



Interim Report

for the six months ended 30 September 2008

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

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

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

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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

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Condensed Consolidated Income Statement

For the six months ended 30 September 2008

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Turnover		5,853	562	6,520	1,156
Other income	4	1,446	633	2,555	1,037
Purchase costs		(3,731)	—	(3,731)	—
Staff costs		(3,151)	(2,816)	(6,164)	(6,515)
Depreciation		(321)	(339)	(634)	(664)
Other expenses		(1,754)	(1,657)	(3,012)	(2,980)
Fair value changes on investment properties		(91)	—	(91)	—
Net (losses) gains on equity-linked notes		(6,553)	4,624	(6,184)	9,189
Net (losses) gains on investments held for trading		(559)	2,793	(482)	3,812
Net losses on available-for-sale financial assets		—	—	—	(46)
Impairment loss recognised on advance made to an associate		(183)	(278)	(183)	(278)
Impairment loss recognised on investments in a jointly controlled entity		(1,379)	(474)	(1,379)	(474)
Finance costs		(20)	(13)	(41)	(31)
Share of results of associates		936	(1,759)	215	(2,150)
(Loss) profit for the period		<u>(9,507)</u>	<u>1,276</u>	<u>(12,611)</u>	<u>2,056</u>
Attributable to:					
Equity holders of the Company		(9,505)	1,530	(12,607)	2,542
Minority interests		(2)	(254)	(4)	(486)
		<u>(9,507)</u>	<u>1,276</u>	<u>(12,611)</u>	<u>2,056</u>
(Loss) earnings per share	7				
– Basic		<u>(0.84) cents</u>	0.14 cents	<u>(1.11) cents</u>	0.23 cents
– Diluted		<u>N/A</u>	0.13 cents	<u>N/A</u>	0.23 cents

Condensed Consolidated Balance Sheet

At 30 September 2008

	Notes	(Unaudited) 30 September 2008 HK\$'000	(Audited) 31 March 2008 HK\$'000
Non-current assets			
Investment properties		6,295	6,244
Property, plant and equipment	8	4,169	4,524
Interests in associates		2,171	3,323
Interests in jointly controlled entities		—	—
Equity-linked notes	9	2,599	5,698
		15,234	19,789
Current assets			
Trade and other receivables	10	9,705	5,308
Equity-linked notes	9	8,407	11,492
Investments held for trading	11	1,022	1,543
Pledged bank deposits		11,383	11,153
Bank balances and cash		81,267	89,412
		111,784	118,908
Current liabilities			
Accounts payable	12	7,219	5,154
Obligations under a finance lease due within one year		38	36
Financial guarantee obligations		1,149	1,058
Current portion of secured long-term bank loan		165	157
Bank overdraft		—	116
		8,571	6,521
Net current assets		103,213	112,387
Total assets less current liabilities		118,447	132,176
Non-current liabilities			
Obligations under a finance lease due after one year		131	150
Secured long-term bank loan		1,061	1,119
		1,192	1,269
Net assets		117,255	130,907
Capital and reserves			
Share capital	13	56,663	56,663
Reserves		57,987	71,688
Equity attributable to equity holders of the Company		114,650	128,351
Minority interests		2,605	2,556
Total equity		117,255	130,907

