

**NetDimensions<sup>®</sup>**

NETDIMENSIONS (HOLDINGS) LIMITED

# Annual Report 2009



# DIRECTORS AND ADVISERS

<b>Directors</b>	Jay Mervin Shaw ( <i>Chief Executive Officer</i> ) Ray Cecil Ruff ( <i>Chief Information Officer</i> ) Clarence On Pong Wu ( <i>Chief Financial Officer</i> ) Roger Philip Edward Durn ( <i>Non-Executive Chairman</i> ) Sanjay Vaze ( <i>Non-Executive Director</i> ) Graham Malcolm Higgins ( <i>Non-Executive Director</i> )
<b>Secretary</b>	Janet Luk
<b>Registered office</b>	c/o M&C Corporate Services Limited P.O. Box 309, Uglund House South Church Street George Town Grand Cayman Cayman Islands, British West Indies
<b>Auditors</b>	Nexia Charles Mar Fan & Co. 11th Floor, Fortis Tower 77-79 Gloucester Road Hong Kong
<b>Nominated Adviser and Broker</b>	Arden Partners plc Nicholas House, 3 Laurence Pountney Hill London EC4R 0EU United Kingdom
<b>Solicitors</b>	Clarkson Wright & Jakes LLP Valiant House 12 Knoll Rise Orpington Kent BR6 0PG United Kingdom
<b>Registrars</b>	Capita Registrars (Jersey) Limited 12 Castle Street St. Helier, JE2 3RT Jersey
<b>UK Depositary</b>	Capita IRG Trustees Limited The Registry 34 Beckenham Road Beckenham, Kent BR3 4TU United Kingdom
<b>Financial PR</b>	Walbrook PR Ltd. 4 Lombard Street London EC3V 9HD United Kingdom
<b>Bankers</b>	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong
<b>AIM Stock Code</b>	NETD

# DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

## BOARD OF DIRECTORS

### **Jay Mervin Shaw**

Chief Executive Officer  
(Born in 1960)

Jay co-founded NetDimensions after more than a decade with NASDAQ-listed The Princeton Review (TPR). Jay's experience includes running TPR operations in the US and Asia, in which capacity he held executive responsibility for organising and delivering both academic and corporate training programs on a commercial basis. Jay taught English in China in 1984 and 1985. Jay is responsible for general Group management and sales.

### **Ray Cecil Ruff**

Chief Information Officer  
(Born in 1955)

Ray co-founded NetDimensions, having joined the Group from Sybase. Ray previously served as open systems group manager at Unisys in the US. Ray holds an M.S. in Computer Science from the University of North Carolina at Chapel Hill. Ray is responsible for managing the technical and product development areas of the Group.

### **Clarence On Pong Wu**

Chief Financial Officer  
(Born in 1962)

Clarence is a US Certified Public Accountant (USCPA). Prior to joining NetDimensions, he was the regional finance director of Aleris Asia Pacific Ltd. and had previously spent a number of years in senior finance positions at Smorgon Hartwell Recycling Ltd., Allied Telesis/Allied Telesyn in Hong Kong, and Applied Materials Inc. in the US. Clarence holds an MBA in Finance from Golden Gate University in the US. He has over 25 years combined work experience with multinational companies in the US and the Asia Pacific.

### **Roger Philip Edward Durn**

Non-Executive Chairman  
(Born in 1955)

Roger has held senior management positions in Asia Pacific, US, UK, Australian and Japanese companies including vice president and senior director positions at Novell, SilverStream Software, Sybase, Powersoft, Mitsubishi Electric, GEC Alsthom and Apricot Computers. Roger started his career in research and development in the electronics and software industry in the UK in the 1980s before moving into sales, marketing and business development. Roger is currently a director of Zip2Zap Communications Limited, a Hong Kong based software development company. Roger holds a degree in Chemical Physics from the University of Sheffield. Roger chairs the nomination committee.

### BOARD OF DIRECTORS (CONTINUED)

#### **Sanjay Vaze**

Non-Executive Director  
(Born in 1955)

Since 1996 Sanjay has been the managing director of Prima Group Limited in Hong Kong, a company that provides corporate services to more than 275 Hong Kong and overseas companies. From 1977 to 1993 he held various executive positions with the State Bank of India. From 1993 to 1996 Sanjay served as vice president of ICS Trust Company Limited in Hong Kong. Sanjay is a certified associate of the Indian Institute of Bankers and holds BA Honours and MA degrees in Economics from the University of Delhi in India. Sanjay also serves as a director of the Forum of Indian Professionals, a non-profit organisation of Hong Kong-based Indian professionals. Sanjay chairs the audit committee.

#### **Graham Malcolm Higgins**

Non-Executive Director  
(Born in 1951)

Graham is currently learning & development manager at Cathay Pacific Airways Limited where he advises on all people development initiatives worldwide and on executive recruitment and development for the Swire Group. He is a member of Cathay Pacific IT Strategy Advisory Group, a role he has held at Cathay Pacific since 1999. Graham holds a Full Technical Certificate in Telecommunications (5th Year City and Guilds). Graham chairs the remuneration and AIM Rules compliance committees.

# CHAIRMAN'S STATEMENT



## FINANCIAL SUMMARY

I am pleased to report on the financial results for NetDimensions (Holdings) Limited for the year ended 31 December 2009. Despite a challenging economic environment, total revenue increased by 8% to US\$6.84 million (2008: US\$6.35 million) with revenue from new clients contributing 23% of the total.

The Company achieved substantial revenue growth in the Europe, Middle East and Africa (EMEA) region, a geography on which we concentrated sales and marketing efforts. EMEA contributed 52% of total revenue compared to 37% in the previous financial year. Our continued focus on Software as a Service ("SaaS") hosting services also proved successful. Hosting revenue rose to US\$2.69 million, up 26% from the previous year.

In light of the weak global economy, NetDimensions implemented tight cost controls and managed to reduce overhead expenses by US\$0.24 million as compared to 2008 expenses, a reduction from 92% to 82% of total revenue. The Company ended the year with an organic operating profit of US\$0.69 million.



"EKP saves us money and time, enabling First Responders to spend more time on the streets to save lives. EKP helps us save lives."

Sgt. Joseph Del Pilar  
eLearning Project Manager & System Administrator  
Bureau of Administrative Services, Information  
Services Division  
Chicago Police Department

### FINANCIAL SUMMARY (CONTINUED)

During the year, the favourable Sterling and Euro exchange rates resulted in a US\$0.18 million exchange gain and the operations helped generate US\$0.01 million of finance income. After taking into account the US\$0.18 million in losses for two strategic investments in 2009, the Group's profit before tax was US\$0.7 million (2008: loss before tax of US\$0.59 million).

The Company has continued to maintain a strong cash position, with cash balances of US\$7.44 million (2008: US\$5.34 million) and no debt. Net cash generated from operating activities for the year totalled US\$2.02 million (2008: US\$0.65 million).

The Board does not recommend payment of a dividend at this stage in the Company's development, however, it is the Board's intention to pay dividends in the future. Surplus funds will be reinvested to support the continued growth of the Company.

### OPERATIONAL REVIEW

In 2009, NetDimensions put in place infrastructure and process improvements to support future growth while focusing on client retention and cost control.

In the interest of managing expenses, the Company reset expansion initiatives planned in 2008, except for initiatives relating to EMEA marketing and sales and to support service increases in the Company's two Asian offices. The Company's Philippines office doubled in size, in line with the Company plans to expand support and development operations, into its lowest cost operating center.

The Company continued to work with major existing clients such as ING Group, HSBC, Cathay Pacific Airways and The Chicago Police Department. Our existing clients which mostly are in highly regulated industries accounted for the client retention rate of 88% in 2009.

## OPERATIONAL REVIEW (CONTINUED)

The Company's reseller network accounted for 31% of 2009 revenue, helping the Company add some 55 of its 70 new clients during the year, including the Butterfield Group throughout its worldwide offices, the Metropolitan Housing Partnership in the United Kingdom, The New Zealand Department of Corrections and United Laboratories, Inc., the largest consumer prescription and health products company in the Philippines.

In 2009, the Company released versions 5.6 and 5.7 of its flagship product, the Enterprise Knowledge Platform (EKP). The 2009 EKP releases included dashboard reporting for senior managers, wiki integration to provide more end-user collaboration and social networking capabilities, and two new payment gateways for e-commerce use. Other product enhancements included continuing improvements to the EKP Portal Toolkit and to the Company's testing and certification engine, the Enterprise Assessment Platform.

During the year the Company's software engineering group adopted Agile software development methodology in order to foster faster release cycles, permit rapid delivery of incremental product improvements and incorporate more user feedback in the development process. The Agile development methodology complements the Company's ISO 9001:2008 quality management system in use in other departments.

The Company celebrates its 10th anniversary, a milestone that has marked the Company's progress from a two-man start-up in 1999 to an AIM listed company in 2007 with clients, operations and resellers in more than 25 countries.

NetDimensions ended the year with approximately 800 clients around the world.



"Although the nuts and bolts behind EKP are extensive and sophisticated -- to the layman it is easy to use and intuitive. EKP does not turn users off by being too complex on the surface."

Trina Sollis  
Head of Learning & Development  
Mace Group

### OUTLOOK

NetDimensions has a sound business model and, as an expanding and cash generative business, remains in a good position to grow. We have maintained a healthy cash level, with cash balances on 31 December 2009 of US\$7.44 million, mostly held in Sterling and US Dollars.

