

Interim Report
for the six months ended 30 September 2009





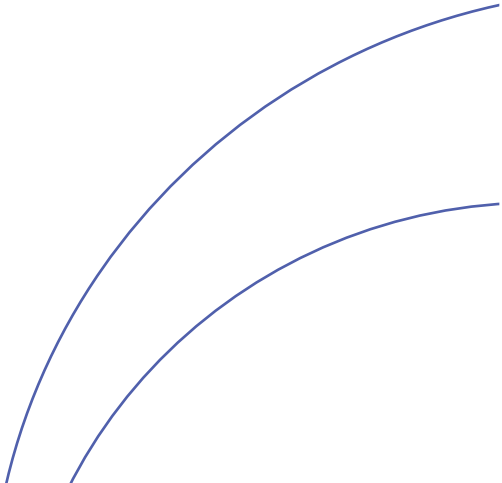
Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Exchange”)

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim 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.



Condensed Consolidated Income Statement

For the six months ended 30 September 2009

	Notes	(Unaudited) Three months ended 30 September		(Unaudited) Six months ended 30 September	
		2009 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 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		<u>(2,063)</u>	<u>(9,507)</u>	<u>(2,407)</u>	<u>(12,611)</u>
Attributable to:					
Owners of the Company		(2,061)	(9,505)	(2,403)	(12,607)
Non-controlling interests		(2)	(2)	(4)	(4)
		<u>(2,063)</u>	<u>(9,507)</u>	<u>(2,407)</u>	<u>(12,611)</u>
Loss per share	7				
- Basic		<u>(0.18) cents</u>	<u>(0.84) cents</u>	<u>(0.21) cents</u>	<u>(1.11) cents</u>
- Diluted		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 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

	<i>Notes</i>	(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 HK\$'000	Share premium HK\$'000	Share options reserve HK\$'000	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Accumulated deficit HK\$'000	Attributable to owners of the Company HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 April 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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2009

2. Principal accounting policies (continued)

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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2009

3. Segment information (continued)

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 HK\$'000	2008 HK\$'000	2009 HK\$'000	2008 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)

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2009

4. Other income

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

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

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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2009

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 HK\$'000	31 March 2009 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:

<u>Principal amount</u>	<u>Maturity</u>
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.

Notes to the Condensed Consolidated Financial Statements (Continued)

For the six months ended 30 September 2009

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 HK\$'000	31 March 2009 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	—
	<hr/> 835 <hr/>	<hr/> 866 <hr/>

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 RMB4,900,000. 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.

Business Review and Outlook

Results for the six months ended 30 September 2009

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 2009, the loss attributable to owners of the Company was approximately HK\$2,403,000, representing a decrease of 80.9% as compared to the loss of approximately HK\$12,607,000 over the same period in 2008. The Group recorded unaudited turnover of approximately HK\$5,835,000, representing a decrease of 10.5% as compared to approximately HK\$6,520,000 in the corresponding period in 2008.

For the six months ended 30 September 2009, the other income mainly comprised interest income of approximately HK\$598,000 (six months ended 30 September 2008: HK\$849,000), and amortisation of financial guarantee obligations of approximately HK\$460,000 (six months ended 30 September 2008: HK\$1,312,000).

Liquidity and financial resources

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

As at 30 September 2009, the Group had bank balances and cash (excluding pledged bank deposits) of approximately HK\$77,410,000 (31 March 2009: HK\$72,208,000). The increase in bank balances was mainly due to a pledged bank deposit of approximately HK\$6,193,000 released from a bank during the period under review.

As at 30 September 2009, the Group had total outstanding borrowings of approximately HK\$1,192,000 (31 March 2009: HK\$1,294,000). The borrowings comprised a bank loan of approximately HK\$1,061,000 (31 March 2009: HK\$1,144,000), which is repayable by monthly installment and will be fully repaid on 15 March 2015, and obligations under a finance lease of approximately HK\$131,000 (31 March 2009: HK\$150,000), which will be fully repaid on 30 September 2012.

