

NetDimensions[®]

NetDimensions (Holdings) Limited

Annual Report

2010

PERFORMANCE

Assessments, Certifications, Talent Development

KNOWLEDGE

Courseware, Performance Support, Extended Enterprise

LEARNING

Corporate Training, Blended Learning, Mobility



NetDimensions

Performance. Knowledge. Learning.



Global Presence



Through our own offices worldwide, as well as through a global reseller network that extends to over 40 countries and regions, NetDimensions products and solutions serves over 800 clients with more than 8 million users.

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Directors and Advisers

Directors

Jay Mervin Shaw (*Chief Executive Officer*)
Ray Cecil Ruff (*Chief Information Officer*)
Clarence On Pong Wu (*Chief Financial Officer*)
Roger Philip Edward Durn (*Non-Executive Chairman*)
Sanjay Vaze (*Non-Executive Director*)
Graham Malcolm Higgins (*Non-Executive Director*)

Secretary

Janet Luk

Registered Office

c/o M&C Corporate Services Limited
P.O. Box 309
Ugland House
South Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Auditors

Nexia Charles Mar Fan & Co.
11th Floor, Fortis Tower
77-79 Gloucester Road
Hong Kong

Nominated Adviser and Broker

Arden Partners plc
125 Old Board Street
London EC2N 1AR
United Kingdom

Solicitors

Clarkson Wright & Jakes LLP
Valiant House
12 Knoll Rise
Orpington
Kent BR6 0PG
United Kingdom

Registrars

Capita Registrars (Jersey) Limited
12 Castle Street
St. Helier, JE2 3RT
Jersey

UK Depositary

Capita IRG Trustees Limited
The Registry
34 Beckenham Road
Beckenham, Kent BR3 4TU
United Kingdom

Financial PR

Walbrook PR Ltd.
4 Lombard Street
London EC3V 9HD
United Kingdom

Bankers

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Citibank N.A. Hong Kong
9th Floor, Two Harbour Front
22 Tak Fung Street
Hung Hom
Kowloon
Hong Kong

AIM Stock Code

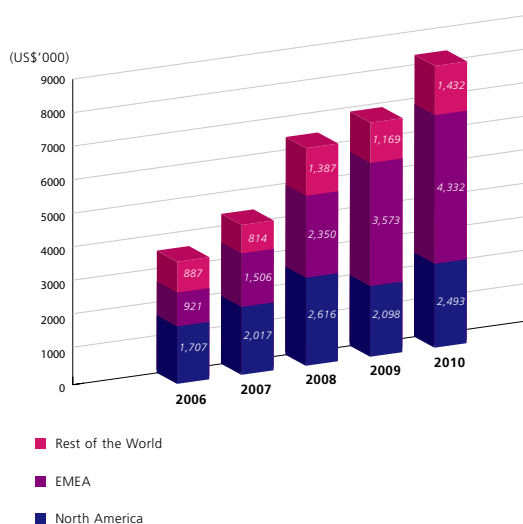
NETD

Financial Highlights

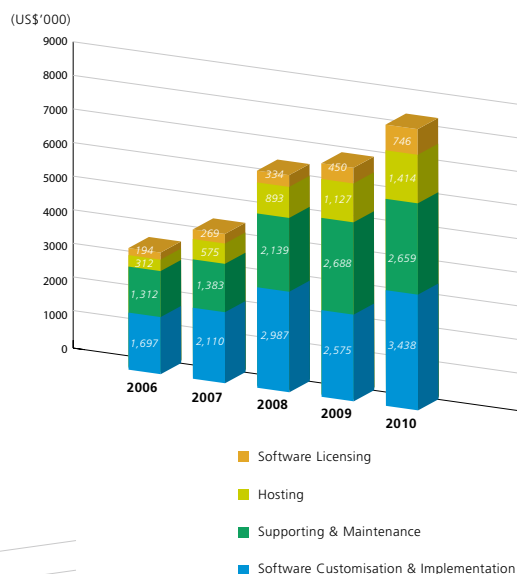
	2010	2009	2008	2007	2006
Revenue (US\$'000)	8,258	6,840	6,353	4,337	3,515
Gross profit (US\$'000)	7,620	6,279	5,931	4,167	3,355
Operating profit/(loss) (US\$'000)	255	692	94	(9)	551
Profit/(loss) attributable to equity shareholders* (US\$'000)	116	680	(589)	146	567
Basic earnings/(loss) per share (US\$ cents)	0.4	3.0	(2.0)	0.6	3.0
Total assets (US\$'000)	11,174	10,182	9,063	8,703	3,012
Shareholders' fund (US\$'000)	6,588	6,458	5,752	6,264	1,253