We will continue to focus on employee and extended enterprise training and performance support applications, mostly for clients in highly regulated and compliance driven industries.

We believe that recent economic indicators look positive, largely due to the current low interest rate environment. However, low interest rates may not continue. Different countries may launch different monetary policies, which may in turn lead to market uncertainties in our focus geographies. Nevertheless, the Company's 2010 first quarter trading results were in line with management expectations.

**Roger Philip Edward Durn**

*Chairman*

19 April 2010

The directors submit herewith their report together with the audited financial statements for the year ended on 31 December 2009.

## **PRINCIPAL PLACE OF BUSINESS**

NetDimensions (Holdings) Limited ("the Company") is a company incorporated and domiciled in the Cayman Islands and has its principal place of business at 17/F, Siu On Centre, 188 Lockhart Road, Wanchai, Hong Kong.

## **PRINCIPAL ACTIVITIES**

The Company acts as an investment holding company. The principal activities of the Group are licensing of computer software and the provision of related services.

The analysis of the principal activities and geographical locations of the operation of the Group during the financial year are set out in note 10 to the financial statements.

## **REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS**

The directors are satisfied with the financial results for the year and look forward to the future with confidence.

## **RESULTS AND DIVIDENDS**

The profit for the year after taxation was US\$679,757 (2008: loss after taxation of US\$588,662). The directors do not recommend the payment of a dividend for the year (2008: US\$ nil).

## **PROPERTY, PLANT AND EQUIPMENT**

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 12 to the financial statements.

## **SHARE CAPITAL**

Details of movements in the Company's share capital during the year are set out in note 19 to the financial statements.

## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

## **RESERVES**

Details of movements in the reserves of the Company and the Group during the year are set out in note 20 to the financial statements and in the consolidated statement of changes in equity, respectively.

## DIRECTORS

The directors of the Company during the year and up to the date of this report were: –

Jay Mervin Shaw  
 Ray Cecil Ruff  
 Roger Philip Edward Durn  
 Sanjay Vaze  
 Graham Malcolm Higgins  
 Clarence On Pong Wu (Appointed on 12 January 2010)  
 Jeffery Cyril Chung Man Cheung (Resigned on 12 January 2010)

There being no provision in the Company's Articles of Association for retirement by rotation, all remaining directors continue in office.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

The directors who held office during the year had the following interests in the shares of the Company as at 31 December 2009 which were:

### (i) Interests in issued shares

	Ordinary shares of US\$0.001			% of total issued shares
	Personal interests (Note 1)	Family interests (Note 2)	Total number of shares held	
<i>Beneficial Interests</i>				
Jay Mervin Shaw	4,250,000	505,000	4,755,000	19.01
Ray Cecil Ruff	2,521,388	1,000,000	3,521,388	14.08
Jeffery Cyril Chung Man Cheung (Note 3)	35,000	–	35,000	0.14
Roger Philip Edward Durn	50,000	–	50,000	0.20
Sanjay Vaze	47,500	260,000	307,500	1.23
Graham Malcolm Higgins	37,500	–	37,500	0.15

Notes:

1. The shares are registered under the name of the directors who are the beneficial shareholders.
2. The spouses of Jay Mervin Shaw, Ray Cecil Ruff and Sanjay Vaze are the beneficial shareholders.
3. Jeffery Cyril Chung Man Cheung resigned on 12 January 2010.

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

### (ii) Interests in underlying shares

The directors of the Company have been granted options under the Company's share option scheme, details of which are set out in the section "Share option scheme" below.

Apart from the foregoing, none of the directors of the Company or any of their spouses or children under eighteen years of age has interests in the shares, underlying shares or debentures of the Company during the financial year.

### SHARE OPTION SCHEME

The Company has a share option scheme which was adopted on 18 September 2000 whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options to subscribe for shares of the Company. The purpose of the share option scheme is to provide an opportunity for employees of the Group to acquire an equity participation in the Company and to encourage them to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The share option scheme shall be valid and effective for a period of ten years ending on 17 September 2010 after which no further options will be granted.

The options vest after either one year or three years from the date of grant and are then exercisable within a period of ten years.

At 31 December 2009, the directors of the Company had the following interests in options to subscribe for shares of the Company (market value per share at 31 December 2009 was 14.75p) granted for nil consideration under the share option scheme of the Company. The options are unlisted. Each option gives the holder the right to subscribe for one ordinary share of US\$0.001 each of the Company.

Director	Date of grant	Exercisable period	Exercise price per share US\$	Number of shares under options				
				As at 1/1/2009	Grant during the year	Exercised during the year	Cancelled during the year	As at 31/12/2009
Jeffery Cyril Chung Man Cheung	12/5/2003	Note	0.165	30,000	-	-	-	30,000
	25/5/2006	Note	0.300	250,000	-	-	-	250,000
	29/12/2006	Note	0.300	67,500	-	-	-	67,500
Roger Philip Edward Durn	31/12/2005	31/12/2005 to 30/12/2015	0.300	40,000	-	-	-	40,000
Sanjay Vaze	20/9/2000	20/9/2000 to 19/9/2010	0.045	20,000	-	-	-	20,000
	28/3/2001	28/3/2001 to 27/3/2011	0.100	20,000	-	-	-	20,000
	31/12/2005	31/12/2005 to 30/12/2015	0.300	60,000	-	-	-	60,000

### SHARE OPTION SCHEME (CONTINUED)

*Note:* Jeffery Cyril Chung Man Cheung resigned on 12 January 2010. In accordance with the terms of the plan, the options were to be exercisable no later than three months after the resignation date (i.e. 12 April 2010).

The options granted to the directors are registered under the name of the directors who are also the beneficial owners.

Information on the accounting policy for share options granted and the weighted average value per option is provided in note 2(r)(ii) and note 21 to the financial statements respectively.

Apart from the foregoing, at no time during the year was the Company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### SUBSTANTIAL SHAREHOLDINGS

The directors had been informed of the following parties held interest in 3% or more of the Company's issued ordinary share capital as at 31 December 2009.

<b>Name of shareholder</b>	<b>Ordinary shares held as at 31 December 2009</b>	<b>% of share holding held as at 31 December 2009</b>
Jay Mervin Shaw <sup>(1)</sup>	4,250,000	16.99
Ray Cecil Ruff <sup>(2)</sup>	2,521,388	10.08
Nan Fung Investments Limited	1,731,733	6.92
Winston Kwok Wai Leong	1,704,500	6.81
Octopus Investments Nominees Limited	1,643,920	6.57
Vidacos Nominees Limited	1,003,957	4.01
Fiske Nominees Limited Fiskpool	927,900	3.71
Mark Douglas Lay	765,000	3.06
Chan Man Yee	760,000	3.04

<sup>(1)</sup> Rhea Lacson Briones-Shaw, the wife of Jay Mervin Shaw, holds 505,000 ordinary shares, which constitutes 2.02 per cent of the issued ordinary share capital of the Company as at 31 December 2009.

<sup>(2)</sup> Jeannie Chung Ruff, the wife of Ray Cecil Ruff, holds 1,000,000 ordinary shares, which constitutes 4 per cent of the issued ordinary share capital of the Company as at 31 December 2009.

### DIRECTORS' INTEREST IN CONTRACT

No contract of significance to which the Company, or any of its subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

### PAYMENTS TO CREDITORS

The Group does not follow any code or standard on payment practice but instead the Group's policy is to pay all creditors in accordance with agreed terms of business.

## **POLITICAL AND CHARITABLE DONATIONS**

The Company made no political or charitable contributions during the year (2008: US\$ nil).

## **EMPLOYEES**

The Group values staff involvement at all levels of operations, and uses various means to train, inform and consult the employees. The Group encourages the management to discuss regularly with the employees on both corporate and individual matters and discloses information to them that will increase their awareness of the financial and economic factors affecting the Group.

The Group recognises its obligations to provide a fair consideration on all vacancies towards people with disability and to ensure that such persons are not discriminated against on the grounds of their disability. For those employees who become disabled during their employment period, the Group will give every effort to ensure that their employment will continue and that sufficient training is arranged.

## **AUDITORS**

Nexia Charles Mar Fan & Co. retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Nexia Charles Mar Fan & Co. as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

**Clarence On Pong Wu**

*Director*

19 April 2010

# REMUNERATION REPORT

The Remuneration Committee presents this report to shareholders on behalf of the Board.

## MEMBERSHIP OF REMUNERATION COMMITTEE

The Remuneration Committee comprises Mr. Roger Philip Edward Durn (our non-executive chairman) and Mr. Sanjay Vaze (our non-executive director) and is chaired by Mr. Graham Malcolm Higgins (our non-executive director).

## POLICY STATEMENT

The Remuneration Committee sets the remuneration and all other terms of employment of the executive directors with a vision to provide a package which is suitable for the responsibilities involved. The remuneration of the executive directors is determined by the Remuneration Committee having regard to the performance and experience of individuals, the overall performance of the Group and market trends. The remuneration and terms and conditions of the non-executive directors will be set by the entire Board.