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2008

	Share capital HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Accumulated deficit HK\$'000	Attributable to equity holders of the Company HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 April 2008 (audited)	56,663	637,927	2,567	(395)	1,061	3,701	(573,173)	128,351	2,556	130,907
Exchange differences arising from translation of financial statements of overseas operations recognised directly in equity	—	—	—	—	—	350	—	350	53	403
Share of post-acquisition reserve of associates	—	—	—	(1,444)	—	—	—	(1,444)	—	(1,444)
Net income (expenses) recognised directly in equity	—	—	—	(1,444)	—	350	—	(1,094)	53	(1,041)
Loss for the period	—	—	—	—	—	—	(12,607)	(12,607)	(4)	(12,611)
Total recognised income and expenses 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
At 1 April 2007 (audited)	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 overseas operations recognised directly in equity	—	—	—	—	—	495	—	495	149	644
Share of post-acquisition reserve of associates	—	—	—	701	—	—	—	701	—	701
Net income recognised directly in equity	—	—	—	701	—	495	—	1,196	149	1,345
Profit (loss) for the period	—	—	—	—	—	—	2,542	2,542	(486)	2,056
Transfer to profit or loss on sale of available-for-sale financial assets	—	—	—	578	—	—	—	578	—	578
Total recognised income and expenses for the period	—	—	—	1,279	—	495	2,542	4,316	(337)	3,979
Issue of shares	3,811	2,591	—	—	—	—	—	6,402	—	6,402
Expenses incurred in connection with the issue of shares	—	(10)	—	—	—	—	—	(10)	—	(10)
Transfer of share options reserve on exercise of share options	—	2,682	(2,682)	—	—	—	—	—	—	—
Recognition of equity-settled share-based payments	—	—	725	—	—	—	—	725	—	725
	3,811	5,263	(1,957)	—	—	—	—	7,117	—	7,117
At 30 September 2007 (unaudited)	56,504	637,781	2,836	1,132	—	2,485	(552,986)	147,752	2,911	150,663

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2008

	(Unaudited)	
	Six months ended	
	30 September	
	2008	2007
	HK\$'000	HK\$'000
Net cash used in operating activities	(8,640)	(14,725)
Investing activities		
Purchase of property, plant and equipment	(200)	(431)
Purchase of equity-linked notes	—	(116,440)
Proceeds from redemption of equity-linked notes	—	76,220
Proceeds from disposal of available-for-sale financial assets	—	4,822
Other investing cash flows	888	6,242
Net cash from (used in) investing activities	688	(29,587)
Financing activities		
Proceeds from issue of shares	—	6,402
Other financing activities	(138)	(149)
Net cash (used in) from financing activities	(138)	6,253
Net decrease in cash and cash equivalents	(8,090)	(38,059)
Cash and cash equivalents at 1 April	89,296	56,848
Effect of foreign exchange rate changes	61	57
Cash and cash equivalents at 30 September, representing bank balances and cash	81,267	18,846

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

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 on 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 2008.

In the current interim period, the Group has applied, for the first time, new interpretations and amendments ("new Interpretations and Amendments") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2008.

The adoption of these new Interpretations and Amendments had no material effect on the results or 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 standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and separate financial statements ²
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ¹
HKFRS 2 (Amendment)	Vesting conditions and cancellations ¹
HKFRS 3 (Revised)	Business combinations ²
HKFRS 8	Operating segments ¹
HK(IFRIC) - INT 13	Customer loyalty programmes ³
HK(IFRIC) - INT 15	Agreements for the construction of real estate ¹
HK(IFRIC) - INT 16	Hedges of a net investment in a foreign operation ⁴

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

² Effective for annual periods beginning on or after 1 July 2009.

³ Effective for annual periods beginning on or after 1 July 2008.

⁴ Effective for annual periods beginning on or after 1 October 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards or interpretations will have no material impact on the results or financial position of the Group.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2008

3. Segment information

In the financial year ended 31 March 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 period are as follows:

	Three months ended		Six months ended	
	30 September		30 September	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover				
Software development	980	562	1,647	1,156
Hardware sales	4,873	—	4,873	—
	5,853	562	6,520	1,156
Results				
Software development	(3,191)	(3,591)	(6,548)	(7,932)
Hardware sales	765	—	765	—
	(2,426)	(3,591)	(5,783)	(7,932)
Interest income from bank	519	375	849	745
Unallocated corporate expenses	(428)	(401)	(844)	(779)
Amortisation of financial guarantee obligations	677	—	1,312	—
Impairment loss recognised on advance made to an associate	(183)	(278)	(183)	(278)
Impairment loss recognised on investments in a jointly controlled entity	(1,379)	(474)	(1,379)	(474)
Finance costs	(20)	(13)	(41)	(31)
Fair value changes on investment properties	(91)	—	(91)	—
Net (losses) gains on equity-linked notes	(6,553)	4,624	(6,184)	9,189
Net (losses) gains on investments held for trading	(559)	2,793	(482)	3,812
Net losses on available-for-sale financial assets	—	—	—	(46)
Share of results of associates	936	(1,759)	215	(2,150)
(Loss) profit for the period	(9,507)	1,276	(12,611)	2,056

