policies, management makes various estimates based on past experiences, expectations of the future and other information. The key sources of estimation uncertainty that may significantly affect the amounts recognized in the Financial Information are disclosed below:

Impairment loss on receivables

The policy for allowance for bad and doubtful debts of Encore is based on the evaluation of collectability of accounts and on management's estimate. In determining whether impairment is required, Encore takes into consideration the likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognized on the difference between the estimated future cash flow expected to receive discounted using the original effective interest rate and the carrying value.

7. FINANCIAL RISK MANGEMENT OBJECTIVES AND POLICIES

Encore's major financial instruments include trade and other receivables, bank balances and cash, bank overdrafts, trade and other payables, amount due to a related company and amounts due to directors. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. 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.

Market risk

There has been no change to Encore's exposure to market risk or the manner in which it manages and measures the risk.

Currency risk

During the Relevant Periods, Encore mainly operated in Hong Kong and the majority of Encore's transactions and balances were denominated in Hong Kong dollars. The directors of Encore consider that the currency risk is not significant and Encore currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest rate risk

Encore is exposed to minimal interest rate risk as Encore's financial assets and liabilities are non-interest bearing.

Price risk

Encore is not exposed to commodity price risk because Encore did not hold any listed equity security during the Relevant Periods.

Credit risk

At 31 December 2006, 2007 and 2008 and 30 September 2009, Encore's maximum exposure to credit risk which will cause a financial loss to Encore due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the statements of financial position.

In order to minimize the credit risk, the management of Encore has 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, Encore reviews the recoverable amount of each individual trade debt and debt investments at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of Encore consider that Encore's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

Encore's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for all the total trade receivables at 31 December 2006, 2007 and 2008 and 30 September 2009. Encore has no significant concentration of credit risk by customers, with exposure spread over a number of counterparties and customers.

Liquidity risk

In the management of the liquidity risk, Encore monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance Encore's operations and mitigate the effects of fluctuations in cash flows.

Encore relies on financial support from directors which has agreed to provide adequate funds for Encore as a significant source of liquidity.

The following table details Encore's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which Encore can be required to pay.

	On demand or less than 1 year	**Total undiscounted cash flows**	**Total carrying amount**
	HK$	*HK$*	*HK$*
At 31 December 2006			
Trade and other payables	606,333	606,333	606,333
Amount due to a related company	125,732	125,732	125,732
Amounts due to directors	1,378,231	1,378,231	1,378,231
	2,110,296	2,110,296	2,110,296
At 31 December 2007			
Bank overdrafts	255,636	255,636	255,636
Trade and other payables	739,157	739,157	739,157
Amounts due to directors	230,443	230,443	230,443
	1,225,236	1,225,236	1,225,236
At 31 December 2008			
Bank overdrafts	501,746	501,746	501,746
Trade and other payables	270,470	270,470	270,470
Amount due to a related company	4,859	4,859	4,859
Amounts due to directors	89,998	89,998	89,998
	867,073	867,073	867,073
At 30 September 2009			
Trade and other payables	885,530	885,530	885,530

Fair value

The fair value of financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The directors of Encore consider that the carrying amounts of financial assets and financial liabilities recorded at either amortized cost or fair value through profit or loss in the Financial Information approximate their fair values.

8. REVENUE AND SEGMENT INFORMATION

Revenue during the Relevant Periods represents the aggregate of the net amounts received and receivable from third parties in connection with sales of computer hardware and software.

No business segment and geographical segment information has been presented as Encore operates in a single business and geographical segment during the Relevant Periods which is the trading of computer software and hardware in Hong Kong.

9. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(Unaudited)	
Interest income from bank deposits	36,032	26,273	797	598	7
Rental income	—	392,752	6,000	—	—
Sundry income	754,677	21,415	456,515	31,019	415,403
	790,709	440,440	463,312	31,617	415,410

10. (LOSS)/PROFIT BEFORE TAX

(Loss)/Profit before tax has been arrived at after charging:

	Year ended 31 December			Nine months ended 30 September	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(Unaudited)	
Auditors' remuneration	14,300	14,000	12,000	—	—
Depreciation of property, plant and equipment	57,410	76,998	74,263	55,697	23,634
Operating lease rentals in respect of rented premises	270,455	409,200	450,773	405,000	178,802

11. EMPLOYEE BENEFITS EXPENSE

	Year ended 31 December			Nine months ended 30 September	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(Unaudited)	
Directors' emoluments	396,000	—	—	—	100,000
Other staff costs	698,898	596,119	1,024,207	743,744	583,279
Other staff retirement benefits scheme contributions	40,249	34,031	53,349	31,496	30,504
	1,135,147	630,150	1,077,556	775,240	713,783

(a) **Directors' emoluments**

The emoluments paid or payable to the directors of Encore for each of the years ended 31 December 2006, 2007 and 2008 and the nine months ended 30 September 2008 and 2009 were as follows:

	Year ended 31 December			Nine months ended 30 September	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(Unaudited)	
Ho Kin Lun, Albert	396,000	—	—	—	50,000
Shun Kwong Wing (resigned on 1 September 2009)	—	—	—	—	—
Ko Chiu Wah (appointed on 21 May 2008)	—	—	—	—	50,000
	396,000	—	—	—	100,000

(b) **Employees' emoluments**

The aggregate emoluments of the five highest paid individuals included one, nil, nil, nil and nil directors for the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2008 and 2009 respectively, whose emoluments are detailed in Note 11(a) above. The aggregate emoluments of the remaining four, five, five, five and five highest paid individuals for the years ended 31 December 2006, 2007 and 2008 and nine months ended 30 September 2008 and 2009 respectively, are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(Unaudited)	
Salaries and other benefits	466,920	441,927	736,500	540,500	426,555
Contributions to retirement benefits schemes	23,346	22,096	34,000	23,750	22,673
	490,266	464,023	770,500	564,250	449,228

Their emoluments were all within HK$1,000,000.

12. INCOME TAX EXPENSE

No provision for taxation has been made in the Financial Information as Encore had no assessable profit for the Relevant Periods.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced Hong Kong profits tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/09. Hong Kong profits tax is calculated at 17.5% of the estimated assessable profit for each of the years ended 31 December 2006 and 2007 and at 16.5% of the estimated assessable profit for the year ended 31 December 2008 and each of the nine months ended 30 September 2008 and 2009.

The tax charge can be reconciled to the (loss)/profit before tax per statements of comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2006	**2007**	**2008**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*	*HK$*
				(Unaudited)	
(Loss)/profit before tax	(385,173)	58,332	(779,365)	(596,815)	(519,333)
Tax calculated at the Hong Kong profits tax rate	(67,405)	10,208	(128,595)	(98,474)	(85,690)
Tax effects of:					
- Income not taxable for tax purposes	(6,306)	(4,598)	(131)	99	(1)
- Temporary differences not recognized	1,997	(9,827)	6,634	4,976	(200)
- Tax loss not recognized	71,714	4,217	122,092	93,399	85,891
	—	—	—	—	—

13. EARNINGS/LOSS PER SHARE

Earnings/loss per share has not been presented as such information is not considered meaningful for the purpose of this report.

14. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures *HK$*	Office equipment *HK$*	Leasehold improvements *HK$*	Total *HK$*
COST				
At 1 January 2006	657,373	174,723	168,253	1,000,349
Additions	—	15,560	44,060	59,620
At 31 December 2006	657,373	190,283	212,313	1,059,969
Additions	—	97,940	—	97,940
At 31 December 2007	657,373	288,223	212,313	1,157,909
Additions	—	—	—	—
At 31 December 2008	657,373	288,223	212,313	1,157,909
Additions	—	—	—	—
At 30 September 2009	657,373	288,223	212,313	1,157,909
DEPRECIATION AND IMPAIRMENT				
At 1 January 2006	641,014	158,311	67,301	866,626
Provided for the year	5,453	9,494	42,463	57,410
At 31 December 2006	646,467	167,805	109,764	924,036
Provided for the year	5,453	29,083	42,462	76,998
At 31 December 2007	651,920	196,888	152,226	1,001,034
Provided for the year	5,453	26,347	42,463	74,263
At 31 December 2008	657,373	223,235	194,689	1,075,297
Provided for the period	—	17,025	6,609	23,634
At 30 September 2009	657,373	240,260	201,298	1,098,931
CARRYING VALUES				
At 30 September 2009	—	47,963	11,015	58,978
At 31 December 2008	—	64,988	17,624	82,612
At 31 December 2007	5,453	91,335	60,087	156,875
At 31 December 2006	10,906	22,478	102,549	135,933

The above items of property, plant and equipment are depreciated on a straight-line basis over the following rates per annum:

Furniture and equipment	20%
Office equipment	20%
Leasehold improvements	20%

15. INVENTORIES

	At 31 December			At 30 September
	2006	**2007**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
Computer hardware and software	218,647	208,412	108,535	59,558

16. TRADE AND OTHER RECEIVABLES

	At 31 December			At 30 September
	2006	**2007**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
Trade receivables	889,823	1,239,085	890,859	908,252
Other receivables	78,150	128,240	153,468	59,328
	967,973	1,367,325	1,044,327	967,580

Encore generally allows credit periods of 30 days to its trade customers. The following is an aged analysis of trade receivables at the end of each reporting period:

	At 31 December			At 30 September
	2006	**2007**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
0 — 30 days	469,281	478,381	696,140	606,127
31 — 60 days	146,078	430,774	50,120	228,507
61 — 90 days	118,310	108,515	75,638	54,911
Over 90 days	156,154	221,415	68,961	18,707
	889,823	1,239,085	890,859	908,252

Aging of trade receivables which are past due but not yet impaired

	At 31 December			At 30 September
	2006	**2007**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
31 — 60 days	146,078	430,774	50,120	228,507
61 — 90 days	118,310	108,515	75,638	54,911
Over 90 days	156,154	221,415	68,961	18,707
	420,542	760,704	194,719	302,125

These receivables relate to a number of independent customers that have a good track record with Encore. The management considered that no impairment allowance was necessary in respect of these balances as there had not been a significant change in credit risk and the balances were still considered fully recoverable during the Relevant Periods. Encore did not hold any collateral over these balances during the Relevant Periods.

17. BANK BALANCES AND CASH

Bank balances and cash comprises cash held by Encore and bank balances that bear interest at the prevailing market rates and have original maturity of three months or less.

18. BANK OVERDRAFTS

The bank overdrafts are denominated in Hong Kong dollars and bear interest at prevailing interest rate.

19. TRADE AND OTHER PAYABLES

	At 31 December			At 30 September
	2006	**2007**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
Trade payables	522,818	639,188	224,486	839,941
Other payables	83,515	99,969	45,984	45,589
	606,333	739,157	270,470	885,530

The following is an aged analysis of trade payables at the end of each reporting periods:

	At 31 December			At 30 September
	2006	**2007**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
0 — 30 days	522,818	639,188	224,286	537,192
31 — 60 days	—	—	—	173,628
61 — 90 days	—	—	—	57,833
Over 90 days	—	—	—	71,288
	522,818	639,188	224,286	839,941

20. AMOUNTS DUE TO A RELATED COMPANY/DIRECTORS

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

21. SHARE CAPITAL

	Number of shares	Share Capital
		HK$
Ordinary shares of HK$1 each		
Authorized:		
At 1 January 2006, 31 December 2006, 2007 and 2008 and 30 September 2009	1,000	1,000
Issued and fully paid:		
At 1 January 2006, 31 December 2006 and 2007	4	4
Issue of ordinary shares *(note (i))*	2	2
At 31 December 2008 and 30 September 2009	6	6

Note:

(i) On 21 May 2008, Encore issued 2 ordinary shares of $1 each at par for cash. All the new shares rank pari passu in all respects with the existing shares of Encore. The proceeds were used to provide general working capital for Encore.