## DIRECTORS' REMUNERATION

Details of individual directors' remuneration for the year are set out in the table below:

	<b>Salaries and fees</b>	<b>Benefits</b>	<b>Bonuses</b>	<b>Equity settled share-based payments</b>	<b>2009 Total</b>	<b>2008 Total</b>
	US\$	US\$	US\$	US\$	US\$	US\$
<b>Executive Directors</b>						
Jay Mervin Shaw	147,002	–	12,250	–	159,252	160,643
Ray Cecil Ruff	147,002	–	12,250	–	159,252	159,998
Jeffery Cyril Chung Man Cheung (Resigned on 12 January 2010)	139,265	–	11,606	–	150,871	465,911
<b>Non-executive Directors</b>						
Roger Philip Edward Durn	12,895	–	–	3,299	16,194	17,037
Sanjay Vaze	9,671	–	–	2,474	12,145	12,778
Graham Malcolm Higgins	9,671	–	–	2,474	12,145	12,778

## DIRECTORS' INTERESTS IN CONTRACTS AND INTERESTS IN SHARES

Details of directors' interests in contracts and interests in shares are given in the Directors' Report.

# REPORT ON CORPORATE GOVERNANCE

## INTRODUCTION

The directors believe that their foremost function is to generate continuous profits for the Company's investors, and that this should be achieved by a policy of high standards of corporate governance, integrity and ethics. As the Company is listed on AIM and not subject to the Listing Rules of the UK Listing Authority, it is not officially required to comply with the provisions detailed in the Combined Code on Corporate Governance (the "Code"). However, it is the intention of the Board to manage the Company affairs in accordance with the Code, in so far as is practical and appropriate for a public company of this size and complexity. The following are a few examples on how the directors have applied the principles of good corporate governance to manage the Company throughout the year.

## BOARD OF DIRECTORS

The Board directs and controls the Company and is responsible for strategy and operating performance. It meets regularly throughout the year and has adopted a schedule of matters specifically reserved for its decision.

All directors are elected by shareholders at the first opportunity after their initial appointment to the Board and to be re-elected thereafter at intervals of not more than three years. Biographical information on all the directors is listed in the Directors' and Senior Management's Biographies section to the Annual Report, which may help the shareholders to make a decision at the time of re-election.

Upon their appointments, the directors are offered an opportunity to request for information and training relevant to their legal and other duties. They are also given written guidelines and rules defining their responsibilities within an AIM listed company.

The Board considers that all non-executive directors are independent of management and day to day operation, and free from any commercial relationship with the Company. These non-executive directors do not participate in any of the Company's pension schemes or bonus. The chairman of the Audit Committee, Remuneration Committee, and Nomination Committee are all non-executive directors.

## NOMINATION COMMITTEE

Our Nomination Committee comprises Mr. Sanjay Vaze (our non-executive director) and Mr. Graham Malcolm Higgins (our non-executive director) and is chaired by Mr. Roger Philip Edward Durn (our non-executive chairman). The chairman of the Nomination Committee has full discretion to invite any executive directors to attend its meetings. The Nomination Committee meets not less than twice per annum and is responsible for reviewing the structure, size and composition of the Board.

## AUDIT COMMITTEE

Our Audit Committee comprises Mr. Roger Philip Edward Durn (our non-executive chairman) and Mr. Graham Malcolm Higgins (our non-executive director) and is chaired by Mr. Sanjay Vaze (our non-executive director). The Chairman of the Audit Committee has full discretion to invite any executive directors to attend its meetings. The Committee meets not less than twice per annum.

The responsibilities of the Audit Committee are to:

- monitor the quality of the overall internal control system of all financial matters;
- ensure that the financial performance of the Company is properly measured and reported on; and
- review reports from the auditors relating to the Company's accounting and internal controls.

### REMUNERATION COMMITTEE

Our Remuneration Committee comprises Mr. Roger Philip Edward Durn (our non-executive chairman) and Mr. Sanjay Vaze (our non-executive director) and is chaired by Mr. Graham Malcolm Higgins (our non-executive director). The Remuneration Committee meets not less than twice per annum.

The responsibilities of the Remuneration Committee are to:

- determine the specific remuneration package for the directors including directors' fees, salaries, allowances, bonuses, options, benefits-in-kind; and
- seek professional advice, including comparison with similar businesses, in order to correctly fulfil its duties as the Remuneration Committee deems appropriate.

In discharging its functions, the Remuneration Committee may obtain independent external legal and other professional advices as it deems necessary. The expenses of such advices shall be borne by the Company.

### INTERNAL CONTROL

The Board of Directors is responsible for ensuring that the Company maintains an internal financial control system with appropriate monitoring procedures for all Group entities. The purpose of this system is to safeguard the Group's assets, maintain proper accounting records, and ensure that reliable financial information are used within the Group and for publication purposes. However, the system is designed to manage rather than completely eliminate risk and can only provide reasonable but not absolute assurance against material misstatement.

In order to achieve the above responsibilities, the Board meets regularly and monitors the Company's internal financial control by reviewing the overall process and the performance of the systems, setting annual budgets and monthly forecasts, and seeking any prior approval for all significant expenditure.

The Group currently does not have an internal audit department and after extensive review and consideration, the Board has concluded that the existing control mechanisms are sufficient for the size of the Group. This decision will be kept under review.

### GOING CONCERN

After making appropriate enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Company's and the Group's financial statements.

### INVESTOR RELATIONS

The Company realises that effective communication can increase the transparency and accountability to its shareholders; as such, the Company discloses its information to its shareholders through RNS (i.e. the news distribution service operated by London Stock Exchange plc). The same information can also be found on the Company's website ([www.netdimensions.com](http://www.netdimensions.com)). The Company will make every effort to ensure that all price-sensitive information is released publicly and immediately. If an immediate announcement is not possible, the Company will try to publicise the information at the earliest time possible to ensure that the shareholders and the public will have a fair access to it.

The Company will send the Annual Report and the notice of the Annual General Meeting (AGM) to all its shareholders. This notice is also made available on RNS. The Company recognises the importance of the shareholders' views and encourages them to attend the AGM where they can share their opinions and direct their queries and concerns towards the directors, including the chairperson of each of the board committees. The shareholders are also welcomed to discuss any issues on an informal basis at the conclusion of the AGM.

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

The directors are responsible to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company and the Group as at 31 December 2009 and of the profit or loss for that year.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group to prevent and detect fraud and other irregularities.

# INDEPENDENT AUDITORS' REPORT

NEXIA CHARLES MAR FAN & CO.  
馬炎璋會計師行  
Certified Public Accountants



## **Independent auditors' report to the shareholders of NetDimensions (Holdings) Limited**

*(Incorporated in the Cayman Islands with limited liability)*

We have audited the accompanying financial statements of NetDimensions (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and the true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **OPINION**

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company and of the Group as at 31 December 2009 and of the profit and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards.

## **OTHER MATTERS**

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **Nexia Charles Mar Fan & Co.**

Certified Public Accountants  
11/F., Fortis Tower  
77-79 Gloucester Road  
Hong Kong

19 April 2010

# CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Notes	2009 US\$	2008 US\$
<b>Revenue</b>	5&10	<b>6,839,795</b>	6,352,524
Cost of sales		<b>(561,001)</b>	(421,645)
<b>Gross profit</b>		<b>6,278,794</b>	5,930,879
Administrative expenses		<b>(5,586,308)</b>	(5,837,302)
<b>Operating profit</b>		<b>692,486</b>	93,577
Net finance gains/(costs)	6	<b>191,427</b>	(507,795)
Impairment loss on goodwill	15	<b>(54,604)</b>	–
Share of loss of an associate	15	<b>(78,955)</b>	(24,041)
Share of loss of a jointly controlled entity	16	<b>(49,597)</b>	(150,403)
<b>Profit/(loss) before taxation</b>	7	<b>700,757</b>	(588,662)
Taxation	8	<b>(21,000)</b>	–
<b>Profit/(loss) for the year</b>	20	<b>679,757</b>	(588,662)
<b>Attributable to:</b>			
Equity shareholders of the Company	20	<b>679,757</b>	(588,662)
<b>Earnings/(loss) per share:</b>			
Basic	9	<b>US\$ 0.03</b>	US\$(0.02)
Diluted	9	<b>US\$ 0.03</b>	US\$(0.02)

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	<b>2009</b>	2008
	<b>US\$</b>	US\$
<b>Profit/(loss) for the year</b>	<b>679,757</b>	(588,662)
<b>Other comprehensive income:</b>		
Exchange differences on translation of foreign operations	<b>1,422</b>	37,702
Share of other comprehensive income of an associate	<b>152</b>	316
<b>Other comprehensive income for the year</b>	<b>1,574</b>	38,018
<b>Total comprehensive income for the year</b>	<b>681,331</b>	(550,644)
<b>Total comprehensive income attributable to:</b>		
Equity shareholders of the Company	<b>681,331</b>	(550,644)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	2009 US\$	2008 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	137,648	144,394
Intangible assets	13	26,138	49,790
Interest in an associate	15	92,868	226,275
Interest in a jointly controlled entity	16	–	49,597
		<u>256,654</u>	<u>470,056</u>
<b>Current assets</b>			
Trade and other receivables	17	2,480,929	3,254,905
Cash and cash equivalents	18	7,444,665	5,338,405
		<u>9,925,594</u>	<u>8,593,310</u>
<b>TOTAL ASSETS</b>		<u><b>10,182,248</b></u>	<u><b>9,063,366</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	19	25,014	24,914
Reserves	20	6,432,554	5,727,407
<b>Total equity</b>		<u><b>6,457,568</b></u>	<u><b>5,752,321</b></u>
<b>Non-current liabilities</b>			
Obligations under finance leases	22	–	1,026
<b>Current liabilities</b>			
Trade and other payables	23	3,713,655	3,308,651
Income tax payable		10,000	–
Obligations under finance leases	22	1,025	1,368
		<u>3,724,680</u>	<u>3,310,019</u>
<b>Total liabilities</b>		<u><b>3,724,680</b></u>	<u><b>3,311,045</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>10,182,248</b></u>	<u><b>9,063,366</b></u>