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2008

4. Other income

	Three months ended 30 September		Six months ended 30 September	
	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	519	375	849	745
Amortisation of financial guarantee obligations	677	—	1,312	—
Others	250	258	394	292
	<u>1,446</u>	<u>633</u>	<u>2,555</u>	<u>1,037</u>

5. Taxation

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

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate Profits Tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. Such decrease is not expected to have any significant financial effect in the amounts accrued in the condensed consolidated balance sheet in respect of taxation payable and deferred taxation.

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. 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 New Law and Implementation Regulations changes the tax rate from 15% to 25% from 1 January 2008. The enactment of the New Law is not expected to have any significant financial effect on the amounts accrued in the condensed consolidated balance sheet in respect of taxation payable and deferred taxation.

6. Interim dividend

The directors do not recommend the payment of an interim dividend (nil for the six months ended 30 September 2007).

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2008

7. (Loss) earnings per share

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

	Three months ended 30 September 2008		Six months ended 30 September 2008		
	2007		2007		
(Loss) profit attributable to equity holders of the Company for the purpose of basic and diluted earnings per share		HK\$(9,505,000)	HK\$1,530,000	HK\$(12,607,000)	HK\$2,542,000
Number of ordinary shares:					
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share		1,133,261,503	1,118,927,699	1,133,261,503	1,095,280,629
Effect of dilutive potential ordinary shares in respect of share options granted			27,034,804		32,251,385
Weighted average number of ordinary shares for the purpose of diluted earnings per share			1,145,962,503		1,127,532,014

No diluted loss per share for the three months and six months ended 30 September 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 2008, the Group incurred HK\$200,000 (HK\$431,000 for the six months ended 30 September 2007) on acquisition of property, plant and equipment.

9. Equity-linked notes

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

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
Non-current asset	2,599	5,698
Current asset	8,407	11,492
	11,006	17,190

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2008

9. Equity-linked notes (Continued)

Equity-linked notes are designated as financial assets at fair value through profit or loss upon the initial recognition as they contain embedded derivatives, and HKAS 39 permits the entire combined contract to be designated as at fair value through profit or loss. Major terms of the equity-linked notes at 30 September 2008 and 31 March 2008 are as follows:

Principal amount	Maturity
HK\$20,000,000	2008
HK\$12,000,000	2010

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

The equity-linked notes are measured at fair value at the balance sheet date. Their fair values of HK\$11,006,000 as at 30 September 2008 (31 March 2008: HK\$17,190,000) are determined based on the valuation provided by the counterparty bank at that date.

Subsequent to 30 September 2008, one equity-linked note with a carrying value of HK\$8,407,000 at 30 September 2008 was redeemed at maturity for equity securities at a pre-determined price which is lower than the principal amount. The fair value, which is determined based on the quoted market bid prices of securities available in the Stock Exchange of Hong Kong, of the redeemed equity securities at the date of redemption was HK\$8,286,000.

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. The following is an aged analysis of trade receivables at the balance sheet date:

	30 September 2008 HK\$'000	31 March 2008 HK\$'000
Age		
0 to 30 days	1,712	224
31 to 60 days	51	—
61 to 90 days	—	13
91 to 120 days	—	21
More than 120 days	11	—
	1,774	258

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2008

11. Investments held for trading

Investments held for trading at the balance sheet 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 2008, included in accounts payable are trade payables of HK\$1,812,000 (31 March 2008: nil), all of which are aged less than 90 days.

13. Share capital

During the current period, no share option was exercised.

During the period ended 30 September 2007, the following number of share options were exercised:

Number of share options exercised	Subscription price per share HK\$
10,950,000	0.0722
45,430,000	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

As a result, an aggregate of 76,210,000 new ordinary shares of HK\$0.05 each in the Company were issued.

All the shares issued during that period rank pari passu with the then existing shares in all respects.

14. Share-based payment arrangement

During the current period, no share option was granted.