Gearing ratio

As at 30 September 2009, the Group's gearing ratio was approximately 1.14% (31 March 2009: 1.23%), based on total borrowings of approximately HK\$1,192,000 (31 March 2009: HK\$1,294,000) and equity attributable to owners of the Company of approximately HK\$104,269,000 (31 March 2009: HK\$105,499,000).

Charge on the Group's assets

As at 30 September 2009, a commercial property with a carrying value of approximately HK\$2,120,000 (31 March 2009: HK\$2,202,000) situated in Guangzhou held by a PRC subsidiary was pledged to a bank to secure the loan of approximately HK\$1,061,000 (31 March 2009: HK\$1,144,000).

As at 30 September 2009, bank deposits totalling of approximately HK\$5,216,000 (31 March 2009: HK\$11,407,000) were pledged to banks to secure the banking facilities, in which, credit facilities of HK\$5,000,000 (31 March 2009: HK\$5,000,000) were available to the Company's subsidiaries. On 6 August 2009, a pledged deposit of approximately HK\$6,193,000 was released as a loan facility of RMB4,900,000 granted by a bank to a jointly controlled entity had matured on that day.

Capital structure

As at 30 September 2009, the Company's total number of issued shares was 1,133,261,503 (31 March 2009: 1,133,261,503).

Segmental information

The Group is currently organised into two operating segments - software development and hardware sales. Turnover generated from software development and hardware sales accounted for 96.4% (six months ended 30 September 2008: 25.3%) and 3.6% (six months ended 30 September 2008: 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\$5,803,000 as at 30 September 2009.

Material acquisitions and disposal of subsidiaries and affiliated companies

There was no material 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 31 March 2009, the Group has given guarantee of RMB4,900,000 (the "Guarantee") to a bank to secure the credit facilities granted to a jointly controlled entity of the Company. At 31 March 2009, the amount of facilities utilised was RMB4,900,000. On 6 August 2009, the Guarantee period was expired and the loan of RMB4,900,000 has been repaid in full by the jointly controlled entity.

At 30 September 2009, the Company has given corporate guarantees of HK\$5,000,000 (31 March 2009: 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 2009.

Employee information

As at 30 September 2009, the Group employed a total staff of 49. 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

For the six-months ended 30 September 2009, the performance of the Group matches with the management's expectation under the global financial and market crisis.

While the global financial and economic environment is expected to gradually stabilise, there is still a long way from a full recovery. We anticipate that the business environment in the later part of 2009 and in 2010 will continue to be challenging. However, we are confident that, given our technological foundation and years of solid ground work being laid in the China market, we can attract more market leading business partners to join our camp to further strengthen their market presence resulting in the maximization of mutual benefit through combined technology and market leadership.

Our directions and strategies are always based on our firm belief, from the very beginning, that China is the next global growth engine for the years to come.

Other Information

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

At 30 September 2009, 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	221,440,000	—	221,440,000	19.54%
Law Kwai Lam	10,000,000	28,325,000*	38,325,000	3.38%
Leung Mei Sheung, Eliza	13,000,000	—	13,000,000	1.15%
Zheng Ying Yu	4,900,000	—	4,900,000	0.43%
Fung Chun Pong, Louis	1,488,000	—	1,488,000	0.13%
Liao Yun	4,510,000	—	4,510,000	0.40%