22. DEFERRED TAXATION

No deferred tax liabilities have been recognized in the financial statements as Encore did not have material temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as at 31 December 2006, 2007 and 2008 and 30 September 2009.

No deferred tax asset has been recognized in respect of the unutilized tax losses due to the unpredictability of future profit stream. The tax losses of Encore may be carried forward indefinitely.

At the end of each reporting period, the unrecognized deferred tax asset of Encore is as follows:

	At 31 December			At 30 September
	2006	**2007**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
Accelerated tax depreciation	79,000	69,000	72,000	71,000
Unused tax losses	1,008,000	1,012,000	1,077,000	1,163,000
	1,087,000	1,081,000	1,149,000	1,234,000

23. OPERATING LEASE COMMITMENTS

Encore as lessee

At the end of each reporting period, Encore had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows::

	At 31 December			At 30 September
	2006	**2007**	**2008**	**2009**
	HK$	*HK$*	*HK$*	*HK$*
Within one year	393,600	342,000	—	165,627
In the second to fifth year inclusive	295,200	—	—	33,514
	688,800	342,000	—	199,141

Encore as lessor

At the end of each reporting period, Encore had contracted with tenants for the following future minimum lease payments:

	At 31 December 2006 HK$	2007 HK$	2008 HK$	At 30 September 2009 HK$
Within one year	196,800	—	—	—
In the second to fifth year inclusive	—	—	—	—
	196,800	—	—	—

24. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the Financial Information, Encore entered into the following significant related party transactions during the Relevant Periods:

Name of related companies	Notes	Nature of transactions	Year ended 31 December 2006 HK$	2007 HK$	2008 HK$	Nine months ended 30 September 2008 HK$ (Unaudited)	2009 HK$
Honest Technology Limited	(i)	Handling charge	—	44,268	—	—	—
Wong Chiu Ying, Angela	(ii)	Waive of shareholder loan	99,999	—	—	—	—
Anterport Trading Limited	(iii)	Purchase of goods	—	—	64,478	52,912	11,749
		Consultancy fee paid	—	—	435,765	435,765	—
		Support fee received	—	—	429,765	—	—
Ko Chiu Wah	(iv)	Waive of director loan	—	—	—	—	396,696

Notes:

(i) A company in which Mr. Ho Kin Lun, Albert and Mr. Shun Kwong Wing are directors and shareholders. Mr. Ho Kin Lun, Albert is also a director and shareholder of Encore, whereas Mr. Shun Kwong Wing is a former director and shareholder of Encore.

(ii) Ms. Wong Chiu Ying, Angela is a shareholder of Encore.

(iii) A company in which Mr. Ko Chiu Wah is a director and shareholder. Mr. Ko Chiu Wah is also a director and shareholder of Encore. The transactions with the above related company were entered into at terms agreed between the contracting parties.

(iv) Mr. Ko Chiu Wah is a director of Encore.

II. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the Financial Information, no significant event took place subsequent to 30 September 2009.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Encore have been prepared in respect of any period subsequent to 30 September 2009.

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. INTRODUCTION

The unaudited pro forma financial information of the Enlarged Group, comprising the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated balance sheet and the unaudited pro forma consolidated cash flow statement of the Enlarged Group (the "Pro Forma Financial Information"), has been prepared by the Directors to illustrate the effect of the Acquisition.

The Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in Appendix I, the financial information of Encore as set out in Appendix II, and other financial information included elsewhere in this circular. The Pro Forma Financial Information does not take account of any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Enlarged Group included in the Pro Forma Financial Information.

2. PRO FORMA CONSOLIDATED INCOME STATEMENT OF THE ENLARGED GROUP

The following is the unaudited pro forma consolidated income statement of the Enlarged Group as if the Acquisition had been completed at the commencement of the period reported on. The unaudited pro forma consolidated income statement has been prepared based on the audited consolidated income statement of the Group for the year ended 31 March 2009 as extracted from the Company's published annual report for the year ended 31 March 2009 (set out in Appendix I to this circular) and the audited income statement of Encore for the year ended 31 December 2008 as extracted from the financial information of Encore (set out in Appendix II to this circular), after incorporating the pro forma adjustments as described in the accompanying notes to illustrate the effect of the Acquisition.

The unaudited pro forma consolidated income statement has been prepared for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, it may not give a true picture of the results of the Enlarged Group for any future periods.

	The Group Year ended 31 March 2009	**Encore** Year ended 31 December 2008	**Pro forma adjustments**	**Pro forma Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Unaudited)*	*(Unaudited)*
Turnover	9,042	11,943	—	20,985
Other income	4,193	463	—	4,656
Purchase costs	(6,832)	(10,539)	—	(17,371)
Staff costs	(12,582)	(1,078)	—	(13,660)
Depreciation	(1,075)	(74)	—	(1,149)
Other expenses	(7,516)	(1,494)	—	(9,010)
Fair value changes on investment properties	(91)	—	—	(91)
Net losses on equity-linked notes	(5,347)	—	—	(5,347)
Net gains on investments held for trading	297	—	—	297
Impairment loss recognised on advance made to an associate	(160)	—	—	(160)
Impairment loss recognised on investments in a jointly controlled entity	(1,379)	—	—	(1,379)
Finance costs	(79)	—	—	(79)
Share of losses of associates	(2,482)	—	—	(2,482)
Loss for the year	(24,011)	(779)	—	(24,790)

3. PRO FORMA CONSOLIDATED BALANCE SHEET OF THE ENLARGED GROUP

The following is the unaudited pro forma consolidated balance sheet of the Enlarged Group as if the Acquisition had been completed at the date reported on. The unaudited pro forma consolidated balance sheet has been prepared based on the audited consolidated balance sheet of the Group as at 31 March 2009 as extracted from the Company's published annual report for the year ended 31 March 2009 (set out in Appendix I to this circular) and the audited balance sheet of Encore as at 31 December 2008 as extracted from the financial information of Encore (set out in Appendix II to this circular), after incorporating the pro forma adjustments as described in the accompanying notes to illustrate the effect of the Acquisition.

The unaudited pro forma consolidated balance sheet has been prepared for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group at any future date.

	The Group As at 31 March 2009	Encore As at 31 December 2008	Pro forma adjustments		Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Audited)	*(Audited)*	*(Unaudited)*		*(Unaudited)*
Non-current assets					
Goodwill	—	—	800	Note 3.1	1,455
			1,100	Note 3.1	
			(445)	Note 3.1	
Investment properties	6,295	—	—		6,295
Property, plant and equipment	4,908	83	—		4,991
Interests in associates	1,314	—	—		1,314
Equity-linked notes	3,564	—	—		3,564
	16,081	83	1,455		17,619
Current assets					
Inventories of finished goods	—	109	—		109
Trade and other receivables	6,256	1,044	—		7,300
Investments held for trading	10,070	—	—		10,070
Pledged bank deposits	11,407	—	—		11,407
Bank balances and cash	72,208	76	(800)	Note 3.2	70,384
			(1,100)	Note 3.2	
	99,941	1,229	(1,900)		99,270
Current liabilities					
Trade and other payables	6,171	270	—		6,441
Obligations under a finance lease due within one year	39	—	—		39
Financial guarantee obligations	460	—			460
Current portion of secured long-term bank loan	169	—	—		169
Bank overdrafts	—	502	—		502
Amount due to a related company	—	5			5
Amounts due to directors	—	90	—		90

	The Group As at 31 March 2009	Encore As at 31 December 2008	Pro forma adjustments		Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Audited)	*(Audited)*	*(Unaudited)*		*(Unaudited)*
	6,839	867	—		7,706
Net current assets	93,102	362	(1,900)		91,564
Total assets less current liabilities	109,183	445	(445)		109,183
Non-current liabilities					
Obligations under a finance lease due after one year	111	—	—		111
Secured long-term bank loan	975	—	—		975
	1,086	—	—		1,086
Net assets	108,097	445	(445)		108,097
Capital and reserves					
Share capital	56,663	—	—		56,663
Reserves	48,836	445	(445)	Note 3.2	48,836
Equity attributable to equity holders of the Company	105,499	445	(445)		105,499
Minority interests	2,598	—	—		2,598
Total equity	108,097	445	(445)		108,097

Notes to the unaudited pro forma consolidated balance sheet of the Enlarged Group:

3.1 The adjustments reflect the excess of the total consideration for the Acquisition of HK$800,000 and the estimated costs directly attributable to the Acquisition of approximately HK$1,100,000, which mainly comprises professional fees for reporting accountants, legal adviser and financial adviser, over the net assets of Encore of approximately HK$445,000, as if the Acquisition had been completed at 31 March 2009. This excess is recognised as goodwill arising from the Acquisition on the unaudited pro forma consolidated balance sheet. For the purpose of preparing the unaudited pro forma consolidated balance sheet, the net assets of Encore have been assumed to approximate the fair values of the assets, liabilities and contingent liabilities of Encore on Completion.

Since the actual fair values of the assets, liabilities and contingent liabilities of Encore on Completion would be different from their estimated fair values used in the preparation of the unaudited pro forma consolidated balance sheet presented above, the actual goodwill arising from the Acquisition might be materially different from the estimated amount shown in this Appendix.

3.2 The adjustments reflect:

(i) settlement of the total consideration for the Acquisition of HK$800,000 by the Company in the following manner:

a. HK$400,000 shall be paid in cash upon signing of the Agreement; and

b. HK$400,000 shall be paid in cash upon Completion.

(ii) elimination of the share capital and pre-acquisition reserves of Encore.

For the purpose of preparing the unaudited pro forma consolidated balance sheet, it has been assumed that the total consideration for the Acquisition of HK$800,000 and the estimated costs directly attributable to the Acquisition of approximately HK$1,100,000 were paid by the Group from internal resources of the Group on 31 March 2009.

Since the actual dates of settlement of the consideration for the Acquisition and the estimated costs directly attributable to the Acquisition would be different from the assumptions used in the preparation of the unaudited pro forma consolidated balance sheet presented above, the actual financial position arising from the Acquisition might be materially different from the financial position shown in this Appendix.

4. PRO FORMA CONSOLIDATED CASH FLOW STATEMENT OF THE ENLARGED GROUP

The following is the unaudited pro forma consolidated cash flow statement of the Enlarged Group as if the Acquisition had been completed at the commencement of the period reported on. The unaudited pro forma consolidated cash flow statement has been prepared based on the audited consolidated cash flow statement of the Group for the year ended 31 March 2009 as extracted from the Company's published annual report for the year ended 31 March 2009 (set out in Appendix I to this circular) and the audited cash flow statement of Encore for the year ended 31 December 2008 as extracted from the financial information of Encore (set out in Appendix II to this circular), after incorporating the pro forma adjustments as described in the accompanying notes to illustrate the effect of the Acquisition.

The unaudited pro forma consolidated cash flow statement has been prepared for illustrative purposes only, based on the judgements and assumptions of the Directors, and, because of its hypothetical nature, it may not give a true picture of the cash flows of the Enlarged Group for any future periods.