During the period ended 30 September 2007, the Company granted 4,100,000 share options to its employees, including 1,100,000 share options granted to the directors of the Company.

15. Contingent liabilities

Guarantee given

At 30 September 2008, the Group has given guarantee of RMB4.9 million (31 March 2008: RMB4.9 million) to a bank to secure the credit facilities granted to 珠海南方软件园发展有限公司 (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 RMB4.9 million (31 March 2008: RMB4.9 million). The fair value of the financial guarantee contract at the date of grant of HK\$1,379,000 (31 March 2008: HK\$1,058,000) 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.

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 (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 is expected to take place in the early half of 2009. 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 30 September 2008 and 31 March 2008.

16. Related party transactions

Advance to an associate

During the period ended 30 September 2008, the Group has made an advance to an associate amounting to HK\$183,000. The amount is unsecured, non-interest bearing and repayable by 30 June 2009. An impairment loss of HK\$183,000 is recognised during the period ended 30 September 2008.

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

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. The Agreement and the Restructuring Proposal are subject to the approval of the State-owned Assets Supervision and Administration Commission of the State Council (國有資產監督管理委員會) ("SASAC"). At the date of this report, approval of SASAC was not yet obtained.

Business Review and Outlook

Results for the six months ended 30 September 2008

The directors continued to take a conservative approach for accounting purposes and a stringent view on recognising revenue was still being adopted especially for contracts of relatively longer term in nature in Mainland China. For the six months ended 30 September 2008, the loss attributable to equity holders of the Company was approximately HK\$12,607,000, as compared to a profit of approximately HK\$2,542,000 over the same period in 2007. The Group recorded unaudited turnover of approximately HK\$6,520,000, representing an increase of 564% as compared to approximately HK\$1,156,000 in the corresponding period in 2007.

For the six months ended 30 September 2008, the other income mainly comprised bank interest income of approximately HK\$849,000 (six months ended 30 September 2007: HK\$745,000), and amortisation of financial guarantee obligations of approximately HK\$1,312,000 (six months ended 30 September 2007: Nil).

Liquidity and financial resources

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

As at 30 September 2008, the Group had bank balances and cash (excluding pledged bank deposits) of approximately HK\$81,267,000 (31 March 2008: HK\$89,412,000).

As at 30 September 2008, the Group had total outstanding borrowings of approximately HK\$1,395,000 (31 March 2008: HK\$1,578,000). The borrowings comprised a bank loan of approximately HK\$1,226,000 (31 March 2008: HK\$1,276,000), which is repayable by monthly installment and will be fully repaid on 15 March 2015, and obligations under a finance lease of approximately HK\$169,000 (31 March 2008: HK\$186,000), which will be fully repaid on 30 September 2012.

Gearing ratio

As at 30 September 2008, the Group's gearing ratio was approximately 1.22% (31 March 2008: 1.23%), based on total borrowings of approximately HK\$1,395,000 (31 March 2008: HK\$1,578,000) and equity attributable to equity holders of the Company of approximately HK\$114,650,000 (31 March 2008: HK\$128,351,000).

Charge on the Group's assets

As at 30 September 2008, a commercial property with a carrying value of approximately HK\$2,284,000 (31 March 2008: HK\$2,314,000) situated in Guangzhou held by a PRC subsidiary was pledged to a bank to secure the loan of approximately HK\$1,226,000 (31 March 2008: HK\$1,276,000).

Bank deposits totalling of approximately HK\$11,383,000 (31 March 2008: HK\$11,153,000) were pledged to banks to secure the banking facilities, in which, credit facilities of HK\$5,000,000 (31 March 2008: HK\$5,000,000) were available to the Company's subsidiaries and loan facility of RMB4,900,000 (31 March 2008: RMB4,900,000) were available to a jointly controlled entity.

Capital structure

As at 30 September 2008, the Company's total number of issued shares was 1,133,261,503 (31 March 2008: 1,133,261,503).

Segmental information

The Group is currently organised into two operating divisions — software development and hardware sales. Turnover generated from software development and hardware sales accounted for 25.3% and 74.7% respectively during the period under review.

Order book and prospects for new business

The amount of orders on hand of the Group was over HK\$4,106,000 as at 30 September 2008.