* Excluding listing expenses in 2007

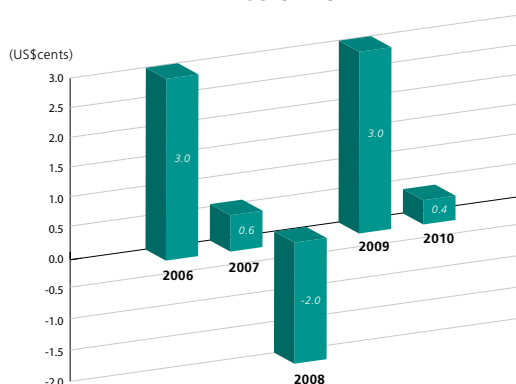
Revenue by Geographical Segments



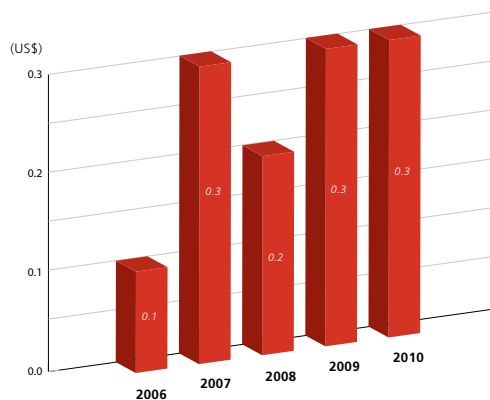
Revenue by Product Types



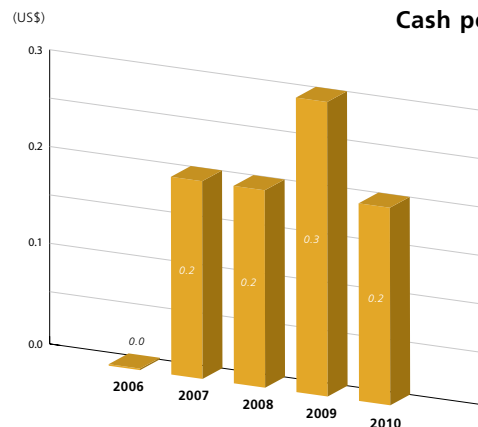
Basic EPS



Net asset value per share



Cash per share



Who We Are

Established in 1999 and listed on the London Stock Exchange (AIM: NETD), NetDimensions is committed to leadership in performance, knowledge and learning management technology, but more importantly, we are committed to delivering global solutions that produce results for our clients.

NetDimensions' enterprise software solutions enable organizations around the world – including multinational companies, SMEs, government agencies and associations – to cut costs, manage risks, improve productivity and increase revenues.

ISO 9001 Certified



ISO 9001:2008
FS 542888

Certified compliant to ISO 9001 standards, NetDimensions creates products and services that work as advertised and meets the needs of our clients. NetDimensions' Quality Policy focuses on the following:

- Providing products & services that work
- Satisfying our clients' requirements
- Getting better at what we do every year