The financial statements were approved by the Board of Directors on 19 April 2010 and were signed on its behalf by:

**Clarence On Pong Wu**  
Director

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	2009 US\$	2008 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	14	902,737	902,737
Interest in an associate	15	79,870	250,000
Interest in a jointly controlled entity	16	–	200,000
		<u>982,607</u>	<u>1,352,737</u>
<b>Current assets</b>			
Trade and other receivables	17	4,362,019	4,217,113
Cash and cash equivalents	18	3,323,159	3,533,224
		<u>7,685,178</u>	<u>7,750,337</u>
<b>TOTAL ASSETS</b>		<u><b>8,667,785</b></u>	<u>9,103,074</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	19	25,014	24,914
Reserves	20	8,595,716	9,026,478
<b>Total equity</b>		<u><b>8,620,730</b></u>	<u>9,051,392</u>
<b>Current liabilities</b>			
Trade and other payables	23	47,055	51,682
<b>Total liabilities</b>		<u><b>47,055</b></u>	<u>51,682</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>8,667,785</b></u>	<u>9,103,074</u>

The financial statements were approved by the Board of Directors on 19 April 2010 and were signed on its behalf by:

**Clarence On Pong Wu**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	<b>Share capital</b>	<b>Share premium</b>	<b>Foreign currency translation reserve</b>	<b>Accumulated losses</b>	<b>Total</b>
	US\$	US\$	US\$	US\$	US\$
At 1 January 2008	24,864	11,116,871	(5,211)	(4,872,470)	6,264,054
Loss for the year	–	–	–	(588,662)	(588,662)
Other comprehensive income for the year	–	–	38,018	–	38,018
Total comprehensive income for the year	–	–	38,018	(588,662)	(550,644)
Equity settled share-based payments	–	–	–	38,861	38,861
Issue of shares	50	–	–	–	50
At 31 December 2008 and 1 January 2009	24,914	11,116,871	32,807	(5,422,271)	5,752,321
Profit for the year	–	–	–	679,757	679,757
Other comprehensive income for the year	–	–	1,574	–	1,574
Total comprehensive income for the year	–	–	1,574	679,757	681,331
Equity settled share-based payments	–	–	–	23,816	23,816
Issue of shares	100	–	–	–	100
At 31 December 2009	25,014	11,116,871	34,381	(4,718,698)	6,457,568

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Notes	2009 US\$	2008 US\$
<b>Cash generated from operations</b>	24	<b>2,033,680</b>	648,844
Income tax paid		<b>(11,000)</b>	–
<b>Net cash generated from operating activities</b>		<b>2,022,680</b>	648,844
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	12	<b>(88,880)</b>	(43,495)
Purchase of intangible assets	13	<b>(19,397)</b>	(56,828)
Interest income received		<b>6,940</b>	199,571
Investment in an associate		–	(250,000)
Investment in a jointly controlled entity		–	(200,000)
<b>Net cash used in investing activities</b>		<b>(101,337)</b>	(350,752)
<b>Cash flows from financing activities</b>			
Finance lease charges		<b>(335)</b>	(335)
Repayments of borrowings and finance leases		<b>(1,368)</b>	(1,368)
<b>Net cash used in financing activities</b>		<b>(1,703)</b>	(1,703)
<b>Net increase in cash and cash equivalents</b>		<b>1,919,640</b>	296,389
Cash and cash equivalents at beginning of the year		<b>5,338,405</b>	5,711,745
Effect of foreign exchange rate changes, net		<b>186,620</b>	(669,729)
<b>Cash and cash equivalents at end of the year</b>	18	<b>7,444,665</b>	5,338,405

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as a limited liability company under the Companies Law (2000) Revision on 10 July 2000. Its shares are listed on the London Stock Exchange AIM. The registered office of the Company is located at P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands, British West Indies. Its principal place of business is located at 17/F, Siu On Centre, 188 Lockhart Road, Wan Chai, Hong Kong.

The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are licensing of computer software and the provision of related services. The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 14 to the financial statements.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

### (b) Basis of preparation

The measurement basis used in the preparation of the financial statements is the historical cost basis except for the valuation of certain financial assets and liabilities which are stated at their fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 3 to the financial statement.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Basis of preparation (continued)

In the current year, the Group has adopted where appropriate the following new and revised IFRSs that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2009:

- IFRS 8, Operating Segments
- IAS 1 (Revised), Presentation of Financial Statements
- Amendments to IFRS 7, Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments
- Improvements to IFRSs (2008)
- Amendments to IFRS 2, Share-Based Payment – Vesting Conditions and Cancellations

#### *IFRS 8 Operating Segments*

This Standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this Standard did not have any effect on the financial position or performance of the Group. The Group determines that the operating segments are the same as the business segments previously identified under IAS 14 Segment Reporting.

#### *IAS 1 (Revised) Presentation of Financial Statements*

The revised Standard has introduced a number of terminology changes (including revised titles for the financial statements) and has resulted in a number of changes in presentation and disclosure. However, the revised Standard has had no impact on the reported results or financial position of the Group.

#### *Amendments to IFRS 7 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*

The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in the amendments.

#### *Improvements to IFRSs (2008)*

The "Improvements to IFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of IFRSs which the IFRIC has issued as an omnibus batch of amendments.

#### *Amendments to IFRS 2, Share-Based Payment – Vesting Conditions and Cancellations*

The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (b) Basis of preparation (continued)

The Group has concluded that while the adoption of IFRS 8 and IAS 1 (Revised) may result in new or amended disclosures, these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

At the date of authorisation of the financial statement, the following standards, amendments and interpretations were in issue but not yet effective:

IFRSs (Amendments) <sup>(1)</sup>	Amendments to IFRS 5 as part of Improvements to IFRSs issued in 2008
IFRSs (Amendments) <sup>(1)</sup>	Improvements to IFRSs issued in 2009
IAS 24 (Revised) <sup>(2)</sup>	Related Party Disclosures
IAS 27 (Revised) <sup>(1)</sup>	Consolidated and Separate Financial Statements
IAS 32 (Amendment) <sup>(2)</sup>	Classification of Rights Issues
IAS 39 (Amendment) <sup>(1)</sup>	Eligible Hedged Items
IFRS 1 (Revised) <sup>(1)</sup>	First Time Adoption of IFRS
IFRS 1 (Amendments) <sup>(1)</sup>	Additional Exemptions for First-time Adopters
IFRS 2 (Amendments) <sup>(1)</sup>	Group Cash-settled Share-based Payment Transactions
IFRS 3 (Revised) <sup>(1)</sup>	Business Combinations
IFRS 9 (Revised) <sup>(3)</sup>	Financial Instruments
IFRIC 14 (Amendment) <sup>(2)</sup>	Prepayments of a Minimum Funding Requirement
IFRIC 17 <sup>(1)</sup>	Distributions of Non-cash Assets to Owners
IFRIC 19 <sup>(2)</sup>	Extinguishing Financial Liabilities with Equity Instruments

<sup>(1)</sup> Effective for the Group for annual periods beginning 1 January 2010.

<sup>(2)</sup> Effective for the Group for annual periods beginning 1 January 2011.

<sup>(3)</sup> Effective for the Group for annual periods beginning 1 January 2013.

The effect that the adoption of IFRS 3 (Revised), IAS 27 (Revised) and IFRIC 17 on the results and financial position of the Group will depend on the incidence and timing of transactions within the scope of these standards and interpretation occurring on or after 1 January 2010.

The adoption of other standards, amendments and interpretations listed above in future periods is not expected to result in substantial changes to the Group's accounting policies.

### (c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries drawn up to 31 December 2009.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(d) Subsidiaries**

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, the investment in a subsidiary is stated at cost less impairment losses, unless classified as held for sale.

### **(e) Associates and jointly controlled entities**

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets, unless it is classified as held for sale. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associate and jointly controlled entity for the year, including any impairment loss on goodwill relating to the investment in the associate and the jointly controlled entity recognised for the year.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associate and its jointly controlled entity are eliminated to the extent of the Group's interest in the associate or the jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

In the Company's statement of financial position, the investment in the associate and the jointly controlled entity are stated at cost less impairment losses, unless classified as held for sale.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (f) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment. In respect of an associate or a jointly controlled entity, the carrying amount of goodwill is included in the carrying amount of the interest in an associate or a jointly controlled entity.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in the income statement.

On disposal of a cash generating unit, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

### (g) Research and development expenditures

Research and development expenditures are expensed as incurred, except for development costs where the technical feasibility of the product under development has been demonstrated. Such development costs are recognised as an asset and stated at cost less accumulated amortisation and impairment losses. Capitalised development costs are amortised on a straight-line basis over the period in which the related economic benefits are to be recognised. No development costs have been recognised by the Group to date.

### (h) Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and any recognised impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of these items. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the costs can be measured reliably. All other costs, including repairs and maintenance costs are charged to the income statement in the period in which they are incurred.