Material acquisitions and disposal of subsidiaries and affiliated companies

There was no disposal or acquisition of subsidiaries and affiliated companies for the period under review.

Future plans for material investments

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

Exposure to exchange risks

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

Contingent liabilities

Guarantee given

At 30 September 2008, the Group has given guarantee of RMB4,900,000 (31 March 2008: RMB4,900,000) to a bank to secure the credit facilities granted to a jointly controlled entity of the Company. At 30 September 2008, the amount of facilities utilised was RMB4,900,000 (31 March 2008: RMB4,900,000).

At 30 September 2008, the Company has given corporate guarantees of HK\$5,000,000 (31 March 2008: HK\$5,000,000) to certain banks to secure the credit facilities granted to its subsidiaries. No subsidiaries has utilised the credit facilities as at 30 September 2008.

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 (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 is expected to take place in the early half of 2009. 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 30 September 2008 and 31 March 2008.

Employee information

As at 30 September 2008, the Group employed a total staff of 47. Staff remuneration is reviewed by the Group from time to time and increases are granted normally annually or by special adjustment depending on length of service and performance when warranted. In addition to salaries, the Group provides staff benefits including medical insurance and provident fund. Share options and bonuses are also available to employees of the Group at the discretion of the directors and depending upon the financial performance of the Group.

Outlook

In the span of just over one year, the financial crisis, rooted in falling property prices in the U.S., has rapidly evolved into a spectacular global phenomenon. Not only has its impact touched on systemic weaknesses in the financial system as a whole, but has at the same time permeated into other strata of the economy as well. Despite repeated strong and urgent measures taken by governments and central banks across the world to contain its spread, its full effect on the economy has not been felt and a final resolution is not in sight. Businesses and organizations are facing increasingly difficult challenges forward.

With the consolidated platform and services sub-platforms now in place, the Group is uniquely positioned to provide the technological means and solutions to those businesses and organizations that seek enhancement in productivity and competitiveness through technology in these difficult times. The Group is cautiously optimistic on further progress towards improved performance in the days ahead.

Other Information

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company

At 30 September 2008, the interests and short positions of the directors and the chief executive of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions

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

Name of directors	Number of ordinary shares held in the capacity of			
	Beneficial owner	Controlled corporation	Total number of shares	Percentage of shareholding
Cheng Kin Kwan	219,624,000	—	219,624,000	19.38%
Law Kwai Lam	10,000,000	28,325,000*	38,325,000	3.38%
Leung Mei Sheung, Eliza	13,000,000	—	13,000,000	1.15%
Zheng Ying Yu	4,900,000	—	4,900,000	0.43%
Fung Chun Pong, Louis	1,488,000	—	1,488,000	0.13%
Liao Yun	4,510,000	—	4,510,000	0.40%

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

Other Information (Continued)

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company (Continued)

Long positions (Continued)