	The Group Year ended 31 March 2009	**Encore Year ended 31 December 2008**	**Pro forma adjustments**	**Pro forma Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Unaudited)*	*(Unaudited)*
Operating activities				
Loss for the year	(24,011)	(779)	—	(24,790)
Adjustments for:				
- Interest income	(1,468)	(1)	—	(1,469)
- Interest expense	79	—	—	79
- Share of losses of associates	2,482	—	—	2,482
- Depreciation	1,075	74	—	1,149
- Fair value changes on investment properties	91	—	—	91
- Net losses on equity-linked notes	5,347	—	—	5,347
- Net gains on investments held for trading	(297)	—	—	(297)
- Impairment loss recognised on advance made to an associate	160	—	—	160

	The Group Year ended 31 March 2009	Encore Year ended 31 December 2008	Pro forma adjustments	Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Unaudited)*	*(Unaudited)*
- Impairment loss recognised on investments in a jointly controlled entity	1,379	—	—	1,379
- Amortisation of financial guarantee obligations	(2,001)	—	—	(2,001)
Operating cash flows before movements in working capital	(17,164)	(706)	—	(17,870)
- Inventories of finished goods	—	100	—	100
- Trade and other receivables	(818)	323	—	(495)
- Trade and other payables	959	(469)	—	490
- Amount due to a related company	—	5	—	5
- Amounts due to directors	—	(141)	—	(141)
Net cash used in operating activities	(17,023)	(888)	—	(17,911)
Investing activities				
Bank interest received	1,297	1	—	1,298
Repayment from an associate	208	—	—	208
Dividend received	49	—	—	49
Purchase of property, plant and equipment	(1,381)	—	—	(1,381)
Advance to an associate	(240)	—	—	(240)
Increase in pledged bank deposits	(118)	—	—	(118)

	The Group Year ended 31 March 2009	Encore Year ended 31 December 2008	Pro forma adjustments		Pro forma Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	(Audited)	*(Audited)*	*(Unaudited)*		*(Unaudited)*
Payment of the consideration for the Acquisition and the estimated costs directly attributable to the Acquisition, less cash and cash equivalents acquired	—	—	(800) (1,100) 461	Note 4.1	(1,439)
Net cash (used in) from investing activities	(185)	1	(1,439)		(1,623)
Financing activities					
Repayment of bank loans	(160)	—	—		(160)
Interest paid	(79)	—	—		(79)
Repayment of obligations under a finance lease	(36)	—	—		(36)
Net cash used in financing activities	(275)	—	—		(275)
Net decrease in cash and cash equivalents	(17,483)	(887)	(1,439)		(19,809)
Cash and cash equivalents at beginning of the year	89,296	461	(461)		89,296
Effect of foreign exchange rate changes	395	—	—		395
Cash and cash equivalents at end of the year	72,208	(426)	(1,900)		69,882

Notes to the unaudited pro forma consolidated cash flow statement of the Enlarged Group:

4.1 The adjustments reflect the cash flow effect from the Acquisition as if the Acquisition had been completed at the commencement of the period reported on. The net cash outflow represents payment of the consideration for the Acquisition of HK$800,000 and the estimated costs directly attributable to the Acquisition of approximately HK$1,100,000, less cash and cash equivalents acquired of approximately HK$461,000. This adjustment is not expected to have a continuing effect on the Enlarged Group.

B. REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.

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

30 December 2009

The board of directors
Timeless Software Limited
Units 111-113 1st Floor
Building 9 Phase One
Hong Kong Science Park
Tai Po, New Territories
Hong Kong

Dear Sirs,

REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction

We report on the unaudited pro forma financial information of Timeless Software Limited (the "Company") and its subsidiaries (collectively, the "Group"), and Encore Trading Limited (hereinafter collectively referred to as the "Enlarged Group"), comprising the unaudited pro forma consolidated income statement, the unaudited pro forma consolidated balance sheet and the unaudited pro forma consolidated cash flow statement of the Enlarged Group (the "Pro Forma Financial Information"), as set out in Section A entitled "Unaudited Pro Forma Financial Information of the Enlarged Group" in Appendix III of the Company's circular dated 30 December 2009 (the "Circular"). The Pro Forma Financial Information has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the Acquisition (as defined in the Circular) might have affected the financial information presented. The basis of preparation of the Pro Forma Financial Information is set out in Section A of Appendix III to the Circular.

Respective responsibilities of the directors of the Company and the reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements (HKSIR) 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

The Pro Forma Financial Information has been prepared for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Enlarged Group as at 31 March 2009 or any future date; or

- the results or cash flows of the Enlarged Group for the year ended 31 March 2009 or any future periods.

Opinion

In our opinion:

a. the Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b. such basis is consistent with the accounting policies of the Group; and

c. the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,
HLB Hodgson Impey Cheng
Chartered Accountants
Certified Public Accountants
Hong Kong

The following is the text of letter and valuation certificate on property interests of the Enlarged Group in connection with their valuation as at 4 December 2009 prepared by LCH (Asia-Pacific) Surveyors Limited for the purpose of inclusion in this circular.

利駿行測量師有限公司
LCH (Asia-Pacific) Surveyors Limited
PROPERTY VALUERS
PLANT AND MACHINERY VALUERS
BUSINESS & FINANCIAL SERVICES VALUERS

The readers are reminded that the report which follows has been prepared in accordance with the guidelines set by the International Valuation Standards, Eighth Edition, 2007 (the "IVS") published by the International Valuation Standards Committee as well as the HKIS Valuation Standards on Properties, First Edition, 2005 (the "HKIS Standards") published by the Hong Kong Institute of Surveyors (the "HKIS"). Both standards entitle the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. It is emphasised that the findings and conclusion presented below are based on the documents and facts known to the valuer at the date of this report. If additional documents and facts are made available, the valuer reserves the right to amend this report and its conclusions.

30 December 2009

17th Floor
Champion Building
Nos. 287-291 Des Voeux Road Central
Hong Kong

The Directors
Timeless Software Limited
Units 111-113 on 1st Floor
Building 9, Phase one
Hong Kong Science Park
Tai Po, New Territories
Hong Kong

Dear Sirs,

In accordance with the instructions given by the management of Timeless Software Limited (hereinafter referred to as the "Company") to us to value certain properties presently held by two subsidiaries of the Company (collectively, together with the Company hereinafter referred to as the "Group") in the People's Republic of China (hereinafter referred to as the "PRC" or "China"), we confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary to support our opinion of values of the properties as at 4 December 2009 (hereinafter referred to as the "Date of Valuation") for the company's internal management reference.

We understand that the use of our work product (regardless of form of presentation) will form part of the Company's due diligence but we have not been engaged to make specific sale or purchase recommendations. We further understand that the use of our work product will not supplant other due diligence which the Company should conduct in reaching its business decision regarding the properties valued. Our findings and conclusion in these valuations are documented in a valuation report and submitted to the Company at today's date.

At the request of the management of the Company, we prepared this summary report (including this letter, summary of values and the valuation certificate) to summarise our findings and conclusion as documented in the valuation report for the purpose of inclusion in this circular at today's date for the Company's shareholders' reference. Terms herein used without definition shall have the same meanings as in the valuation report, and the assumptions and caveats adopted in the valuation report also applied to this summary report.

BASIS OF VALUATION AND ASSUMPTIONS

According to the IVS which the HKIS Standards also follows, there are two valuation bases, namely market value basis and valuation bases other than market value. In this engagement, we have provided our opinion of values of the properties on the market value basis.

The term "Market Value" is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Our valuations have been made on the assumption, that

1. each of the legally interested parties in the properties has absolute title to its relevant property interest;

2. each of the legally interested parties in the properties has free and uninterrupted rights to assign its relevant property interest for the whole of the unexpired terms as granted, and any premiums payable have already been fully paid;

3. each of the legally interested parties in the properties sells its relevant property interest in the market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the subject property interest;

4. the properties have obtained relevant government's approvals for the sale of the properties on strata-title basis and are able to dispose and transfer free of all encumbrances (including but not limited to the cost of transaction) in the market; and

5. the properties can be freely transferred free of all encumbrances at the Date of Valuation for its existing uses in the market to both local and overseas purchasers without payment of any premium to the government.

Should this not be the case, it will have adverse impact to the values as reported.

APPROACH TO VALUE

There are three generally accepted approaches in arriving at the market value of a property on an absolute title basis, namely the Market Approach (or the Sales Comparable Method), the Cost Approach and the Income Approach.

In valuing Property 1, we have adopted the Market Approach on the assumption that the property is sold with the benefit of vacant possession as at the Date of Valuation. This approach considers the sales, listings or offering of similar or substitute properties and related market data and establishes a value of a property that a reasonable investor would have to pay for a similar property of comparable utility and with an absolute title.

In valuing Property 2 and Property 3, we have adopted the investment method of the Income Approach (or sometimes referred to as a method of the Market Approach for the reversionary interests and the rate of return are market-derived) by taking into account the current rent receivable from the existing tenancy agreements and the reversionary potential of the property interests. Our opinion of values of the properties are subject to the existing tenancy agreements.

MATTERS THAT MIGHT AFFECT THE VALUES REPORTED

For the sake of valuation, we have adopted the gross floor areas as appeared in the copies of the documents as provided and no further verification work has been conducted. Should it be established subsequently that the adopted gross floor areas were not the latest approved, we reserve the right to revise our report and the valuation(s) accordingly.

No allowance has been made in our valuations for any charges, mortgages, outstanding premium or amounts owing on the properties. Unless otherwise stated, it is assumed that the properties are free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect their values.

In our valuations, we have assumed that each of the properties is able to sell and purchase in the market without any legal impediment (especially from the regulators). Should this not be the case, it will affect the reported values significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

As at the Latest Practicable Date of this circular, we are unable to identify any adverse news against the properties which may affect the reported values in our work product. Thus, we are not in the position to report and comment on its impact (if any) to the properties. However, should it be established subsequently that such news did exist at the Date of Valuation, we reserve the right to adjust the values reported herein.

ESTABLISHMENT OF TITLES

Due to the market value basis of valuation, the management of the Company provided us the necessary documents to support that the legally interested parties in the properties have free and uninterrupted rights to assign the property interests (in this instance, an absolute title) free of all encumbrances and any premiums payable have already been paid in full or outstanding procedures have been completed. We have been provided with copies of the documents regarding the titles of the properties. However, we have not examined the original documents to verify the ownership and encumbrances, or to ascertain the existence of any amendments which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal titles and the rights (if any) to the properties valued. Any responsibility for our misinterpretation of the documents cannot be accepted.

We need to state that the inherent defects in the land registration system of China forbidden us to inspect the original documents of the properties that filed in the relevant authorities and to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the properties. However, we have relied solely on the copies of the PRC legal opinion dated 18 December 2009 as provided by the management of the Company with regard to the existing legally interested parties in the properties as disclosed in the attached valuation certificate. We are given to understand that the PRC legal opinion was prepared by the Company's PRC legal adviser, Guang Dong Shun Hua Law Office（廣東舜華律師事務所）. No responsibility or liability from our part is assumed.

INSPECTIONS AND INVESTIGATIONS OF THE PROPERTIES IN ACCORDANCE WITH VALUATION STANDARD 4 OF THE HKIS STANDARDS

We have conducted inspection to the exterior, and where possible, the interior of the properties in respect of which we have been provided with such information as we have requested for the purpose of our valuations. We have not inspected those parts of the properties which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advice upon the condition of the properties and our work product should not be taken as making any implied representation or statement about the condition of the properties. No structural survey, investigation or examination has been made, but in the course of our inspections, we did not note any serious defects in the properties inspected. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to the utilities (if any) and we are unable to identify those utilities covered, unexposed or inaccessible.