Awards



TrainingIndustry.com

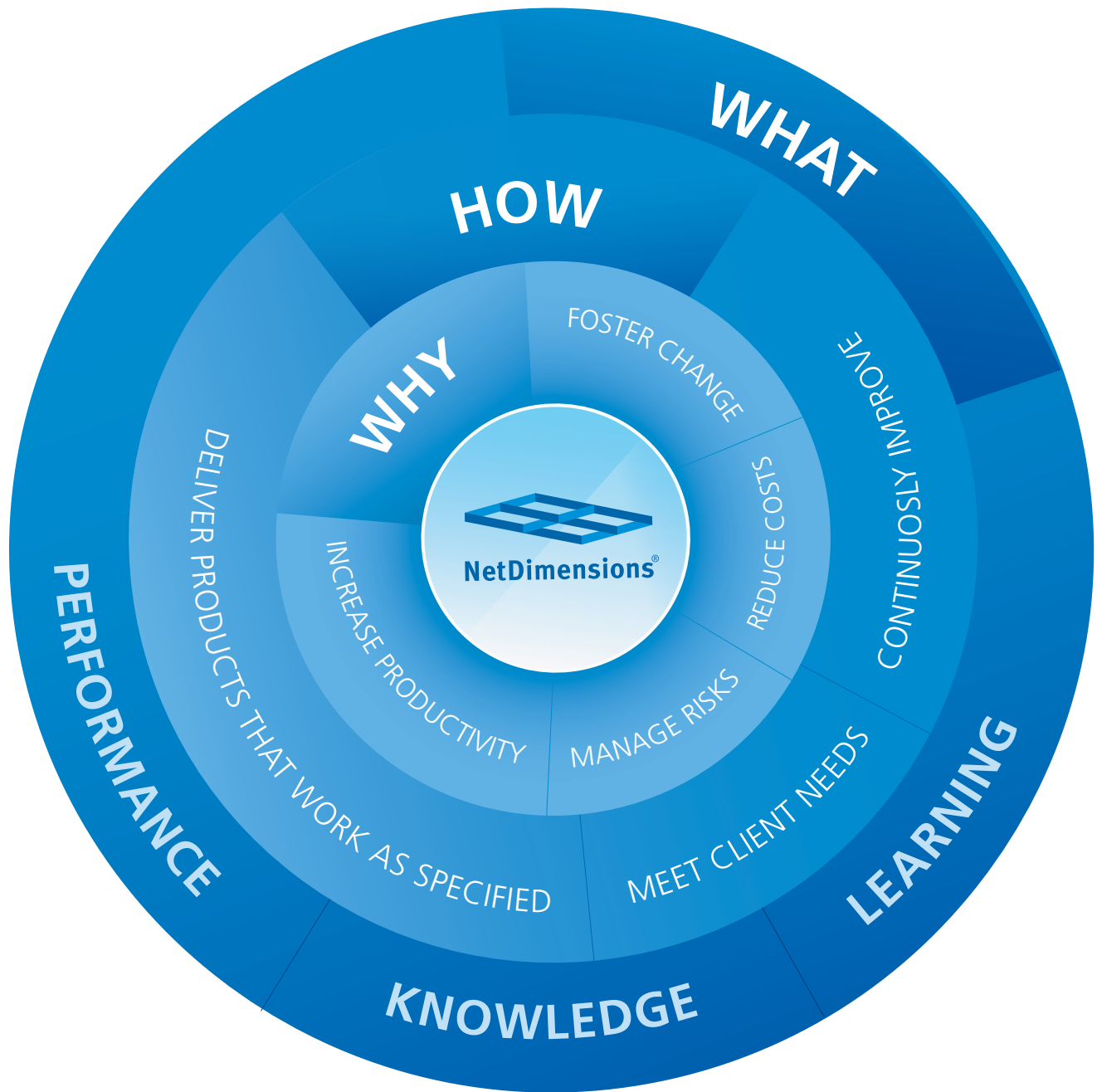
Top 20 Learning Portal
Companies in 2010



Computerworld Hong Kong:

2010 Technology
Company of the Year

The NetDimensions Vision



What We Do

NetDimensions offers solutions to enable organizations to successfully develop and

NetDimensions Products

NetDimensions



Enterprise Knowledge Platform

Enterprise Knowledge Platform (EKP)
Learning Management System

NetDimensions



Enterprise Talent Platform

Enterprise Talent Platform (ETP)
Integrated Talent Management

NetDimensions



Enterprise Assessment Platform

Enterprise Assessment Platform (EAP)
Assessment and Certification Engine



NetDimensions

EKP

mobile EKP (mEKP)
Portable LMS for Mobile Learning

implement performance, knowledge, learning and compliance programs.