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

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

Name of directors	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options and number of underlying shares		
				Outstanding at 1.4.2008	Lapsed during the period	Outstanding at 30.9.2008
Cheng Kin Kwan	5.9.2003	5.9.2003 - 4.9.2013	0.2280	6,960,000	—	6,960,000
	8.12.2003	8.12.2003 - 7.12.2013	0.2130	800,000	—	800,000
	25.2.2004	25.2.2004 - 24.2.2014	0.1900	7,700,000	—	7,700,000
Law Kwai Lam	5.9.2003	5.9.2003 - 4.9.2013	0.2280	2,000,000	—	2,000,000
	9.1.2004	9.1.2004 - 8.1.2014	0.1900	1,000,000	—	1,000,000
	28.2.2005	28.2.2005 - 27.2.2015	0.0722	1,000,000	—	1,000,000
	26.9.2006	26.9.2006 - 25.9.2016	0.0772	3,500,000	—	3,500,000
	18.6.2007	18.6.2007 - 17.6.2017	0.2980	800,000	—	800,000
Leung Mei Sheung, Eliza	5.9.2003	5.9.2003 - 4.9.2013	0.2280	5,500,000	—	5,500,000
	8.12.2003	8.12.2003 - 7.12.2013	0.2130	4,300,000	—	4,300,000
	25.2.2004	25.2.2004 - 24.2.2014	0.1900	5,800,000	—	5,800,000
	24.3.2006	24.3.2006 - 23.3.2016	0.1530	300,000	—	300,000
Zheng Ying Yu	5.9.2003	5.9.2003 - 4.9.2013	0.2280	2,000,000	—	2,000,000
	8.12.2003	8.12.2003 - 7.12.2013	0.2130	400,000	—	400,000
	9.1.2004	9.1.2004 - 8.1.2014	0.1900	6,100,000	—	6,100,000
	13.12.2004	13.12.2004 - 12.12.2014	0.0982	50,000	—	50,000
Fung Chun Pong, Louis	5.9.2003	5.9.2003 - 4.9.2013	0.2280	2,000,000	—	2,000,000
	9.1.2004	9.1.2004 - 8.1.2014	0.1900	1,000,000	—	1,000,000
	19.4.2004	19.4.2004 - 18.4.2014	0.2096	300,000	—	300,000
	24.3.2006	24.3.2006 - 23.3.2016	0.1530	300,000	—	300,000
	18.6.2007	18.6.2007 - 17.6.2017	0.2980	300,000	—	300,000
Liao Yun	5.9.2003	5.9.2003 - 4.9.2013	0.2280	800,000	—	800,000
	26.11.2003	26.11.2003 - 25.11.2013	0.2300	400,000	—	400,000
	9.1.2004	9.1.2004 - 8.1.2014	0.1900	790,000	—	790,000
	19.4.2004	19.4.2004 - 18.4.2014	0.2096	300,000	—	300,000
	16.9.2004	16.9.2004 - 15.9.2014	0.0870	500,000	—	500,000
	30.9.2004	30.9.2004 - 29.9.2014	0.0900	500,000	—	500,000
	13.12.2004	13.12.2004 - 12.12.2014	0.0982	300,000	—	300,000
	22.9.2005	22.9.2005 - 21.9.2015	0.0920	400,000	—	400,000
Ng Kwok Tung (resigned on 26 September 2008)	24.3.2006	24.3.2006 - 23.3.2016	0.1530	500,000	(500,000)	—
	26.9.2006	26.9.2006 - 25.9.2016	0.0772	3,000,000	(3,000,000)	—
Tsang Wai Chun, Marianna	24.3.2006	24.3.2006 - 23.3.2016	0.1530	500,000	—	500,000
	26.9.2006	26.9.2006 - 25.9.2016	0.0772	3,000,000	—	3,000,000
Chan Mei Ying, Spencer	24.3.2006	24.3.2006 - 23.3.2016	0.1530	500,000	—	500,000
				63,900,000	(3,500,000)	60,400,000

Other Information (Continued)

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company (Continued)

Long positions (Continued)

Save as disclosed above and other than nominee shares in certain wholly-owned subsidiaries held by certain directors in trust for the Group, at 30 September 2008, none of the directors or chief executive or any of their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations which fall to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO, or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 30 September 2008, according to the register maintained by the Company pursuant to Section 336 of the SFO, the following persons (not being a director or the chief executive of the Company) were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company.

Name of substantial shareholders	Number of ordinary shares held	Number of share options and underlying shares held	Aggregate long position	Percentage of the issued share capital as at 30 September 2008
Educational Information Technology (H.K.) Company Limited *	108,057,374	—	108,057,374	9.54%
Crimson Asia Capital Limited, L.P.**	105,203,591	—	105,203,591	9.28%

* 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 in which the Group has 25% equity interest.

** These shares were beneficially owned.

Save as disclosed in the section "Directors' and chief executive's interests and short positions in shares and underlying shares of the Company", at 30 September 2008, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under Part XV of the SFO.