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

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

(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 1.4.2009	Lapsed during the period	Outstanding at 30.9.2009
Cheng Kin Kwan	5.9.2003	5.9.2003 - 4.9.2013	0.2280	6,960,000	—	6,960,000
	8.12.2003	8.12.2003 - 7.12.2013	0.2130	800,000	—	800,000
	25.2.2004	25.2.2004 - 24.2.2014	0.1900	7,700,000	—	7,700,000
Law Kwai Lam	5.9.2003	5.9.2003 - 4.9.2013	0.2280	2,000,000	—	2,000,000
	9.1.2004	9.1.2004 - 8.1.2014	0.1900	1,000,000	—	1,000,000
	28.2.2005	28.2.2005 - 27.2.2015	0.0722	1,000,000	—	1,000,000
	26.9.2006	26.9.2006 - 25.9.2016	0.0772	3,500,000	—	3,500,000
	18.6.2007	18.6.2007 - 17.6.2017	0.2980	800,000	—	800,000
Leung Mei Sheung, Eliza	5.9.2003	5.9.2003 - 4.9.2013	0.2280	5,500,000	—	5,500,000
	8.12.2003	8.12.2003 - 7.12.2013	0.2130	4,300,000	—	4,300,000
	25.2.2004	25.2.2004 - 24.2.2014	0.1900	5,800,000	—	5,800,000
	24.3.2006	24.3.2006 - 23.3.2016	0.1530	300,000	—	300,000
Zheng Ying Yu	5.9.2003	5.9.2003 - 4.9.2013	0.2280	2,000,000	—	2,000,000
	8.12.2003	8.12.2003 - 7.12.2013	0.2130	400,000	—	400,000
	9.1.2004	9.1.2004 - 8.1.2014	0.1900	6,100,000	—	6,100,000
	13.12.2004	13.12.2004 - 12.12.2014	0.0982	50,000	—	50,000
Fung Chun Pong, Louis	5.9.2003	5.9.2003 - 4.9.2013	0.2280	2,000,000	—	2,000,000
	9.1.2004	9.1.2004 - 8.1.2014	0.1900	1,000,000	—	1,000,000
	19.4.2004	19.4.2004 - 18.4.2014	0.2096	300,000	—	300,000
	24.3.2006	24.3.2006 - 23.3.2016	0.1530	300,000	—	300,000
	18.6.2007	18.6.2007 - 17.6.2017	0.2980	300,000	—	300,000
Liao Yun	5.9.2003	5.9.2003 - 4.9.2013	0.2280	800,000	—	800,000
	26.11.2003	26.11.2003 - 25.11.2013	0.2300	400,000	—	400,000
	9.1.2004	9.1.2004 - 8.1.2014	0.1900	790,000	—	790,000
	19.4.2004	19.4.2004 - 18.4.2014	0.2096	300,000	—	300,000
	16.9.2004	16.9.2004 - 15.9.2014	0.0870	500,000	—	500,000
	30.9.2004	30.9.2004 - 29.9.2014	0.0900	500,000	—	500,000
	13.12.2004	13.12.2004 - 12.12.2014	0.0982	300,000	—	300,000
	22.9.2005	22.9.2005 - 21.9.2015	0.0920	400,000	—	400,000
24.3.2006	24.3.2006 - 23.3.2016	0.1530	300,000	—	300,000	

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

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

Name of directors	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options and number of underlying shares		
				Outstanding at 1.4.2009	Lapsed during the period	Outstanding at 30.9.2009
Tsang Wai Chun,	24.3.2006	24.3.2006 - 23.3.2016	0.1530	500,000	—	500,000
Marianna	26.9.2006	26.9.2006 - 25.9.2016	0.0772	3,000,000	—	3,000,000
Chan Mei Ying, Spencer	24.3.2006	24.3.2006 - 23.3.2016	0.1530	500,000	—	500,000
				60,400,000	—	60,400,000

Save as disclosed above and other than nominee shares in certain wholly-owned subsidiaries held by certain directors in trust for the Group, at 30 September 2009, 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 2009, 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 2009
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 2009, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under Part XV of the SFO.

Share Options

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 1.4.2009	Lapsed during the period	Outstanding at 30.9.2009
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	1,900,000	—	1,900,000
	26.9.2006	26.9.2006 - 25.9.2016	0.0772	6,500,000	—	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	—	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	
				150,746,000	—	150,746,000

Competing interest

As at 30 September 2009, 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 2009.

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 2009.

Audit committee

The audit committee comprises three independent non-executive directors, Ms. Tsang Wai Chun Marianna, Mr. Chan Mei Ying Spencer and Mr. Lam Kwai Yan. The audit committee has reviewed the unaudited interim financial report for the six months ended 30 September 2009.

On behalf of the Board

Cheng Kin Kwan

Chairman & Chief Executive Officer

Hong Kong, 11 November 2009