Our valuations have been made on the assumption that no unauthorised alteration, extension or addition has been made in the properties, and that the inspection and the use of this report do not purport to be a building survey of the properties. We have assumed that the properties are free from rot and inherent danger or unsuitable materials and techniques.

We have not carried out on-site measurements to verify the correctness of the areas of the properties, but have assumed that the areas shown on the documents and handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement and the agreed procedures to value the properties did not include an independent land survey to verify the legal boundaries of the properties. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries of such properties that appeared on the documents handed to us. No responsibility from our part is assumed. The management of the Company or interested party in the properties should conduct their own legal boundaries due diligence work.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the properties, or has since been incorporated, and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that such investigation would not disclose the presence of any such material to any significant extent.

SOURCES OF INFORMATION AND ITS VERIFICATION IN ACCORDANCE WITH VALUATION STANDARD 5 OF THE HKIS STANDARDS

In the course of valuation, we have been provided with copies of the document regarding the properties, and these copies have been referenced without further verifying with the relevant bodies and/or authorities. Our procedures to value did not require us to conduct any searches or inspected the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not attorney of laws by nature, therefore, we are not in the position to advise and comment on the legality and effectiveness of the documents provided by the management of the Company.

We have relied solely on the information provided by the management of the Company or its appointed personnel without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, titles, easements, tenure, rental, occupation, floor areas and all other relevant matters.

Information furnished by others, upon which all or portions of our report are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our report.

The scope of valuation has been determined by reference to the property list provided by the management of the Company. All properties on the list have been included in our valuations. The management of the Company has confirmed to us that it has no property interest other than those specified on the list supplied to us.

We are unable to accept any responsibility for the information that has not been supplied to us by the management of the Company. We have sought and received confirmation from the management of the Company that no material factors have been omitted from the information supplied. Our analysis and valuations are based upon full disclosure between us and the management of the Company of material and latent facts that may affect the valuations.

Unless otherwise stated, all monetary amounts are in Renminbi Yuan (“RMB”).

LIMITING CONDITIONS IN THIS SUMMARY REPORT

Our opinion of values of the properties in this report is valid only for the stated purpose and only for the Date of Valuation, and for the sole use of the named Company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this summary report, and the valuer accepts no responsibility whatsoever to any other person.

No responsibility is taken for changes in market conditions and local government policy and no obligation is assumed to revise this summary report to reflect events or conditions, which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this summary report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this report in this circular to the Company’s shareholders’ reference.

STATEMENTS

Our report is prepared in line with the requirements contained in Chapter 8 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited as well as the guidelines contained in the IVS and the HKIS Standards. The valuations have been undertaken by valuer, acting as external valuer, qualified for the purpose of the valuation.

We retain a copy of this summary report and the detailed valuation report together with the data from which it was prepared, and these data and documents will, according to the Laws of Hong Kong, keep for a period of 6 years from the date of this report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Company's authorisation and prior arrangement made with us.

The valuations of the properties depend solely on the assumptions made in this report and not all of which can be easily quantified or ascertained exactly. Should some or all of the assumptions prove to be inaccurate at a later date, it will affect the reported values significantly.

We hereby certify that the fee for this service is not contingent upon our conclusion of values and we have no significant interest in the properties, the Group or the values reported.

Our valuations are summarised below and the valuation certificate is attached.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited
Joseph Ho Chin Choi RPS (GP)
Managing Director

Contributing Valuer:
Eugene Lai Chung Yee *A.Sc.*

Note: *Mr. Joseph Ho Chin Choi has been conducting assets valuation (including real estate properties) and advisory work in Hong Kong, Macau, Taiwan, mainland China, Japan, South East Asia, Australia, Finland, Germany, Scotland, Argentina, Guyana, Canada and the United States of America for various purposes since 1988. He has more than 19 years of experience in valuing real estate properties in mainland China. Mr. Ho is also a valuer in the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the HKIS.*

SUMMARY OF VALUES

Group I — Property occupied by the Group under long-term title certificate in the PRC and valued on market value basis

	Property	Market Value in existing state as at 4 December 2009 *RMB*	Interest of the Group	Market Value in existing state to the Group as at 4 December 2009 *RMB*
1.	Room 1904 on 19th Floor Dongshan Plaza 69 Xianlie Road Central Dongshan District Guangzhou Guangdong Province The People's Republic of China	2,300,000	100 per cent.	2,300,000
	Sub-total:	**RMB2,300,000**		**RMB2,300,000**

Group II — Properties held by the Group under long-term title certificates in the PRC for investment and valued on market value basis

	Property	Market Value in existing state as at 4 December 2009 *RMB*	Interest of the Group	Market Value in existing state to the Group as at 4 December 2009 *RMB*
2.	Room 2117 on 21st Floor Yingu Mansion No.9 West Road, North 4th Ring Haidian District Beijing The People's Republic of China	2,920,000	100 per cent.	2,920,000

	Property	Market Value in existing state as at 4 December 2009 *RMB*	Interest of the Group	Market Value in existing state to the Group as at 4 December 2009 *RMB*
3.	Room 2115 on 21st Floor Yingu Mansion No.9 West Road, North 4th Ring Haidian District Beijing The People's Republic of China	2,780,000	100 per cent.	2,780,000
	Sub-total:	**RMB5,700,000**		**RMB5,700,000**
	Grand Total:	**RMB8,000,000**		**RMB8,000,000**

VALUATION CERTIFICATE

Group I — Property occupied by the Group under long-term title certificate in the PRC and valued on market value basis

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state to the Group as at 4 December 2009
1.	Room 1904 on 19th Floor Dongshan Plaza 69 Xianlie Road Central Dongshan District Guangzhou Guangdong Province The People's Republic of China	The property comprises an office unit on the 19th Floor of a 32-storeyed commercial/office building (excluding 2 levels of basement) which was completed in approximately 1996. According to the information made available to us, the property has a gross floor area of approximately 169.47 sq. m. The property is subject to a right to use the land for a term of 50 years from 24 January 1995 for office usage.	At the time of inspection, the property was occupied by the Group for office purpose.	RMB2,300,000 (100 per cent. interest)

Notes:

1. Pursuant to a Realty Title Certificate known as Sui Fang Di Zheng Zi Di 0594280 Hao (穗房地證字第0594280號) dated 21 January 2000, the legally interested party in the property was 廣州市新信薈智資訊產業有限公司 (translated as Guangzhou City Xinxin Huizhi Information Industry Company Limited and hereinafter referred to as "Guangzhou Xinxin Huizhi"), a subsidiary of the Company.

2. The property is subject to a mortgage in favour of the Guangzhou Branch of Shenzhen Development Bank (深圳發展銀行廣州分行) under a Fang Wu Ta Xiang Quan Zheng (房屋他項權證) known as Sui Fang Ta Zheng Zi Di 029957 Hao (穗房他證字第029957號) dated 21 January 2000.

3. According to the legal opinion prepared by the Company's PRC legal adviser, Guang Dong Shun Hua Law Office (廣東舜華律師事務所), the following opinions are noted:

   (i) Guangzhou Xinxin Huizhi is the legally interested party in the property and has the rights to hold, use, handle the proceed, lease, mortgage or freely transfer the property;

   (ii) The property was acquired by Guangzhou Xinxin Huizhi and subject to a mortgage in favour of the Guangzhou Branch of Shenzhen Development Bank on 22 March 1999 at a consideration of RMB2,040,000; and

   (iii) According to the Fang Wu Ta Xiang Quan Zheng (房屋他項權證) known as Sui Fang Ta Zheng Zi Di 029957 Hao (穗房他証字第029957號) dated 21 January 2000, all of the rights of the property has been mortgaged to the Guangzhou Branch of Shenzhen Development Bank.

Group II — Properties held by the Group under long-term title certificates in the PRC for investment and valued on market value basis

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state to the Group as at 4 December 2009
2.	Room 2117 on 21st Floor Yingu Mansion No.9 West Road North 4th Ring Haidian District Beijing The People's Republic of China	The property comprises an office unit on the 21st Floor of a 23-storeyed commercial/office building (excluding 3 levels of basement) which was completed in 2005. According to the information made available to us, the property has a gross floor area of approximately 146.14 sq. m. The property is subject to a right to use the land for a term from 5 December 2001 to 4 December 2051 for comprehensive usage.	At the Date of Valuation, the property was tenant occupied at a monthly rental of RMB 20,891.93 for a term from 15 January 2008 to 31 December 2010 inclusive of property management fee.	RMB2,920,000 (100 per cent. interest)

Notes:

1. The right to possess the land is held by the State and the rights to use the land has been assigned to 北京銀谷大厦房地產開發有限公司 (translated as Beijing Yingu Mansion Property Development Company Limited and hereinafter referred to as "Beijing Yingu") under a State-owned Land Use Rights Certificate known as 京海國用(2005出)第3576號 Jing Hai Guo Yung (2005) Chu Di 3576 Hao.

2. Pursuant to a Realty Title Certificate known as Jing Fang Quan Zheng Hai Gan Ao Tai Yi Zi Di0103492 Hao (京房權證海港澳臺移字第0103492號) dated 16 May 2007, the legally interested party in the property was 天時北方軟件(北京)有限公司 (translated as Tianshi Beifang Software (Beijing) Company Limited and hereinafter referred to as "Tianshi Beifang"), a subsidiary of the Company.

3. According to the Beijing Ready Commodity Housing Purchase and Sales Contract No. XF16840 (北京市商品房現房買賣合同編號XF16840) signed between Beijing Yingu and Tianshi Beifang, the property was transacted at a consideration of RMB2,031,346.

4. According to the legal opinion prepared by the Company's PRC legal adviser, Guang Dong Shun Hua Law Office (廣東舜華律師事務所), the following opinions are noted:

   (i) Tianshi Beifang is the legally interested party in the property and has the rights to hold, use, handle the proceed, lease,mortgage or freely transfer the property; and

   (ii) The property is not subject to any mortgages or third party's interests.

	Property	Description and tenure	Particulars of occupancy	Market Value in existing state to the Group as at 4 December 2009
3.	Room 2115 on 21st Floor Yingu Mansion No.9 West Road North 4th Ring Haidian District Beijing The People's Republic of China	The property comprises an office unit on the 21st Floor of a 23-storeyed commercial/office building (excluding 3 levels of basement) which was completed in 2005. According to the information made available to us, the property has a gross floor area of approximately 139.06 sq. m. The property is subject to a right to use the land for a term from 5 December 2001 to 4 December 2051 for comprehensive usage.	At the Date of Valuation, the property was tenant occupied at a monthly rental of RMB 20,302 for a term from 7 April 2008 to 6 April 2010 inclusive of property management fee.	RMB2,780,000 (100 per cent. interest)

Notes:

1. The right to possess the land is held by the State and the rights to use the land has been assigned to 北京銀谷大厦房地產開發有限公司 (translated as Beijing Yingu Mansion Property Development Company Limited and hereinafter referred to as "Beijing Yingu") under a State-owned Land Use Rights Certificate known as 京海國用(2005出)第3576號 Jing Hai Guo Yung (2005) Chu Di 3576 Hao.