Depreciation is provided on all tangible fixed assets and is calculated on a straight-line basis to allocate cost, other than assets in the course of construction, less their residual value, if any, over the estimated useful lives, as follows:

Plant and equipment	– 20% – 25%
Leasehold improvements	– over the term of the lease

The gain or loss arising on disposal or scrapping of an asset is determined as the difference between the sales proceeds, net of selling costs, and the carrying amount of the asset and is recognised in the income statement.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Intangible assets

Intangible assets comprise computer software, which is carried at cost less amortisation and any recognised impairment losses and is amortised over its useful economic life of two years.

### (j) Impairment of assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### (k) 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.

Revenue from the provision of software licensing, support and maintenance and software customisation and implementation services is recognised when the services are rendered.

Revenue from hosting services is recognised on a straight-line basis over the subscription period.

Revenue from sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time the goods are delivered or title to the goods passes to the customers.

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (l) Foreign currencies

Foreign currency transactions are translated into United States dollars ("US dollars"), the functional currency of the Group entities, using the exchange rates prevailing on the dates of the transactions. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the 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 other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

On consolidation, the assets and liabilities of foreign operations which have a functional currency other than US dollars are translated into US dollars at foreign exchange rates ruling at the end of the reporting period. The revenues and expenses of these subsidiaries are translated at average rates applicable in the period. All resulting exchange differences are recognised as other comprehensive income.

In accordance with the exemption in IFRS 1, consolidated exchange differences arising prior to 31 December 2004 have not been identified and transferred to a separate component of equity and will not be recognised in the income statement if the foreign operation is sold.

### (m) Inventories

Inventories are valued at lower of cost and net realisable value. Cost includes the purchase price of the manufactured products, materials and transport costs. No interest is capitalised in inventories. Cost is calculated using the FIFO (first in, first out) method. Net realisable value is based on the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow moving or defective items where appropriate.

### (n) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost less allowance for doubtful debts. Allowance for doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. The amount of the allowance is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate.

### (o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (p) Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### (q) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the end of the reporting period.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates and laws that have been enacted (or substantially enacted) by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### (r) Employee benefits

#### (i) Pensions

The Group has arranged for its Hong Kong resident employees to join the Mandatory Provident Fund Scheme (“the MPF Scheme”) established under the Mandatory Provident Fund Ordinance. Under the MPF Scheme, each of the employer and its employees makes monthly contributions to the Scheme at 5% of the employees’ earnings as defined under the Mandatory Provident Fund Ordinance. The contributions from the employer and each of the employees respectively are subject to a cap of HK\$1,000 per month and thereafter contributions are voluntary. The assets of the MPF Scheme are held separately from those of the Group and managed by an independent trustee.

#### (ii) Equity settled share-based payments

The Group has applied the requirements of IFRS 2 Share-Based Payment. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005.

The Group grants share options to certain employees and sales agents for subscription of the Company’s shares. Equity settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured by use of the Black-Scholes model. The expected life used in the model has been adjusted, based on management’s best estimate, for the effects of non-transferability and exercise restrictions.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (s) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months from the end of the reporting period.

Borrowing costs, being interest and other costs incurred in connection with the servicing of borrowings are recognised as an expense when incurred.

### (t) Deferred income

Deferred income represents consulting and hosting service fees received in advance. Revenue is recognised and deferred income is released to the income statement when the corresponding services are rendered.

### (u) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The asset subject to the finance lease is depreciated over the shorter of its useful life and the lease term. The corresponding rental obligations, net of finance charges, are included as a liability.

Leases of property, plant and equipment where the Group does not have substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the lease term. Incentives provided by the lessor are credited to the income statement on a straight-line basis over the minimum lease term.

### (v) Equity instruments

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

## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(w) Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen geographical segment information as the primary reporting format and business segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, income tax balances, corporate and financing expenses.

## **3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

### **(a) Critical accounting estimates**

The directors consider that the Group has no critical accounting estimates.

### **(b) Critical judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## **4. FINANCIAL RISK MANAGEMENT**

The Group's current activities result in the following financial risks and management's responses to those risks in order to minimise any resulting adverse effects on the Group's financial performance.

### **(a) Foreign exchange risk**

The Group's reporting currency is US dollars. Its principal activities are licensing of computer software and the provision of related services in various currencies, particularly US dollars and Hong Kong dollars ("HK dollars"). Since HK dollars is currently pegged to the US dollars, no significant exposure is expected on HK dollars transactions and balances.

**4. FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(a) Foreign exchange risk (Continued)**

The following table indicates the approximate change in the Group's profit/(loss) after taxation (and accumulated losses) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period. The analysis includes balances between Group entities where the denomination of the balances is in a currency other than the functional currencies.

<b>The Group</b>	<b>2009 Increase/ (decrease) in foreign exchange rates</b>	<b>2009 Effect on profit after taxation and accumulated losses US\$'000</b>	2008 Increase/ (decrease) in foreign exchange rates	2008 Effect on loss after taxation and accumulated losses US\$'000
HK dollars	<b>1%</b> <b>(1%)</b>	<b>4</b> <b>(4)</b>	1% (1)%	30 (30)
Pounds Sterling	<b>15%</b> <b>(15%)</b>	<b>258</b> <b>(258)</b>	9% (9)%	119 (119)
Euro	<b>6%</b> <b>(6%)</b>	<b>44</b> <b>(44)</b>	7% (7)%	182 (182)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group entities' exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of next annual reporting period. In this respect, it is assumed that the pegged rate between the HK dollars and US dollars would not be materially affected by any changes in movement in value of US dollars against other currencies. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' profit/(loss) after taxation and accumulated losses measured in the respective functional currencies, translated into US dollars at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2008.

**(b) Interest rate risk**

Interest rate risk arises from debt borrowings and cash held on deposit. The Group has no external borrowings therefore the Group currently has no interest rate risk exposure. The Group's cash balances are kept in interest bearing current accounts and on short-term deposits, so as to maximise the level of return while maintaining an adequate level of liquidity.

#### 4. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (c) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

At the end of the reporting period, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

##### (d) Liquidity risk

The availability of adequate cash resources is managed by the Group through managing its funds conservatively thereby ensuring it meets its continual operational requirements. The Group's financial liabilities as at 31 December 2009, which fall due within 12 months from the end of reporting period were US\$ 3,724,680 (2008: US\$ 3,310,019).

#### 5. REVENUE

Revenue represents the aggregate of income from software licensing, hosting services, support and maintenance and software customisation and implementation services during the year and is analysed as follows:

	2009 US\$	2008 US\$
Software licensing	2,574,937	2,986,803
Hosting	2,687,848	2,139,048
Support and maintenance	1,127,230	892,602
Software customisation and implementation	449,780	334,071
	<b>6,839,795</b>	<b>6,352,524</b>

#### 6. NET FINANCE GAINS/(COSTS)

	2009 US\$	2008 US\$
Bank interest income	6,940	199,571
Finance lease charges	(335)	(335)
Foreign exchange gain/(loss)	184,822	(707,031)
	<b>191,427</b>	<b>(507,795)</b>

**7. PROFIT/(LOSS) BEFORE TAXATION**

Profit/(loss) before taxation is arrived after charging:

	<b>2009</b>	2008
	<b>US\$</b>	US\$
Depreciation of property, plant and equipment	<b>94,766</b>	101,733
Amortisation of intangible assets	<b>43,009</b>	47,803
Loss on disposal of property, plant and equipment	<b>523</b>	511
Statutory audit services	<b>46,608</b>	48,943
Taxation services	<b>67,769</b>	4,977
Operating lease rentals		
– land and buildings	<b>178,885</b>	170,082
Research and development expenditures	<b>2,314,726</b>	1,388,717

**8. TAXATION**

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the group entities operate.

	<b>2009</b>	2008
	<b>US\$</b>	US\$
Current tax – Overseas		
Provision for the year	<b>21,000</b>	–

## 8. TAXATION (CONTINUED)

The taxation charge for the year can be reconciled to the profit/(loss) before taxation per consolidated income statement as follows:

	<b>2009</b>	2008
	<b>US\$</b>	US\$
<i>Tax reconciliation</i>		
Profit/(loss) before taxation	<b>700,757</b>	(588,662)
Profit/(loss) before taxation multiplied by the standard rate of corporation tax in the Cayman Islands of 0%	-	-
<i>Tax effects of:</i>		
Rate adjustment relating to subsidiaries operating in overseas jurisdictions	<b>207,867</b>	7,560
Income not subject to taxation	<b>(312)</b>	(570)
Expenses not deductible for tax purposes	<b>428</b>	10,781
Capital allowances in excess of depreciation	<b>13,231</b>	2,791
Utilisation of previously unrecognised overseas tax losses	<b>(196,364)</b>	(20,562)
Others	<b>(3,850)</b>	-
	<b>21,000</b>	-
The Group's unrecognised deferred tax assets can be analysed as follows:		
Accelerated depreciation charges	<b>(8,160)</b>	(28,341)
Tax losses	<b>335,793</b>	527,931
Retirement benefits	<b>1,495</b>	1,495
	<b>329,128</b>	501,085

Deferred tax asset has not been recognised in respect of tax losses available to carry forward against suitable future trading profits and timing differences relating to capital allowances in excess of depreciation as the directors consider there is insufficient evidence that the asset will be recovered.