NetDimensions Services



**ISO 27001 Certified
Hosted and Managed Services**



Customer Training and Support Services



Implementation Services



Custom Content Development Services



LMS Platform Integration Services

NetDimensions Events

Annual Reseller Conference: Synergy 2010



SYNERGY 2010
Reseller Conference



NetDimensions Global Reseller Conference 2010
24-26 February 2010 / Rome, Italy

Annual User Conference: Next Steps 2010



NEXT
STEPS 2010



NetDimensions Global User Conference
14-15 October 2010 / Chicago, IL, USA
19-20 October 2010 / London, United Kingdom

Directors' and Senior Management's Biographies



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's 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.



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 Alstom 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 Hong Kong-based committee.



Graham Malcolm Higgins
Non-Executive Director
(Born in 1951)

Graham is currently Manager of Organisational Development & Learning, and Overseas Personnel Manager at Cathay Pacific Airways Limited where he advises on all people development initiatives worldwide. Graham holds a Full Technical Certificate in Telecommunications (5th Year City and Guilds). Graham chairs the remuneration and AIM Rules compliance committees.



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.



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.



Chairman's Statement



FINANCIAL SUMMARY

I am pleased to report on the financial results for NetDimensions for the year ended 31 December 2010. During the year, the Company focused on strategic geographic expansion that led to strong sales growth of 22% to US\$8.3M (2009: US\$6.8M) despite the US still being in the midst of economic recovery and the continuing financial crisis in Europe.

We continued with our growth strategy, which included the purchase of a client business line from one of our UK resellers followed, by enhancing the NetDimensions operation in the UK to support the increase in the client base. At the end of 2010, we also acquired a US custom content developer to strengthen our US footprint; and formed a wholly foreign owned enterprise (WFOE) in Shanghai. If we included the full year contribution of the two acquisitions, our 2010 pro-forma revenue would have been US\$9.3M.

In 2010, we added 106 new clients through our reseller channel and direct sales effort, which together made up almost 21% of invoiced sales. The Europe, Middle East and Africa (EMEA) region was still our biggest market with 53% of total sales, North America (Canada, USA and the Caribbean) represented 30% of sales and the rest of the world made up the rest at 17%. All three regions recorded around 20% growth. The Company saw license sales increase by 34%, professional services by 66% and support & maintenance by 25%. Hosting sales were flat, mainly due to EMEA clients' preference in license purchases.

The Company recorded US\$0.1M of profit before tax after a US\$0.1M unfavourable exchange loss and US\$0.1M in acquisition related amortisation. In addition, the profit reflected the Company's aggressive approach for strengthening our infrastructure to prepare for future sales growth. Profit was also impacted by US\$0.4M of non-capitalised acquisition expenses, settlement of patent infringement litigation in the US and fees and related costs for a Japanese market penetration study.

The Company maintained a strong cash position after spending US\$1.9M on acquisitions and related one-time expenses, with cash balances of

n's Statement

US\$6.0M (2009: US\$7.4 M) and no borrowing. The Company was successful in setting up a US\$1.3M credit facility with Citibank HK supported by US\$0.5M pledged deposit. This credit line is not currently drawn down but will help build a credit rating to enable the Company to finance future growth in part by the use of debt instead of cash should the Board so decide.

The Board does not recommend payment of a dividend at this stage. It remains the Board's intention to pay dividends in the future with surplus funds to be reinvested to support the continued growth of the Company.

OPERATIONAL REVIEW

In 2010, NetDimensions invested heavily in product development and various engineering improvement programs that resulted in four major product upgrades during the year and the deployment of the new mEKP system, a mobile learning management system on a flash drive with strong security protection. We expect these developments to make an impact over time and enhance the Company's product usage.

As a software provider, NetDimensions traditionally has not benefited from a substantial degree of professional services revenue on its product offerings. During the year, we started to regionalise our own professional services capacity in line with our expanded geographic footprint and start to build a solid infrastructure which can offer new services and real time customer support to clients. All these operational efforts should improve the Company's market position and improve top-line revenue growth.

OUTLOOK

NetDimensions built a stronger business and distribution model around the world in 2010 and we will continue to explore new markets to expand our global growth. This growth is expected to be strengthened by identifying further acquisitions candidates, funded by our current strong cash position and improved positive cash flows from the existing business.