Other Information (Continued)

Share Options

2003 share option scheme

A summary of the share options granted 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 1.4.2008	Lapsed during the period	Outstanding at 30.9.2008
Directors	5.9.2003	5.9.2003 - 4.9.2013	0.2280	19,260,000	—	19,260,000
	26.11.2003	26.11.2003 - 25.11.2013	0.2300	400,000	—	400,000
	8.12.2003	8.12.2003 - 7.12.2013	0.2130	5,500,000	—	5,500,000
	9.1.2004	9.1.2004 - 8.1.2014	0.1900	8,890,000	—	8,890,000
	25.2.2004	25.2.2004 - 24.2.2014	0.1900	13,500,000	—	13,500,000
	19.4.2004	19.4.2004 - 18.4.2014	0.2096	600,000	—	600,000
	16.9.2004	16.9.2004 - 15.9.2014	0.0870	500,000	—	500,000
	30.9.2004	30.9.2004 - 29.9.2014	0.0900	500,000	—	500,000
	13.12.2004	13.12.2004 - 12.12.2014	0.0982	350,000	—	350,000
	28.2.2005	28.2.2005 - 27.2.2015	0.0722	1,000,000	—	1,000,000
	22.9.2005	22.9.2005 - 21.9.2015	0.0920	400,000	—	400,000
	24.3.2006	24.3.2006 - 23.3.2016	0.1530	2,400,000	(500,000)	1,900,000
	26.9.2006	26.9.2006 - 25.9.2016	0.0772	9,500,000	(3,000,000)	6,500,000
	18.6.2007	18.6.2007 - 17.6.2017	0.2980	1,100,000	—	1,100,000
	Employees	5.9.2003	5.9.2003 - 4.9.2013	0.2280	24,500,000	—
15.9.2003		15.9.2003 - 14.9.2013	0.2550	8,000,000	—	8,000,000
26.11.2003		26.11.2003 - 25.11.2013	0.2300	2,400,000	—	2,400,000
8.12.2003		8.12.2003 - 7.12.2013	0.2130	800,000	—	800,000
9.1.2004		9.1.2004 - 8.1.2014	0.1900	6,196,000	—	6,196,000
25.2.2004		25.2.2004 - 24.2.2014	0.1900	20,000,000	—	20,000,000
19.4.2004		19.4.2004 - 18.4.2014	0.2096	750,000	—	750,000
16.9.2004		16.9.2004 - 15.9.2014	0.0870	3,250,000	—	3,250,000
30.9.2004		30.9.2004 - 29.9.2014	0.0900	1,500,000	—	1,500,000
13.12.2004		13.12.2004 - 12.12.2014	0.0982	1,600,000	—	1,600,000
28.2.2005		28.2.2005 - 27.2.2015	0.0722	200,000	—	200,000
22.9.2005		22.9.2005 - 21.9.2015	0.0920	4,800,000	—	4,800,000
24.3.2006		24.3.2006 - 23.3.2016	0.1530	2,250,000	—	2,250,000
26.9.2006		26.9.2006 - 25.9.2016	0.0772	11,100,000	—	11,100,000
18.6.2007		18.6.2007 - 17.6.2017	0.2980	3,000,000	—	3,000,000
				154,246,000	(3,500,000)	150,746,000

Other Information (Continued)

Competing interest

As at 30 September 2008, none of the directors or management shareholders (as defined in the GEM Listing Rules) of the Company or their respective associates had any interest in a business which competes or may compete with the business of the Group.

Purchase, sale or redemption of the Company's listed securities

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

Code on Corporate Governance Practices

The Company has complied with the code provisions of the Code on Corporate Governance Practices contained in Appendix 15 to the GEM listing Rules, except that Mr. Cheng Kin Kwan holds the dual role of being the chairman and the chief executive officer of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The Board also believes that Mr. Cheng's appointment as both the chairman and chief executive officer is beneficial to the business prospects of the Company, better facilitates the execution of the Group's business strategies and maximizes effectiveness of its operations. Save as disclosed above, the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the six months ended 30 September 2008.

Code of conduct regarding securities transactions by directors

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company throughout the six months ended 30 September 2008.

Audit committee

The audit committee comprises two independent non-executive directors, Ms. Tsang Wai Chun Marianna and Mr. Chan Mei Ying Spencer. The audit committee has reviewed the unaudited interim financial report for the six months ended 30 September 2008.

On behalf of the Board

Cheng Kin Kwan

Chairman & Chief Executive Officer

Hong Kong, 13 November 2008