**9. EARNINGS/(LOSS) PER SHARE**

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

	<b>2009</b>	2008
	<b>US\$</b>	US\$
<i>Earnings/(loss) used for the 'Earnings/(loss) per share'</i>		
Earnings/(loss) for the purpose of basic earnings/(loss) per share being net profit/(loss) attributable to equity shareholders of the parent	<b>679,757</b>	(588,662)
Earnings/(loss) for the purpose of diluted earnings/(loss) per share	<b>679,757</b>	(588,662)
	<b>2009</b>	2008
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	<b>24,961,658</b>	24,885,980
Effect of dilutive potential ordinary shares: Share options	<b>1,226,500</b>	1,239,475
Weighted average number of ordinary shares for the purpose of dilutive earnings/(loss) per share	<b>26,188,158</b>	26,125,455
	<b>2009</b>	2008
	<b>US\$</b>	US\$
<b>Earnings/(loss) per share:</b>		
Basic	<b>0.03</b>	(0.02)
Diluted	<b>0.03</b>	(0.02)

## 10. SEGMENTAL ANALYSIS

The Group operates in three geographic segments, North America, Europe, Middle East and Africa (“EMEA”) and Rest of the World. These geographic segments are the basis on which the Group reports its primary segment information, as presented below:

*Segmental information for the year ended 31 December 2009:*

	<b>North America</b> US\$	<b>EMEA</b> US\$	<b>Rest of the World</b> US\$	<b>Total</b> US\$
Revenue from external customers	2,098,150	3,572,647	1,168,998	6,839,795
Revenue	<u>2,098,150</u>	<u>3,572,647</u>	<u>1,168,998</u>	<u>6,839,795</u>
Operating profit	212,455	361,686	118,345	692,486
Net finance gains				191,427
Impairment loss on goodwill				(54,604)
Share of loss of an associate				(78,955)
Share of loss of a jointly controlled entity				<u>(49,597)</u>
Profit before taxation				700,757
Taxation				<u>(21,000)</u>
Profit for the year				<u><u>679,757</u></u>

Other segment items included in the income statement for the year ended 31 December 2009:

	<b>North America</b> US\$	<b>EMEA</b> US\$	<b>Rest of the World</b> US\$	<b>Total</b> US\$
Depreciation	13,213	23,093	58,460	94,766
Amortisation	1,700	1,751	39,558	43,009
Bad debts written off	<u>–</u>	<u>–</u>	<u>35,622</u>	<u>35,622</u>

**10. SEGMENTAL ANALYSIS (CONTINUED)**

Information regarding segment assets and liabilities as at 31 December 2009 and capital expenditure for the year then ended, based on the locations of customers:

	<b>North America</b> US\$	<b>EMEA</b> US\$	<b>Rest of the World</b> US\$	<b>Total</b> US\$
Total assets	137,774	29,474	10,015,000	10,182,248
Total liabilities	196,673	–	3,528,007	3,724,680
Tangible assets additions	54,488	9,500	24,892	88,880
Intangible assets additions	8,193	1,560	9,644	19,397
Total capital expenditure	62,681	11,060	34,536	108,277

The directors considered that there is no material difference in the information regarding segment assets and liabilities as at 31 December 2009 and capital expenditure for the year then ended, either based on the locations of customers or the locations of assets, no further disclosure is presented.

*Segmental information for the year ended 31 December 2008:*

	<b>North America</b> US\$	<b>EMEA</b> US\$	<b>Rest of the World</b> US\$	<b>Total</b> US\$
Revenue from external customers	2,616,339	2,350,482	1,385,703	6,352,524
Revenue	2,616,339	2,350,482	1,385,703	6,352,524
Operating profit	38,541	34,624	20,412	93,577
Net finance costs				(507,795)
Share of loss of an associate				(24,041)
Share of loss of a jointly controlled entity				(150,403)
Loss before taxation				(588,662)
Taxation				–
Loss for the year				(588,662)

## 10. SEGMENTAL ANALYSIS (CONTINUED)

Other segment items included in the income statement for the year ended 31 December 2008:

	<b>North America</b>	<b>EMEA</b>	<b>Rest of the World</b>	<b>Total</b>
	US\$	US\$	US\$	US\$
Depreciation	17,471	4,311	79,951	101,733
Amortisation	11,179	273	36,351	47,803
Bad debts written off	59,650	–	22,343	81,993
	<u>17,471</u>	<u>4,311</u>	<u>79,951</u>	<u>101,733</u>

Information regarding segment assets and liabilities as at 31 December 2008 and capital expenditure for the year then ended, based on the locations of customers:

	<b>North America</b>	<b>EMEA</b>	<b>Rest of the World</b>	<b>Total</b>
	US\$	US\$	US\$	US\$
Total assets	159,516	7,564	8,896,286	9,063,366
Total liabilities	87,520	–	3,223,525	3,311,045
Tangible assets additions	3,803	3,398	36,294	43,495
Intangible assets additions	10,839	766	45,223	56,828
Total capital expenditure	14,642	4,164	81,517	100,323

The directors considered that there is no material difference in the information regarding segment assets and liabilities as at 31 December 2008 and capital expenditure for the year then ended, either based on the locations of customers or the locations of assets, no further disclosure is presented.

**10. SEGMENTAL ANALYSIS (CONTINUED)**

The Group's business segments include software licensing, hosting, support and maintenance and software customisation and implementation. These business segments are the basis on which the Group reports its secondary segment information, as presented below:

*Segmental information for the year ended 31 December 2009:*

	<b>Software licensing</b> US\$	<b>Hosting</b> US\$	<b>Support and maintenance</b> US\$	<b>Software customisation and implementation</b> US\$	<b>Total</b> US\$
Segment revenue from external customers	2,574,937	2,687,848	1,127,230	449,780	6,839,795
Total capital expenditure	40,765	42,549	17,844	7,119	108,277
Total carrying amounts of segment assets	3,833,252	4,001,337	1,678,082	669,577	10,182,248

*Segmental information for the year ended 31 December 2008:*

	<b>Software licensing</b> US\$	<b>Hosting</b> US\$	<b>Support and maintenance</b> US\$	<b>Software customisation and implementation</b> US\$	<b>Total</b> US\$
Segment revenue from external customers	2,986,803	2,139,048	892,602	334,071	6,352,524
Total capital expenditure	47,172	33,779	14,095	5,277	100,323
Total carrying amounts of segment assets	4,261,375	3,051,854	1,273,506	476,631	9,063,366

## 11. STAFF COSTS

The average monthly number of persons, including directors, employed by the Group during the years was:

	<b>2009</b>	2008
Sales and marketing	<b>19</b>	18
Technical and client service	<b>29</b>	21
Finance and administration	<b>8</b>	8
	<b>56</b>	47

Staff costs for the above persons were:

	<b>2009</b>	2008
	<b>US\$</b>	US\$
Wages and salaries	<b>2,713,084</b>	2,324,323
Pension contributions	<b>44,854</b>	42,220
Equity settled share-based payments	<b>23,916</b>	38,911
	<b>2,781,854</b>	2,405,454

### Directors' emoluments

Included in the total staff costs above is the remuneration of the directors as detailed below:

	<b>2009</b>	2008
	<b>US\$</b>	US\$
Aggregate directors' emoluments	<b>509,859</b>	829,145

**11. STAFF COSTS (CONTINUED)**

	<b>Fees and salaries</b>	<b>Bonuses</b>	<b>Equity settled share-based payments</b>	<b>Total</b>
	US\$	US\$	US\$	US\$
Year ended 31 December 2009				
Jay Shaw	147,002	12,250	–	159,252
Ray Ruff	147,002	12,250	–	159,252
Jeffery Cheung	139,265	11,606	–	150,871
Roger Durn	12,895	–	3,299	16,194
Sanjay Vaze	9,671	–	2,474	12,145
Graham Higgins	9,671	–	2,474	12,145
	<u>465,506</u>	<u>36,106</u>	<u>8,247</u>	<u>509,859</u>
Year ended 31 December 2008				
Jay Shaw	147,740	12,903	–	160,643
Ray Ruff	147,095	12,903	–	159,998
Jeffery Cheung	139,353	314,836	11,722	465,911
Roger Durn	12,903	–	4,134	17,037
Sanjay Vaze	9,678	–	3,100	12,778
Graham Higgins	9,678	–	3,100	12,778
	<u>466,447</u>	<u>340,642</u>	<u>22,056</u>	<u>829,145</u>

## 12. PROPERTY, PLANT AND EQUIPMENT

	<b>Leasehold improvements</b>	<b>Plant and equipment</b>	<b>Total</b>
	US\$	US\$	US\$
<b>Cost</b>			
At 1 January 2008	73,321	536,184	609,505
Exchange differences	475	3,475	3,950
Additions	–	43,495	43,495
Disposals	–	(136,099)	(136,099)
At 31 December 2008 and 1 January 2009	73,796	447,055	520,851
Exchange differences	(47)	(718)	(765)
Additions	14,220	74,660	88,880
Disposals	–	(1,672)	(1,672)
At 31 December 2009	87,969	519,325	607,294
<b>Depreciation</b>			
At 1 January 2008	19,814	386,711	406,525
Exchange differences	128	2,507	2,635
Charge for the year	36,950	64,783	101,733
Disposals	–	(134,436)	(134,436)
At 31 December 2008 and 1 January 2009	56,892	319,565	376,457
Exchange differences	(36)	(392)	(428)
Charge for the year	19,559	75,207	94,766
Disposals	–	(1,149)	(1,149)
At 31 December 2009	76,415	393,231	469,646
<b>Net book value</b>			
At 31 December 2009	11,554	126,094	137,648
At 31 December 2008	16,904	127,490	144,394
Finance lease assets included in the above net book value:			
At 31 December 2009	–	–	–
At 31 December 2008	–	1,507	1,507