2. Pursuant to a Realty Title Certificate known as Jing Fang Quan Zheng Hai Gan Ao Tai Yi Zi Di0103491 Hao房權證海港澳臺移0103491號 dated 25 May 2007, the legally interested party in the property was 天時北方軟件(北京)有限公司 (translated as Tianshi Beifang Software (Beijing) Company Limited and hereinafter referred to as "Tianshi Beifang"), a subsidiary of the Company.

3. According to the Beijing Ready Commodity Housing Purchase and Sales Contract No. XF16836 (北京市商品房現房買賣合同編號XF16836) dated 26 July 2006 and signed between Beijing Yingu and Tianshi Beifang, the property was transacted at a consideration of RMB1,932,934.

4. According to the legal opinion prepared by the Company's PRC legal adviser, Guang Dong Shun Hua Law Office (廣東舜華律師事務所), the following opinions are noted:

   (i) Tianshi Beifang is the legally interested party in the property and has the rights to hold, use, handle the proceed, lease, mortgage or freely transfer the property; and

   (ii) The property is not subject to any mortgages or third party's interests.

FOR THE YEAR ENDED 31 DECEMBER 2006

Results

For the year ended 31 December 2006, Encore recorded a turnover of approximately HK$13.8 million, representing a decrease of approximately 38.8% from that of the previous year. The substantial decrease in turnover was mainly attributable to the termination of Encore's retail business. The loss for the year ended 31 December 2006 amounted to approximately HK$0.4 million, representing a reduction of approximately 68.6% as compared to the last year. The decrease in net loss was mainly attributable to the reduction in rental expenses and employee benefit expenses resulted from the closure of the retail shop.

Business Review

For the year ended 31 December 2006, Encore was mainly engaged in the trading of software products.

In view of the escalating rental charges and tumbling profit margin, Encore closed down its retail shop and shifted its business development focus from retail customers to corporate customers, and targeted to introduce value-added services to its customers in addition to trading of computer software. The total turnover decreased with the new business strategy but performance for the year showed a significant improvement as a result of the savings in rental and salaries.

Capital Structure, Liquidity and Financial Resources

Encore's funding and treasury policies were established to ensure the availability of funds at reasonable costs to meet all contractual financial commitments, to fund business growth and to generate reasonable returns from available funds. Encore relied principally on funds provided by the directors and a related company to finance its business.

As at 31 December 2006, the amounts due to the directors and a related company amounted to approximately HK$1.5 million and cash and bank balances amounted to approximately HK$2.0 million. Encore's gearing ratio, as expressed as the ratio of total liabilities divided by total assets, was approximately 0.64 as at 31 December 2006.

Most of the expenditures of Encore were denominated in Hong Kong dollar. Encore had no significant foreign exchange exposures and did not use any financial instrument for hedging purposes.

As at 31 December 2006, Encore did not have any contingent liability or charges on any of its assets.

Material Investments, Acquisitions or Disposals

Encore had not acquired or disposed of any subsidiary or affiliated company during the year ended 31 December 2006.

As at 31 December 2006, Encore did not have any material capital expenditure commitment or future plan for material investments or capital assets.

Segmental Analysis

Encore was solely engaged in the trading of computer software and hardware in Hong Kong during the year under review.

Human Resources

Encore had 5 employees as at 31 December 2006 and the total staff cost for the year amounted to approximately HK$1.1 million.

Salaries of employees were maintained at a competitive level and Encore continued to review remuneration packages of employees with reference to the general market condition and individual performance. Remuneration packages comprised salaries and discretionary bonuses.

FOR THE YEAR ENDED 31 DECEMBER 2007

Results

For the year ended 31 December 2007, Encore recorded a turnover of approximately HK$14.3 million, representing a growth of approximately 3.6% as compared to that of the previous year. The profit for the year amounted to approximately HK$58,332 whereas a loss of approximately HK$0.4 million was recorded for the previous year. The improved performance of Encore was mainly attributable to the increase in gross profit margin from approximately 5.8% for the year ended 31 December 2006 to approximately 10.3% for the year under review.

Business Review

For the year ended 31 December 2007, Encore was mainly engaged in the trading of computer software.

In 2007, Encore expanded its business to provide value-added services such as maintenance and installation services to its customers in addition to the sales of computer software. The provision of services to customers improved the revenue and gross profit margin of Encore during the year under review.

Capital Structure, Liquidity and Financial Resources

Encore's funding and treasury policies were established to ensure the availability of funds at reasonable costs to meet all contractual financial commitments, to fund business growth and to generate reasonable returns from available funds. Encore relied principally on funds provided by the directors and bank overdraft to finance its business.

As at 31 December 2007, the amount due to directors and outstanding bank overdraft amounted to approximately HK$0.2 million and HK$0.3 million respectively. The cash and bank balances as at 31 December 2007 amounted to approximately HK$0.7 million. Encore's gearing ratio, as expressed as the ratio of total liabilities divided by total assets, was approximately 0.50 as at 31 December 2007.

Most of the expenditures of Encore were denominated in Hong Kong dollar. Encore had no significant foreign exchange exposures and did not use any financial instrument for hedging purposes.

As at 31 December 2007, Encore did not have any contingent liability or charges on any of its assets.

Material Investments, Acquisitions or Disposals

Encore had not acquired or disposed of any subsidiary or affiliated company during the year under review.

As at 31 December 2007, Encore did not have any material capital expenditure commitment or future plan for material investments or capital assets.

Segmental Analysis

Encore was solely engaged in the trading of computer software and hardware in Hong Kong during the year under review.

Human Resources

Encore had 5 employees as at 31 December 2007 and the total staff cost for the year amounted to approximately HK$0.6 million.

Salaries of employees were maintained at a competitive level and Encore continued to review remuneration packages of employees with reference to the general market condition and individual performance. Remuneration packages comprised salaries and discretionary bonuses.

FOR THE YEAR ENDED 31 DECEMBER 2008

Results

For the year ended 31 December 2008, Encore recorded a turnover of approximately HK$11.9 million, representing a decrease of approximately 16.8% as compared to that of the previous year. The decrease in turnover was mainly attributable to the adverse impact of economic downturn in the 2nd half of the year. The loss for the year amounted to approximately HK$0.8 million whereas a profit of approximately HK$58,332 was recorded for the previous year. The loss for the year under review was mainly attributable to the increase in salaries and allowance and consultancy fee of approximately HK$0.4 million and HK$0.2 million respectively as compared to their respective amounts for the previous year.

Business Review

For the year ended 31 December 2008, Encore was mainly engaged in the trading of computer software and hardware.

With the objective of further increasing its profit margin, Encore introduced the enterprise solution services to the customers, including ERP solutions and HR solutions during the year under review. With the solution services, Encore is able to provide a full range of information technology products and services to its customers.

Capital Structure, Liquidity and Financial Resources

Encore's funding and treasury policies were established to ensure the availability of funds at reasonable costs to meet all contractual financial commitments, to fund business growth and to generate reasonable returns from available funds. Encore relied principally on funds provided by the directors and a related company and bank overdraft to finance its business.

As at 31 December 2008, the amounts due to directors and a related company amounted to approximately HK$94,857 and outstanding bank overdraft amounted to approximately HK$0.5 million. The cash and bank balances amounted to approximately HK$76,116. Encore's gearing ratio, as expressed as the ratio of total liabilities divided by total assets, was approximately 0.66 as at 31 December 2008.

Most of the expenditures of Encore were denominated in Hong Kong dollar. Encore had no significant foreign exchange exposures and did not use any financial instrument for hedging purposes.

As at 31 December 2008, Encore did not have any contingent liability or charges on any of its assets.

Material Investments, Acquisitions or Disposals

Encore had not acquired or disposed of any subsidiary or affiliated company during the year under review.

As at 31 December 2008, Encore did not have any material capital expenditure commitment or future plan for material investments or capital assets.

Segmental Analysis

Encore was solely engaged in the trading of computer software and hardware in Hong Kong during the year under review.

Human Resources

Encore had 7 employees as at 31 December 2008 and the total staff cost for the year amounted to approximately HK$1.1 million.

Salaries of employees were maintained at a competitive level and Encore continued to review remuneration packages of employees with reference to the general market condition and individual performance. Remuneration packages comprised salaries and discretionary bonuses.

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2009

Results

For the nine months ended 30 September 2009, Encore recorded a turnover of approximately HK$6.9 million, representing a decrease of approximately 32.6% from that of the previous corresponding period. The decrease in turnover was mainly attributable to the adverse impact of the global financial crisis which has significantly depressed the demand for replacement or upgrade of software and hardware by corporations. Encore's loss attributable to shareholders amounted to approximately HK$0.1 million, representing a decrease in loss of approximately 13.0%. The decrease in loss was mainly attributable to the implementation of a cost saving plan which had successfully decreased the administrative expenses by approximately 47.0% as compared to that of the previous corresponding period.

Business Review

For the nine months ended 30 September 2009, Encore was mainly engaged in the trading of software and hardware.

Encore experienced a very tough time during the period under review. In general, the corporate spending on hardware and software replacement or upgrade decreased significantly after the outburst of the global financial crisis. As a result, Encore's turnover for the period decreased by approximately 32.6%. To alleviate the situation, Encore implemented a cost saving plan and dismissed two staff. With the implementation of such measures, the administrative expenses for the period under review decreased by approximately 47.0% as compared to the previous corresponding period.

In view of the uncertain economic and business environment, Encore has adopted a prudent approach for business development and continued to focus on the business of providing all-rounded information technology products and services to its customers.

Capital Structure, Liquidity and Financial Resources

Encore's funding and treasury policies were established to ensure the availability of funds at reasonable costs to meet all contractual financial commitments, to fund business growth and to generate reasonable returns from available funds. Encore relied principally on contributions from the shareholders to finance its business.

As at 30 September 2009, the cash and bank balances amounted to approximately HK$0.1 million. Encore's gearing ratio, as expressed as the ratio of total liabilities divided by total assets, was approximately 0.73 as at 30 September 2009.

Most of the expenditures of Encore were denominated in Hong Kong dollar. Encore had no significant exchange exposures and did not use any financial instrument for hedging purposes.

As at 30 September 2009, Encore did not have any contingent liability or charges on any of its assets.

Material Investments, Acquisitions or Disposals

Encore had not acquired or disposed of any subsidiary or affiliated company during the period under review.

As at 30 September 2009, Encore did not have any material capital expenditure commitment or future plan for material investments or capital assets.

Segmental Analysis

Encore was solely engaged in the trading of computer software and hardware in Hong Kong during the period under review.

Human Resources

Encore had 5 employees as at 30 September 2009 and the total staff cost for the period amounted to approximately HK$0.7 million.

Salaries of employees were maintained at a competitive level and Encore continued to review remuneration packages of employees with reference to the general market condition and individual performance. Remuneration packages comprised salaries and discretionary bonuses.

FOR THE YEAR ENDED 31 MARCH 2007

Results

For the year ended 31 March 2007, the Group recorded a turnover of approximately HK$2.7 million, representing a decrease of approximately 27.0% as compared to that of the previous year. In the absence of any gain on disposal of land and buildings, which amounted to approximately HK$37.9 million for the year ended 31 March 2006, the Group recorded a loss attributable to equity holders of the Company of approximately HK$14.7 million for the year ended 31 March 2007 (2006: profit of approximately HK$2.4 million).

Business Review

For the year ended 31 March 2007, the Group was mainly engaged in software development.

For the year under review, the Group devoted most of its resources on software development and therefore a substantial decrease in turnover and a net operating loss were recorded.

During the year, the development of Timeless Consolidated Platform ("TCP"), a self-developed web-based service platform operating system, which comprises five individual yet inter-linkable sub-platforms, namely Guangcun (廣存), Sousuo (搜索), Shixiang (視像), Ziwang (子網) and Zifa (子發), reached the final stage. The TCP was empowered with the capability to process information among and between the various domains in a relatively open manner. The Group also completed the development of, and launched, ten service sub-platforms namely Tourism Development Services Sub-platform, Education Services Sub-platform, Multi-media Entertainment Sub-platform, Elderly Care Services Sub-platform, Medical Care Services Sub-platform, Workflow Services Sub-platform, Value-Add Services Sub-platform, Aero-Space Technology Sub-platform, Cross Network Information Sub-platform and Search Management Sub-platform, on trial as beta during the year under review. As at 31 March 2007, the amount of orders on hand of the Group was over HK$2.3 million.

Capital Structure, Liquidity and Financial Resources

The Group's funding and treasury policies were established to ensure the availability of funds at reasonable costs to meet all contractual financial commitments, to fund business growth and to generate reasonable returns from available funds. The Group financed its operations and investing activities primarily with internally generated cash flow and bank loan.

As at 31 March 2007, the Group had bank balances and cash (excluding pledged bank deposits) of approximately HK$56.8 million (2006: HK$132.5 million). The significant decrease in bank balances and cash was mainly attributable to the purchases of equity-linked notes and available-for-sale financial assets of approximately HK$53.0 million and HK$4.9 million respectively, the acquisition of office premises and investment properties in Beijing for a cash consideration of approximately HK$4.0 million and the share repurchase by Talent Valley Company Limited ("Talent Valley"), a subsidiary of the Group, for a cash consideration of approximately HK$2.2 million.

As at 31 March 2007, the Group had outstanding borrowings of approximately HK$1.3 million (2006: HK$1.5 million), of which approximately HK$1.2 million (2006: HK$1.4 million) was a bank loan, which was repayable by monthly installment until full settlement on 15 March 2015, and approximately HK$0.1 million (2006: HK$0.1 million) were obligations under finance lease, which were fully repaid on 31 March 2008.

The gearing ratio of the Group, as expressed as the ratio of total liabilities divided by total assets, was approximately 0.04 as at 31 March 2007.

Since the Group's borrowings, income and expenditures were primarily denominated in Hong Kong dollars and Renminbi, the exposure to foreign exchange rate fluctuations was considered to be minimal. The Group did not use any financial instrument for hedging purposes.

Contingent liabilities

As at 31 March 2007, the Company had given corporate guarantees of HK$5 million (2006: HK$5 million) to banks for securing credit facilities provided to its subsidiaries. As at 31 March 2007, no subsidiaries had utilized the credit facilities. Furthermore, as at 31 March 2007, the Group had given guarantees of RMB4.9 million (2006: approximately RMB5 million) to secure credit facilities provided to a jointly controlled entity. As at 31 March 2007, the credit facilities of RMB4.9 million (2006: RMB5 million) were fully utilized by the jointly controlled entity.

As at 31 March 2007, a commercial property situated in Guangzhou with net book value of approximately HK$2.2 million (2006: HK$2.3 million) held by a PRC subsidiary, was pledged to a bank for securing a loan of approximately HK$1.2 million (2006: HK$1.4 million). Bank deposits totaling approximately HK$10.5 million (2006: HK$10.3 million) were pledged to banks for securing banking facilities of HK$5.0 million (2006: HK$5.0 million) provided to the Company's subsidiaries and a loan facility of approximately HK$4.9 million (2006: HK$4.8 million) provided to the Group's jointly controlled entity.

Material Investments, Acquisitions or Disposals

During the year ended 31 March 2007, Talent Valley repurchased its share capital in nominal value of RMB4 million from a minority shareholder at a cash consideration of RMB2.2 million. As a result of the share repurchase, the registered capital of Talent Valley reduced from RMB20 million to RMB 16 million, effectively increasing the Group's interest in Talent Valley Company Limited from 70.0% to 87.5%.

Save as aforementioned, the Group had not acquired or disposed of any subsidiary or affiliated company during the year under review.

As at 31 March 2007, the Group did not have any material capital expenditure commitment or future plan for material investments or capital assets.

Segmental Analysis

The Group was solely engaged in software development during the year under review and thus no analysis on business segment is presented.

The Group's turnover was mainly generated from Hong Kong and the PRC. For the year ended 31 March 2007, the turnover contributed from Hong Kong increased slightly from 59.1% in 2006 to 60.5% while turnover contributed from the PRC decreased slightly from 40.9% in the previous year to 39.5%.

Human Resources

As at 31 March 2007, the Group had 44 employees and the total staff costs for the year amounted to approximately HK$15.2 million. Staff remuneration was reviewed by the Group from time to time and salary adjustment would be made according to the length of services and performance. In addition to salaries, the Group also provided staff benefits, including medical insurance and provident fund, to its employees. Depending on the financial performance of the Group, share options and bonuses would also be granted to employees at the discretion of the Directors.

FOR THE YEAR ENDED 31 MARCH 2008

Results

For the year ended 31 March 2008, the Group recorded a turnover of approximately HK$2.9 million, representing an increase of approximately 9.9% as compared to that of the previous year. Benefited from the favorable economic conditions, especially in the PRC, the Group recorded increases in turnover in both Hong Kong and the PRC. For the year under review, the turnover generated from Hong Kong and the PRC increased by approximately 7.0% and 14.4% respectively. The Group's loss attributable to equity holders of the Company amounted to approximately HK$17.8 million (2007: HK$14.7 million). The increase in the net loss was mainly attributable to (i) the decrease in other income of approximately HK$2.2 million; (ii) the decrease in net gains on equity-linked notes, investments held for trading and available-for-sale financial assets of approximately HK$4.8 million; and (iii) the increase in share of losses of associates of approximately HK$2.2 million.

Business Review

For the year ended 31 March 2008, the Group was mainly engaged in software development.

During the year under review, the Group completed its development of the TCP. In addition, the ten service sub-platforms launched on trial as beta in last year earned recognition and support from the several significant customers, including famous software resellers, telecom service providers and government agencies. The service sub-platforms possess cross-platform, cross-network and cross-service capabilities and are able to customize specific environment and requirements. The industry spectrum served by the sub-platforms were wide-spread, spanning from tourism, educational services, multi-media and entertainment services, elderly services, medical services, telecom value-added services, aero-space mathematical services to cross network information management services. As at 31 March 2008, the amount of orders on hand of the Group was over HK$3.5 million.

Capital Structure, Liquidity and Financial Resources

The Group's funding and treasury policies were established to ensure the availability of funds at reasonable costs to meet all contractual financial commitments, to fund business growth and to generate reasonable returns from available funds. The Group financed its operations and investing activities primarily with internally generated cash flow and bank loan.

As at 31 March 2008, the Group had bank balances and cash (excluding pledged bank deposits) of approximately HK$89.4 million (2007: HK$56.8 million). The increase in bank balances and cash as compared with that of the previous year was mainly attributable to the net proceeds received from redemption of equity-linked notes.

As at 31 March 2008, the Group had outstanding borrowings of approximately HK$1.6 million (2007: HK$1.3 million), of which approximately HK$1.3 million (2007: HK$1.2 million) was a bank loan, which was repayable by monthly installment until full repayment on 15 March 2015, approximately HK$0.2 million (2007: HK$0.1 million) were obligations under a finance lease, which would be fully repaid on 30 September 2012 and approximately HK$0.1 million (2007: nil) was bank overdraft.

The gearing ratio of the Group, as expressed as the ratio of total liabilities divided by total assets, was approximately 0.06 as at 31 March 2008.

Since the Group's borrowings, income and expenditures were primarily denominated in Hong Kong dollars and Renminbi, the exposure to foreign exchange rate fluctuations was considered to be minimal. The Group did not use any financial instrument for hedging purposes.

Contingent liabilities

As at 31 March 2008, the Company had given corporate guarantees of HK$5 million (2007: HK$5 million) to banks for securing credit facilities provided to its subsidiaries. As at 31 March 2008, no subsidiaries had utilized the credit facilities. Furthermore, as at 31 March 2008, the Group had given guarantees of RMB4.9 million (2007: RMB4.9 million) to secure credit facilities provided to a jointly controlled entity. As at 31 March 2008, the credit facilities of RMB4.9 million (2007: RMB4.9 million) were fully utilized by the jointly controlled entity.

As at 31 March 2008, a commercial property situated in Guangzhou with a carrying value of approximately HK$2.3 million (2007: HK$2.2 million) held by a PRC subsidiary, was pledged to a bank for securing a loan of approximately HK$1.3 million (2007: HK$1.2 million). Bank deposits totaling approximately HK$11.2 million (2007: HK$10.5 million) were pledged to banks for securing banking facilities of HK$5.0 million (2007: HK$5.0 million) provided to the Company's subsidiaries and a loan facility of approximately RMB4.9 million (2007: RMB4.9 million) provided to the Group's jointly controlled entity.

Material Investments, Acquisitions or Disposals

The Group had not acquired or disposed of any subsidiary or affiliated company during the year under review.

As at 31 March 2008, the Group did not have any material capital expenditure commitment or future plan for material investments or capital assets.

Segmental Analysis

The Group was solely engaged in software development during the year under review and thus no analysis on business segment is presented.

The Group's turnover was mainly generated from Hong Kong and the PRC. For the year ended 31 March 2008, the turnover contributed from Hong Kong decreased slightly from 60.5% in 2007 to 58.9% while turnover contributed from the PRC increased slightly from 39.5% in the previous year to 41.1%.

Human Resources

As at 31 March 2008, the Group had 39 employees and the total staff costs for the year amounted to approximately HK$12.5 million. Staff remuneration was reviewed by the Group from time to time and salary adjustment would be made according to the length of services and performance. In addition to salaries, the Group also provided staff benefits, including medical insurance and provident fund, to its employees. Depending on the financial performance of the Group, share options and bonuses would also be granted to employees at the discretion of the Directors.

FOR THE YEAR ENDED 31 MARCH 2009

Results

For the year ended 31 March 2009, the Group recorded a turnover of approximately HK$9.0 million, representing a significant increase of approximately 209.7% as compared to that of the previous year. The increase was mainly attributable to the introduction of hardware sales by the Group during the year under review, which contributed approximately HK$6.7 million to the Group's turnover. Despite an improvement in the turnover, the Group recorded a loss attributable to equity holders of the Company of approximately HK$24.0 million for the year ended 31 March 2009 (2008: HK$17.8 million) as net losses on equity-linked notes of approximately HK$5.3 million was recorded for the year under review while net gains of approximately HK$0.6 million was recorded in last year.

Business Review

For the year ended 31 March 2009, apart from software development, the Group also engaged in trading of hardware products.

During the year under review, the Group's self-developed consolidated platform, namely the TCP, was launched to the market. Furthermore, the Group obtained the contracts for the Chinese Justice Enforcement informatization projects and certain new customers from the education industry during the year ended 31 March 2009. With the successful launching of the TCP, the Group continued its effort in developing various application sub-platforms, such as education services, telecom value-added services, cross-platform information services and justice enforcement services.

Benefited from the implementation of a stimulus fiscal plan and expansionary monetary policies in the PRC, the Group's business in the PRC continued to grow during the year under review and recorded a significant growth of 560.7% for the period. To further strengthen its presence in the PRC market, the Group actively pursued to ally with potential partners in the PRC. As at 31 March 2009, the orders on hand of the Group amounted to more than HK$11.4 million.