**13. INTANGIBLE ASSETS**

	<b>Software costs</b>
	US\$
<b>Cost</b>	
At 1 January 2008	91,089
Exchange differences	615
Additions	56,828
	<hr/>
At 31 December 2008 and 1 January 2009	148,532
Exchange differences	(169)
Additions	19,397
	<hr/>
At 31 December 2009	167,760
	<hr/>
<b>Amortisation</b>	
At 1 January 2008	50,586
Exchange differences	353
Charge for the year	47,803
	<hr/>
At 31 December 2008 and 1 January 2009	98,742
Exchange differences	(129)
Charge for the year	43,009
	<hr/>
At 31 December 2009	141,622
	<hr/>
<b>Net book value</b>	
At 31 December 2009	26,138
	<hr/> <hr/>
At 31 December 2008	49,790
	<hr/> <hr/>

## 14. INVESTMENTS IN SUBSIDIARIES

	<b>2009</b>	2008
	<b>US\$</b>	US\$
Unlisted shares, at cost	<b>902,737</b>	902,737

Particulars of the subsidiaries as at 31 December 2009 are as follows:

Name of Company	Place of incorporation and operation	Percentage of equity attributable to the Company		Principal activities
		Direct	Indirect	
NetDimensions Limited	Hong Kong	100%	–	Licensing of computer software and provision of related services and investment holding
ND Services, Inc.	USA	100%	–	Licensing of computer software and provision of related services
NetDimensions Inc.	USA	100%	–	Dormant
NetDimensions Asia Limited	Hong Kong/ Philippines	–	100%	Commence for operation

## 15. INTEREST IN AN ASSOCIATE

	The Group		The Company	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>US\$</b>	US\$	<b>US\$</b>	US\$
Unlisted shares, at cost	–	–	<b>250,000</b>	250,000
Less: impairment loss	–	–	<b>(170,130)</b>	–
	–	–	<b>79,870</b>	250,000
Share of net assets	<b>59,972</b>	101,275	–	–
Goodwill on acquisition	<b>32,896</b>	125,000	–	–
	<b>92,868</b>	226,275	<b>79,870</b>	250,000

Particulars of the associate as at 31 December 2009 are as follows:

Name of associate	Place of incorporation and operation	Percentage of equity attributable to the Company		Principal activities
Peak Pacific Limited	Hong Kong	25%		Provision and development of professional eLearning products, solutions and services

**15. INTEREST IN AN ASSOCIATE (CONTINUED)**

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

	<b>2009</b>	2008
	<b>US\$</b>	US\$
Total assets	<b>280,312</b>	439,643
Total liabilities	<b>(40,419)</b>	(34,542)
Net assets	<b>239,893</b>	405,101
Revenue	<b>831,950</b>	174,750
Loss for the year	<b>(315,821)</b>	(96,162)
Group's share of loss of an associate for the year	<b>(78,955)</b>	(24,041)

**16. INTEREST IN A JOINTLY CONTROLLED ENTITY**

	<b>The Group</b>		<b>The Company</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>US\$</b>	US\$	<b>US\$</b>	US\$
Unlisted shares, at cost	–	–	<b>200,000</b>	200,000
Less: Impairment loss	–	–	<b>(200,000)</b>	–
Share of net assets	–	49,597	–	200,000
	–	49,597	–	200,000

Particulars of the jointly controlled entity as at 31 December 2009 are as follows:

<b>Name of entity</b>	<b>Place of incorporation and operation</b>	<b>Percentage of registered capital held</b>	<b>Principal activities</b>
Great (Bermuda) Island Scientific Limited	Bermuda/ Hong Kong	50%	Licensing of computer software and provision of related services

## 16. INTEREST IN A JOINTLY CONTROLLED ENTITY (CONTINUED)

A summary of the financial information of the jointly controlled entity at the Company's effective interests are as follows:

	<b>2009</b>	2008
	<b>US\$</b>	US\$
Non-current assets	<b>1,393</b>	843
Current assets	<b>8,834</b>	48,754
Current liabilities	<b>(25,615)</b>	–
Net (liabilities)/assets	<b>(15,388)</b>	49,597
Income	<b>4,535</b>	7,170
Expenses	<b>(69,520)</b>	(157,573)
Loss for the year	<b>(64,985)</b>	(150,403)

## 17. TRADE AND OTHER RECEIVABLES

		<b>The Group</b>		<b>The Company</b>	
	Note	<b>2009</b>	2008	<b>2009</b>	2008
		<b>US\$</b>	US\$	<b>US\$</b>	US\$
Trade receivables		<b>2,025,602</b>	2,945,336	–	–
Less: Allowance for doubtful debts	(a)	–	(34,924)	–	–
Trade receivables – net		<b>2,025,602</b>	2,910,412	–	–
Other receivables		<b>111,083</b>	174,622	–	–
Less: Allowance for doubtful debts	(a)	<b>(108,454)</b>	(109,152)	–	–
Other receivables – net		<b>2,629</b>	65,470	–	–
Prepayments and deposits		<b>452,698</b>	279,023	<b>7,469</b>	8,669
Amounts due from subsidiaries		–	–	<b>4,354,550</b>	4,208,444
		<b>2,480,929</b>	3,254,905	<b>4,362,019</b>	4,217,113

The allowance for doubtful debts has been determined by reference to past default experience and knowledge of the individual circumstances of certain receivables. Trade and other receivables are due within 30 days from the date of billing. Further details on the Group's credit policy are set out in note 4(c).

## 17. TRADE AND OTHER RECEIVABLES (CONTINUED)

### (a) Impairment of trade and other receivables

Impairment losses in respect of trade and other receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 2(n)).

The movements in the allowance for doubtful debts during the year are as follows:

	The Group		The Company	
	2009	2008	2009	2008
	US\$	US\$	US\$	US\$
At 1 January	<b>144,076</b>	66,236	–	–
Impairment loss recognised	–	94,078	–	–
Bad debts written off	<b>(35,622)</b>	(16,238)	–	–
At 31 December	<b>108,454</b>	144,076	–	–

At 31 December 2009, the Group's trade and other receivables of US\$Nil (2008: US\$34,924) and US\$108,454 (2008: US\$109,152) respectively were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, the total allowance for doubtful debts of US\$108,454 (2008: US\$144,076) were recognised. The Group does not hold any collateral over these balances.

### (b) Trade and other receivables that are not impaired

The ageing analysis of trade and other receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group		The Company	
	2009	2008	2009	2008
	US\$	US\$	US\$	US\$

#### (i) Trade receivables

Neither past due nor impaired	<b>243,356</b>	267,653	–	–
Less than 1 month past due	<b>1,344,355</b>	2,242,502	–	–
1 to 3 months past due	<b>281,079</b>	321,975	–	–
Over 3 months past due	<b>156,812</b>	78,282	–	–
	<b>2,025,602</b>	2,910,412	–	–

## 17. TRADE AND OTHER RECEIVABLES (CONTINUED)

### (b) Trade and other receivables that are not impaired (continued)

	The Group		The Company	
	2009	2008	2009	2008
	US\$	US\$	US\$	US\$
<b>(ii) Other receivables</b>				
Neither past due nor impaired	2,629	484	-	-
Less than 1 month past due	-	1,148	-	-
1 to 3 months past due	-	2,071	-	-
Over 3 months past due	-	61,767	-	-
	<b>2,629</b>	<b>65,470</b>	<b>-</b>	<b>-</b>

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no allowance for doubtful debts is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

## 18. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2009	2008	2009	2008
	US\$	US\$	US\$	US\$
<b>Cash at bank and in hand</b>				
US dollars	99,216	30,121	150	150
Sterling pounds	-	8	-	-
Euro	2,337	8	-	-
HK dollars	100,656	46,645	555	13
Other currencies	7,609	609	-	-
<b>Short-term bank deposits</b>				
US dollars	5,589,384	762,966	2,089,807	96,813
Sterling pounds	1,403,218	1,440,063	1,201,342	1,361,220
Euro	68,534	2,879,317	-	2,022,428
HK dollars	173,711	178,211	31,305	52,600
Other currencies	-	457	-	-
	<b>7,444,665</b>	<b>5,338,405</b>	<b>3,323,159</b>	<b>3,533,224</b>

Short-term bank deposits are made for varying periods depending on the cash requirements of the Group, and earn interests at market short-term deposits rates of between 0.01% and 0.2%.

**19. SHARE CAPITAL**

	2009		2008	
	Number of shares	US\$	Number of shares	US\$
<b>Authorised:</b>				
Ordinary shares at US\$0.001 each	<b>100,000,000</b>	<b>100,000</b>	100,000,000	100,000
<b>Allotted, called up and fully paid:</b>				
Ordinary shares	<b>25,013,576</b>	<b>25,014</b>	24,913,576	24,914
<b>Movements in ordinary shares</b>				
At 1 January	<b>24,913,576</b>	<b>24,914</b>	24,863,576	24,864
Shares issued to non-executive directors	<b>100,000</b>	<b>100</b>	50,000	50
At 31 December	<b>25,013,576</b>	<b>25,014</b>	24,913,576	24,914

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

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

## 20. RESERVES

### Group

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

### Company

	Share premium US\$	Accumulated losses US\$	Total US\$
At 1 January 2008	11,116,871	(1,307,098)	9,809,773
Loss for the year	–	(877,153)	(877,153)
Currency translation differences	–	54,997	54,997
Equity settled share-based payments	–	38,861	38,861
At 31 December 2008 and 1 January 2009	11,116,871	(2,090,393)	9,026,478
Loss for the year	–	(454,578)	(454,578)
Equity settled share-based payments	–	23,816	23,816
At 31 December 2009	<u>11,116,871</u>	<u>(2,521,155)</u>	<u>8,595,716</u>

## 21. EQUITY SETTLED SHARE-BASED PAYMENTS

The Company has a share option scheme for certain employees and sales agents. Options are exercisable at a price equal to the average market price of the Company's shares on the date of grant. The vesting period is spread equally over either a 12 month or 36 month period. If the options remain unexercised after a period of 10 years after the date of grant, the options expire. Options are forfeited if the employee or sales agent leaves the Group before the options vest.

The following table discloses the movements of the Company's share options:

	2009		2008	
	Number of share options	Weighted average exercise price US\$	Number of share options	Weighted average exercise price US\$
Outstanding at 1 January	1,226,500	0.269	1,260,500	0.269
Forfeited during the year	–	–	(34,000)	0.300
Exercised during the year	–	–	–	–
Outstanding at 31 December	<u>1,226,500</u>	<u>0.268</u>	<u>1,226,500</u>	0.268
Exercisable at 31 December	<u>1,226,500</u>	<u>0.268</u>	<u>1,062,328</u>	0.264

**21. EQUITY SETTLED SHARE-BASED PAYMENTS (CONTINUED)**

Share options outstanding during the years ended 31 December 2009 and 31 December 2008 are as follows:

Exercise period lapse	Exercise price per share US\$	<b>2009</b> <b>Number of</b> <b>shares under</b> <b>option</b>	2008 Number of shares under option
19.09.2010	0.045	<b>20,000</b>	20,000
27.03.2011	0.100	<b>20,000</b>	20,000
14.09.2011	0.160	<b>7,000</b>	7,000
11.05.2013	0.165	<b>152,000</b>	152,000
11.08.2013	0.165	<b>10,000</b>	10,000
19.04.2015	0.165	<b>50,000</b>	50,000
30.12.2015	0.300	<b>100,000</b>	100,000
24.05.2016	0.300	<b>385,000</b>	385,000
11.06.2016	0.300	<b>5,000</b>	5,000
28.12.2016	0.300	<b>477,500</b>	477,500
		<b>1,226,500</b>	1,226,500

The weighted average market value per share at the date of exercise for share options exercised during the years ended 31 December 2008 and 31 December 2009 was US\$0.403 and US\$0.403, respectively. The options outstanding at 31 December 2008 and 31 December 2009 had a weighted average exercise price of US\$0.268 and US\$0.268, respectively and a weighted average remaining contractual life of three years.

There were no options granted for the year ended 31 December 2009.

The Group recognised total expenses of US\$38,911 and US\$23,916 related to equity settled share-based payments transactions in the years ended 31 December 2008 and 31 December 2009, respectively.

## 22. OBLIGATIONS UNDER FINANCE LEASES

Finance lease liabilities – minimum lease payments:

	<b>2009</b>	2008
	<b>US\$</b>	US\$
Within one year	<b>1,277</b>	1,703
Between two and five years	–	1,277
	<b>1,277</b>	2,980
Future finance charges	<b>(252)</b>	(586)
	<b>1,025</b>	2,394

Finance lease liabilities – present value of minimum lease payments:

	US\$	US\$
Within one year	1,025	1,368
Between two and five years	–	1,026
	1,025	2,394

The weighted average fixed interest rate on the outstanding finance lease liabilities as at 31 December 2008 and 31 December 2009 was 8.42% and 8.42% respectively.

All the lease obligations are denominated in HK dollars.

The fair value of the Group's lease obligations approximates to their carrying value.

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets.

## 23. TRADE AND OTHER PAYABLES

	<b>The Group</b>		<b>The Company</b>	
	<b>2009</b>	2008	<b>2009</b>	2008
	<b>US\$</b>	US\$	<b>US\$</b>	US\$
Trade payables	<b>232,293</b>	77,122	<b>13,000</b>	12,752
Other payables	<b>4,160</b>	–	<b>392</b>	392
Accruals	<b>565,200</b>	365,424	<b>33,663</b>	38,538
Deferred income (Note)	<b>2,912,002</b>	2,866,105	–	–
	<b>3,713,655</b>	3,308,651	<b>47,055</b>	51,682

Note:

Deferred income represents consulting and hosting service fees received in advance.

**24. CASH GENERATED FROM OPERATIONS**

	<b>2009</b>	2008
	<b>US\$</b>	US\$
Profit/(loss) before taxation	<b>700,757</b>	(588,662)
Equity settled share-based payments	<b>23,916</b>	38,911
Depreciation	<b>94,766</b>	101,733
Amortisation	<b>43,009</b>	47,803
Loss on disposal of property, plant and equipment	<b>523</b>	511
Finance lease charges	<b>335</b>	335
Interest income	<b>(6,940)</b>	(199,571)
Impairment loss on goodwill	<b>54,604</b>	–
Share of loss of an associate	<b>78,955</b>	24,041
Share of loss of a jointly controlled entity	<b>49,597</b>	150,403
Exchange (gain)/loss	<b>(184,822)</b>	707,031
	<hr/>	<hr/>
Operating cash flows before changes in working capital	<b>854,700</b>	282,535
Decrease in inventories	–	10,584
Decrease/(increase) in trade and other receivables	<b>773,976</b>	(517,368)
Increase in trade and other payables	<b>405,004</b>	873,093
	<hr/>	<hr/>
<b>Cash generated from operations</b>	<b>2,033,680</b>	648,844
	<hr/> <hr/>	<hr/> <hr/>

**25. OPERATING LEASE COMMITMENTS**

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

	<b>2009</b>	2008
	<b>US\$</b>	US\$
Land and buildings:		
Within one year	<b>154,230</b>	68,922
In the second to fifth year inclusive	<b>45,693</b>	–
	<hr/>	<hr/>
	<b>199,923</b>	68,922
	<hr/> <hr/>	<hr/> <hr/>

## 26. CAPITAL COMMITMENTS

There were no capital commitments that had not been provided for at the end of the reporting periods.

## 27. CONTINGENT LIABILITIES

There were no contingent liabilities at the end of the reporting periods.

## 28. RELATED PARTY TRANSACTIONS

(a) During the year, the Group entered into the following transactions with related parties:

	2009 US\$	2008 US\$
Sales of goods to an associate	<u>13,736</u>	<u>45,000</u>
Software customisation and implementation service fee received from a jointly controlled entity	<u>20,654</u>	<u>35,938</u>

The services fee is mutually agreed between the Group and the related parties with reference to normal commercial terms.

(b) Key management

Compensation paid to key management of the Group is detailed in note 11 to the financial statement.

There was no option granted or any other benefits awarded to the management during the year.

## 29. ULTIMATE CONTROLLING PARTY

The Group has no ultimate controlling party.

## 30. EVENTS AFTER THE REPORTING PERIOD

The Group has been served a complaint for patent infringement within the United States on 25 March 2010 by the US District Court, Eastern District of Texas, Tyler Division. The plaintiff is IpLearn LLC, a California Limited Liability Company, and is against eight defendants which include the Group.

The directors believe that there has been no patent infringement, but take any such complaints seriously. The directors are therefore investigating the claims with a view to instructing legal advisers, together with the co-defendants, to challenge the complaint. The Company will announce any further developments in due course.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the Company will be held at The Excelsior, Hong Kong at 281 Gloucester Road, Causeway Bay, Hong Kong on Thursday 10 June 2010 at 6:30 pm for the following purposes:

1. To receive and consider the audited financial statements of the Group for the year ended 31 December 2009.
2. To re-appoint Nexia Charles Mar Fan & Co. as auditors and to authorise the Directors to fix the remuneration of the auditors.
3. Any other business.

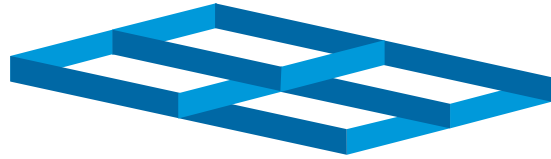
By Order of the Board

**Janet Luk**  
*Company Secretary*

Hong Kong, 19 April 2010

*Notes:*

1. A Shareholder entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not also be a Shareholder.
2. A form of proxy for use at the Meeting is enclosed. Whether or not you propose to attend the Meeting in person, you are strongly urged to complete and sign the enclosed form of proxy in accordance with the instructions printed on it and to send it to, or deposit it (together with any power of attorney or other authority under which it is signed, or a notarially certified copy thereof) to the attention of Proxy Department, Capita Registrars, 34 Beckenham Road, Beckenham, Kent BR3 4TU, United Kingdom as soon as possible and no later than 48 hours before the time appointed for holding the Meeting. Returning the completed form of proxy will not preclude you from attending the Meeting and voting in person if you so wish.
3. In the case of joint holders of record the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Shareholders.



**NetDimensions<sup>®</sup>**

NETDIMENSIONS (HOLDINGS) LIMITED