Capital Structure, Liquidity and Financial Resources

The Group's funding and treasury policies were established to ensure the availability of funds at reasonable costs to meet all contractual financial commitments, to fund business growth and to generate reasonable returns from available funds. The Group financed its operations and investing activities primarily with internally generated cash flow and bank loan.

As at 31 March 2009, the Group had bank balances and cash (excluding pledged bank deposits) of approximately HK$72.2 million (2008: HK$89.4 million).

As at 31 March 2009, the Group had outstanding borrowings of approximately HK$1.3 million (2008: HK$1.6 million), of which approximately HK$1.1 million (2008: HK$1.3 million) was a bank loan, which was repayable by monthly installment until full repayment on 15 March 2015, and approximately HK$0.2 million (2008: HK$0.2 million) were obligations under a finance lease, which would be fully repaid on 30 September 2012.

The gearing ratio of the Group, as expressed as the ratio of total liabilities divided by total assets, was approximately 0.07 as at 31 March 2009.

Since the Group's borrowings, income and expenditures were primarily denominated in Hong Kong dollars and Renminbi, the exposure to foreign exchange rate fluctuations was considered to be minimal. The Group did not use any financial instrument for hedging purposes.

Contingent liabilities

As at 31 March 2009, the Company had given corporate guarantees of HK$5 million (2008: HK$5 million) to banks for securing credit facilities provided to its subsidiaries. As at 31 March 2009, no subsidiaries had utilized the credit facilities. Furthermore, as at 31 March 2009, the Group had given guarantees of RMB4.9 million (2008: RMB4.9 million) to secure credit facilities provided to a jointly controlled entity. As at 31 March 2009, the credit facilities of RMB4.9 million (2008: RMB4.9 million) were fully utilized by the jointly controlled entity.

As at 31 March 2009, a commercial property situated in Guangzhou with a carrying value of approximately HK$2.2 million (2008: HK$2.3 million) held by a PRC subsidiary was pledged to a bank for securing a loan of approximately HK$1.1 million (2008: HK$1.3 million). Bank deposits totaling approximately HK$11.4 million (2008: HK$11.2 million) were pledged to banks for securing banking facilities of HK$5.0 million (2008: HK$5.0 million) provided to the Company's subsidiaries and a loan facility of approximately RMB4.9 million (2008: RMB4.9 million) provided to the Group's jointly controlled entity.

Material Investments, Acquisitions or Disposals

On 28 August 2008, the Company entered into an agreement with an independent third party (the "Investor") to dispose of 4.5% equity interest held by the Company in 珠海南方軟件園發展有限公司 (Zhuhai Southern Software Park Development Company Limited) ("ZSSP"), a jointly controlled entity of the Company, at a cash consideration of RMB3.49 million (the "Disposal"). Pursuant to the agreement, the Investor will also acquire some but not all equity interest in ZSSP from other shareholders of ZSSP and to further invest RMB40.0 million in ZSSP in the form of additional paid-in capital (the "Restructuring"). The Investor's equity interest in the enlarged paid-in capital of ZSSP will be 71.4%. Immediately after the completion of the Restructuring and the Disposal, the Company will hold 15.3% equity interest in ZSSP. As at 25 June 2009, being the date of the 2009 annual report of the Company, the aforesaid transactions were yet to be completed.

Save as disclosed above, the Group had not acquired or disposed of any subsidiary or affiliated company during the year under review.

As at 31 March 2009, the Group did not have any material capital expenditure commitment or future plan for material investments or capital assets.

Segmental Analysis

The Group established a new operating division to sell hardware during the year under review in addition to the operating division of software development. For the year ended 31 March 2009, the software development division accounted for approximately 26.0% of the total turnover of the Group while the new hardware sales division accounted for approximately 74.0% of the total turnover of the Group.

The Group's turnover was mainly generated from Hong Kong and the PRC. For the year ended 31 March 2009, the turnover contributed from Hong Kong decreased significantly from 58.9% in 2008 to 12.3% while turnover contributed from the PRC increased sharply from 41.1% in previous year to 87.7%.

Human Resources

As at 31 March 2009, the Group had 49 employees and the total staff costs for the year amounted to approximately HK$12.6 million. Staff remuneration was reviewed by the Group from time to time and salary adjustment would be made according to the length of services and performance. In addition to salaries, the Group also provided staff benefits, including medical insurance and provident fund, to its employees. Depending on the financial performance of the Group, share options and bonuses would also be granted to employees at the discretion of the Directors.

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

Results

For the six months ended 30 September 2009, the Group recorded a turnover of approximately HK$5.8 million, representing a reduction of approximately 10.5% from that of the last corresponding period. Given that net gains on equity-linked notes and investments held for trading of approximately HK$1.7 million was recorded for the period under review while net losses of approximately HK$6.7 million and impairment loss recognized on investment in a jointly controlled entity of approximately HK$1.4 million were recognized for the six months ended 30 September 2008, the Group's loss attributable to owners of the Company for the six months ended 30 September 2009 decreased substantially by more than 80% to approximately HK$2.4 million (2008: HK$12.6 million).

Business Review

For the six months ended 30 September 2009, the Group was mainly engaged in software development and trading of hardware products.

For the period under review, the Group allocated most of its resources on software development and trading business. As a result, the Group's turnover of software development recorded a substantial growth of over 240% as compared to the corresponding period in the previous year. On the other hand, the turnover of hardware sales decreased by approximately 95.7% to approximately HK$209,000 after completing a non-recurring bulk purchase order in the previous year. As at 30 September 2009, the amount of orders on hand of the Group was over HK$5.8 million.

Capital Structure, Liquidity and Financial Resources

The Group's funding and treasury policies were established to ensure the availability of funds at reasonable costs to meet all contractual financial commitments, to fund business growth and to generate reasonable returns from available funds. The Group financed its operations and investing activities primarily with internally generated cash flow and bank loan.

As at 30 September 2009, the Group had bank balances and cash (excluding pledged bank deposits) of approximately HK$77.4 million (31 march 2009: HK$72.2 million). The increase in bank balances and cash was mainly attributable to the release of a pledged bank deposit of approximately HK$6.2 million upon maturity of a loan facility during the period under review.

As at 30 September 2009, the Group had outstanding borrowings of approximately HK$1.2 million (31 March 2009: HK$1.3 million), of which approximately HK$1.1 million (31 March 2009: HK$1.1 million) was a bank loan, which was repayable by monthly installment until full repayment on 15 March 2015, and approximately HK$0.1 million (31 March 2009: HK$0.2 million) were obligations under a finance lease, which would be fully repaid on 30 September 2012.

The gearing ratio of the Group, as expressed as the ratio of total liabilities divided by total assets, was approximately 0.09 as at 30 September 2009.

Since the Group's borrowings, income and expenditures were primarily denominated in Hong Kong dollars and Renminbi, the exposure to foreign exchange rate fluctuations was considered to be minimal. The Group did not use any financial instrument for hedging purposes.

Contingent liabilities

As at 30 September 2009, the Company had given corporate guarantees of HK$5 million (31 March 2009: HK$5 million) to banks for securing credit facilities provided to its subsidiaries. As at 30 September 2009, no subsidiaries had utilized the credit facilities.

As at 30 September 2009, a commercial property situated in Guangzhou with a carrying value of approximately HK$2.1 million (31 March 2009: HK$2.2 million) held by a PRC subsidiary, was pledged to a bank for securing a loan of approximately HK$1.1 million (31 March 2009: HK$1.1 million). Bank deposits totaling approximately HK$5.2 million (31 March 2009: HK$11.4 million) were pledged to banks for securing banking facilities of HK$5.0 million (31 March 2009: HK$5.0 million) provided to the Company's subsidiaries. On 6 August 2009, a pledged deposit of approximately HK$6.2 million was released upon the maturity of a loan facility of approximately RMB4.9 million provided to the Group's jointly controlled entity.

Material Investments, Acquisitions or Disposals

The Restructuring of ZSSP was completed in June 2009 and the Company's interest in ZSSP has decreased from 28.5% to 18.2% since then. Up to the Latest Practicable Date, the Disposal in ZSSP was yet to be completed. The Company's interest in ZSSP shall further reduce to 15.3% upon completion of the Disposal.

Save as disclosed above, the Group had not acquired or disposed of any subsidiary or affiliated company during the period under review.

As at 30 September 2009, the Group did not have any material capital expenditure commitment or future plan for material investments or capital assets.

Segmental Analysis

The Group's turnover was mainly generated from software development segment and hardware sales segment. For the six months ended 30 September 2009, the software development segment accounted for approximately 96.4% of the total turnover of the Group while the hardware sales segment accounted for approximately 3.6% of the total turnover of the Group.

Human Resources

As at 30 September 2009, the Group had 49 employees and the total staff costs for the period amounted to approximately HK$6.2 million. Staff remuneration was reviewed by the Group from time to time and salary adjustment would be made according to the length of services and performance. In addition to salaries, the Group also provided staff benefits, including medical insurance and provident fund, to its employees. Depending on the financial performance of the Group, share options and bonuses would also be granted to employees at the discretion of the Directors.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

(a) the information contained in this circular is accurate and complete in all material respects and not misleading;

(b) there are no other matters the omission of which would make any statement in this circular misleading; and

(c) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

2. INTERESTS OF DIRECTORS

(a) Interest in the Shares, underlying Shares and debentures of the Company and its associated companies

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange were as follows:

(i) ***Long positions in the ordinary Shares***

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

(ii) ***Long positions in the share options of the Company***

Name of Directors	Capacity	Date of grant and vesting period (dd/mm/yy)	Exercisable period (dd/mm/yy)	Exercise price per Share (HK$)	Number of outstanding options held as at the Latest Practicable Date	Approximate percentage of shareholding
Cheng Kin Kwan	Beneficial owner	05/09/03	05/09/03 to 04/09/13	0.2280	6,960,000	0.61%
		08/12/03	08/12/03 to 07/12/13	0.2130	800,000	0.07%
		25/02/04	25/02/04 to 24/02/14	0.1900	7,700,000	0.68%
				Sub-total:	*15,460,000*	*1.36%*
Law Kwai Lam	Beneficial owner	05/09/03	05/09/03 to 04/09/13	0.2280	2,000,000	0.18%
		09/01/04	09/01/04 to 08/01/14	0.1900	1,000,000	0.09%
		28/02/05	28/02/05 to 27/02/15	0.0722	1,000,000	0.09%
		26/09/06	26/09/06 to 25/09/16	0.0772	3,500,000	0.31%
		18/06/07	18/06/07 to 17/06/17	0.2980	800,000	0.07%
				Sub-total	*8,300,000*	*0.73%*
Leung Mei Sheung, Eliza	Beneficial owner	05/09/03	05/09/03 to 04/09/13	0.2280	5,500,000	0.48%
		08/12/03	08/12/03 to 07/12/13	0.2130	4,300,000	0.38%
		25/02/04	25/02/04 to 24/02/14	0.1900	5,800,000	0.51%
		24/03/06	24/03/06 to 23/03/16	0.1530	300,000	0.03%
				Sub-total	*15,900,000*	*1.40%*
Zheng Ying Yu	Beneficial owner	05/09/03	05/09/03 to 04/09/13	0.2280	2,000,000	0.18%
		08/12/03	08/12/03 to 07/12/13	0.2130	400,000	0.03%
		09/01/04	09/01/04 to 08/01/14	0.1900	6,100,000	0.54%
		13/12/04	13/12/04 to 12/12/14	0.0982	50,000	0.00%
				Sub-total	*8,550,000*	*0.75%*
Fung Chun Pong, Louis	Beneficial owner	05/09/03	05/09/03 to 04/09/13	0.2280	2,000,000	0.18%
		09/01/04	09/01/04 to 08/01/14	0.1900	1,000,000	0.09%
		19/04/04	19/04/04 to 18/04/14	0.2096	300,000	0.03%

Name of Directors	Capacity	Date of grant and vesting period (dd/mm/yy)	Exercisable period (dd/mm/yy)	Exercise price per Share (HK$)	Number of outstanding options held as at the Latest Practicable Date	Approximate percentage of shareholding
		24/03/06	24/03/06 to 23/03/16	0.1530	300,000	0.03%
		18/06/07	18/06/07 to 17/06/17	0.2980	300,000	0.03%
				Sub-total	*3,900,000*	*0.34%*
Liao Yun	Beneficial owner	05/09/03	05/09/03 to 04/09/13	0.2280	800,000	0.07%
		26/11/03	26/11/03 to 25/11/13	0.2300	400,000	0.03%
		09/01/04	09/01/04 to 08/01/14	0.1900	790,000	0.07%
		19/04/04	19/04/04 to 18/04/14	0.2096	300,000	0.03%
		16/09/04	16/09/04 to15/09/14	0.0870	500,000	0.04%
		30/09/04	30/09/04 to 29/09/14	0.0900	500,000	0.04%
		13/12/04	13/12/04 to 12/12/14	0.0982	300,000	0.03%
		22/09/05	22/09/05 to 21/09/15	0.0920	400,000	0.03%
		24/03/06	24/03/06 to 23/03/16	0.1530	300,000	0.03%
				Sub-total	*4,290,000*	*0.38%*
Tsang Wai Chun, Marianna	Beneficial owner	24/03/06	24/03/06 to 23/03/16	0.1530	500,000	0.04%
		26/09/06	26/09/06 to 25/09/16	0.0772	3,000,000	0.26%
				Sub-total	*3,500,000*	*0.31%*
Chan Mei Ying Spencer	Beneficial owner	24/03/06	24/03/06 to 23/03/16	0.1530	500,000	0.04%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provision of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register of the Company referred to therein; or (iii) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

(b) **Interests in assets**

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which has been, since 31 March 2009, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or was proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

(c) **Interests in contracts**

No contracts or arrangements in which any Director was materially interested and which was significant in relation to the business of the Enlarged Group were subsisting at the Latest Practicable Date.

(d) **Interests in competing business**

As at the Latest Practicable Date, in so far as the Directors were aware, of none of the Directors, controlling Shareholders and their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

(e) **Directors' service contracts**

As at the Latest Practicable Date, there were no existing or proposed service contracts between the Directors and any member of the Company which were not expiring or determinable by the Company within one year without payment of compensation, other than statutory compensation.

3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, other than the interests and short positions of the Directors and chief executives of the Company as disclosed above, the following persons had the following interests and short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 336 of the SFO, to be recorded in the register of the Company:

Long positions in the shares of the Company

Name of Shareholders	Capacity	Number of Shares held	Approximate percentage of shareholding
Educational Information Technology (H.K.) Company Limited *Note*	Trustee	108,057,374	9.54%
Crimson Asia Capital Limited, L.P.	Beneficial owner	105,203,591	9.28%

Note: 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 Company Limited), a company which is owned as to 25% by the Group.

Save as disclosed above, as at the Latest Practicable Date, no other interests or short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 336 of the SFO, to be recorded in the register of the Company.

4. MATERIAL LITIGATION

As disclosed in the 2009 interim report of the Company, during the year ended 31 March 2007, the Company initiated legal proceedings against a third party (the "Landlord") in respect of an alleged breach of the tenancy agreement in failing to refund the deposit of HK$1.79 million. Concurrently, the Landlord resisted the claim and counterclaimed against the Company on, including but not limited to, reinstatement work and rental losses. Hearing of the case took place in the early half of 2009. The judgment entered in favour of the Company including the full amount claimed and costs of the action. As at the Latest Practicable Date, an amount of HK$2,230,014.24, representing the deposit and interest accrued up to the date of payment has been received by the Group.

Save as disclosed above, as at the Latest Practicable Date, the Enlarged Group was not involved in any litigation or arbitration of material importance and there were no litigations or claims of material importance known to the Directors to be pending or threatened by or against the Enlarged Group.

5. MATERIAL CONTRACTS

Save for (i) the agreement entered into between the Company and an independent third party on 28 August 2008 to dispose of 4.5% equity interest in 珠海南方軟件園發展有限公司 (Zhuhai Southern Software Park Development Company Limited), a jointly controlled entity of the Company, for a cash consideration of RMB3.49 million, details of which were set out in the 2009 interim report of the Company; and (ii) the Agreement, no material contracts (not being contracts entered into in the ordinary course of business) were entered into by any member of the Enlarged Group within the two years immediately preceding up to and including the Latest Practicable Date.

6. EXPERT AND CONSENT

(a) The following is the qualification of the experts who have given opinions, letters or advice which are contained in this circular:

HLB	Chartered Accountants, Certified Public Accountants
LCH	Independent Qualified Professional Valuers

(b) Each of HLB and LCH has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of the references to its name and/or its opinion in the form and context in which they are included.

(c) As at the Latest Practicable Date, none of HLB and LCH had any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(d) As at the Latest Practicable Date, none of HLB and LCH had any interest, direct or indirect, in any asset which has been, since 31 March 2009, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group, or was proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

7. GENERAL

(a) The registered office and principal office of the Company is situated at Units 111-113, 1st Floor, Building 9, Phase One, Hong Kong Science Park, Tai Po, New Territories, Hong Kong.

(b) The share registrar of the Company is Computershare Hong Kong Investor Services Limited, which is situated at 46th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

(c) The company secretary and compliance officer of the Company is Mr. Law Kwai Lam.

(d) The audit committee of the Company comprises all the independent non-executive Directors, namely Ms. Tsang Wai Chun Marianna, Mr. Chan Mei Ying Spencer and Mr. Lam Kwai Yan. The primary duties of the audit committee of the Company are to review and supervise the financial reporting process and internal control system of the Group. Under the terms of reference of the audit committee of the Company, 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 the GEM Listing Rules' requirements, review the scope, extent and effectiveness of the activities of the internal control of the Group, engage independent legal or other advisers as it determines is necessary and perform investigations. The particulars of the audit committee members of the Company are as follows:

Ms. Tsang Wai Chun Marianna

Ms. Tsang Wai Chun Marianna ("Ms. Tsang"), aged 54, is an independent non-executive Director. Ms. Tsang is the director of Chan & Wat, Certified Public Accountants and is a member of the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Company Secretaries, the Taxation Institute of Hong Kong and the Association of Professionals in Business Management and the Society of Registered Financial Planners. Ms. Tsang has over 25 years of company secretarial, corporate affairs and related legal working experiences in major commercial corporations and professional firms. Ms. Tsang has a MBA and a postgraduate certificate in Professional Accounting.

Mr. Chan Mei Ying Spencer

Mr. Chan Mei Ying Spencer ("Mr. Chan"), aged 52, is an independent non-executive Director. Mr. Chan is a director of Ubique Solutions Ltd and has all-round experiences 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. Mr. Chan 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.

Mr. Lam Kwai Yan

Mr. Lam Kwai Yan ("Mr. Lam"), aged 49, is an independent non-executive Director. Mr. Lam has a degree in Business Studies from the University of Southern Queensland, Australia. Mr. Lam is a member of the Hong Kong Institute of Public Accountants and the New Zealand Society of Chartered Accountants, and a fellow member of the Australian Society of Certified Practicing Accountants. Mr. Lam has worked for various large corporations, first starting his accounting career with Cable & Wireless (H.K.) Limited and worked in New Zealand for a number of years before returning to Hong Kong and starting an accounting practice. Mr. Lam has vast experiences with SME's, including auditing and consulting on re-organization and restructuring businesses that have cross-border operations in China. Mr. Lam's work also included advising and consulting for listed public companies.

(e) In case of any discrepancy, the English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours at the principal place of business of the Company in Hong Kong, Units 111-113, 1st Floor, Building 9, Phase One, Hong Kong Science Park, Tai Po, New Territories, Hong Kong, up to and including the date of the EGM:

(a) memorandum and articles of association of the Company;

(b) annual reports of the Group for each of the two years ended 31 March 2009;

(c) interim report of the Group for the six months ended 30 September 2009;

(d) the accountants' report on Encore prepared by HLB for the nine months ended 30 September 2009 and the three years ended 31 December 2008, the text of which is set out in Appendix II to this circular;

(e) the report prepared by HLB on the unaudited pro forma financial statements of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(f) the report prepared by LCH on the valuation of land and buildings of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(g) the written consents referred to in the paragraph headed "Expert and consent" in this Appendix; and

(h) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix.

TIMELESS SOFTWARE LIMITED

(incorporated in Hong Kong with limited liability)

Stock Code: 8028

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "EGM") of Timeless Software Limited (the "Company") will be held at 3:00 p.m. on Tuesday, 26 January 2010 at Convention Hall 1B, G/F., Core Building 1, No.1 Science Park East Avenue, Phase 1, Hong Kong Science Park, Tai Po, New Territories, Hong Kong for the purpose of transacting the following business:

ORDINARY RESOLUTION

"**THAT**:-

(a) the sale and purchase agreement dated 4 December 2009 (a copy of which marked "A" has been produced to the meeting and signed by the Chairman of the meeting for the purpose of identification) entered into between the Company and Mr. Ho Kin Lun Albert and Mr. Ko Chiu Wah in relation to the acquisition of the entire equity interest in Encore Trading Limited by the Company (the "Agreement"), details of which are set out in the circular of the Company dated 30 December 2009 (the "Circular") to its shareholders, and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

(b) any one or more of the directors of the Company be and is/are hereby authorized to sign, seal, execute, perfect and deliver supplemental agreements, deeds or such other documents and do all such acts, matters and things on behalf of the Company as he or they may in his or their discretion consider necessary or desirable for the purpose of or in connection with effecting and implementing the Agreement and completing the transactions contemplated by the Agreement with such changes including but not limited to change of the date for completion of the transactions as any such director(s) may consider necessary, desirable or expedient."

By order of the Board
Timeless Software Limited
Cheng Kin Kwan
Chairman & Chief Executive Officer

Hong Kong, 30 December 2009

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote at the EGM instead of him. A proxy need not be a member of the Company.

2. In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, must be lodged wtih the Company at Units 111-113, 1st Floor, Building 9, Phase One, Hong Kong Science Park, Tai Po, New Territories, Hong Kong, not less than 48 hours before the time fixed for holding the EGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude any member from attending and voting in person at the EGM or any adjourned meeting thereof should he so wishes.

3. In case of joint shareholdings, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purposes seniority will be determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholdings.

4. As at the date hereof, the board of directors of the Company comprises six executive directors, namely Mr. Cheng Kin Kwan, Mr. Law Kwai Lam, Ms. Leung Mei Sheung Eliza, Mr. Zheng Ying Yu, Mr. Fung Chun Pong Louis and Mr. Liao Yun; and three independent non-executive directors, namely Ms. Tsang Wai Chun Marianna, Mr. Chan Mei Ying Spencer and Mr. Lam Kwai Yan.