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

The recent political unrest in the Middle East and natural disasters in Japan at the beginning of the year may affect the investment mood of some clients but we believe that this will be outweighed by recent positive economic indicators in most of the industrialised nations, thereby leading to enhanced growth potential for our business. The Company's 2011 first quarter trading results were in line with management's growth expectations.

Roger Philip Edward Durn
Chairman

18 April 2011

Chief Executive Officer's Report



When we listed NetDimensions on the London Stock Exchange AIM in 2007, we announced that we intended to grow the company both organically and through acquisitions.

We were looking for bolt-on acquisitions. We were looking for businesses that would give us increased sales and service capabilities in major markets, businesses whose key personnel would stay on, businesses that were already addressing our target clients as resellers of our software or of similar software and services.

In 2008 and 2009 we did not find anything to buy at a price that made sense to us.

In 2010 we did.

In the United Kingdom we bought out our reseller's NetDimensions client business (some 24 active accounts) and brought in-house the reseller's key account managers.

In the United States we bought a business that looked like one of our resellers, with a strong practice in content development, related professional services and learning management system design and hosting. We then put the CEO of the acquired company in charge of all of our operations in the Americas.

In China we decided our best option was to open our own company, which we did.

The United States, United Kingdom and China were the first three countries on our list of target geographies. That list also includes France, Germany, Brazil, Japan, Russia and India. In each of these countries we intend to acquire or develop our own sales and service capabilities, establish strong reseller relationships or do a combination of both.

In other markets we will look to increase revenue through channel sales.

Our plan was to identify and complete manageable, self-funded acquisitions during 2010 and spend the following year integrating the new operations, getting the China operation off to a good start, making sure the newly acquired clients stay (and stay happy) and focusing on growing new named client sales across the Group.

We successfully completed the 2010 part of the plan. We are now working on the integration, client retention and sales growth issues.

At the same time we put considerable effort into product development in 2010, in some cases rethinking our positioning and offerings.

tive Officer's Report

NetDimensions has always been strong on security and compliance issues. In 2010, we took those core strengths to a new level with the development of 21 CFR 11 support (this is from the Code of Federal Regulations and lays out a U.S. government standard for digital signature handling and related audit trail reporting), a compliance editor option for our flagship product offering and related compliance analytics reporting.

The U.S. Food and Drug Administration regulates pharmaceutical, biotechnology and food processing companies. Many of these companies now consider it best practice to require 21 CFR 11 compliance support from major software suppliers.

The European Union and Japan have similar regulators and similar standards. Companies who operate globally must deal with all of the major market regulators.

But it's not just the pharmaceutical industry. As companies in other high-stakes market verticals begin to require 21 CFR 11 or equivalent standards support, we believe our development efforts in this area will prove to have been time well spent and should help position NetDimensions as one of the few learning, performance and knowledge management application providers whose technology is designed to support clients as they progress their 21 CFR 11 and equivalent validation processes.

In 2010 we also moved forward with our mobile strategy, introducing mEKP, a portable learning management system for the occasionally connected that can be accessed from just about any Mac, Windows or Linux computer. We designed this technology, which one industry analyst called "disruptive", to meet the needs of those without their own computers, those in remote locations and those with limited, expensive or unstable Internet access.

We expect this technology to be of particular interest to energy extraction, field science, shipping, aviation and military clients.

In April 2010 we won a *Brandon Hall Award for Excellence in Learning Technology* for the Portal Tool Kit (PTK), a set of application programming interfaces designed to "push" our product functionality into other environments. We designed the PTK to help clients easily integrate product affordances into corporate portals.

The key point is that we designed the PTK technology to be easy to implement. For example, with the PTK, a compliance officer can now incorporate tracked compliance training and certification testing into a company compliance portal and get it done quickly.

2010 was a busy, productive year for NetDimensions. With the increased sales and services capabilities the two acquisitions and the new China operation give us and with our ongoing product developments, we expect to continue to compete and grow in our markets.

In summary, during the year NetDimensions continued to provide workforce solutions that help our clients put knowledge to work more effectively. We intend to be able to offer these solutions to more clients in more places in 2011 as a result of the decisions we made in 2010.

We will continue to focus on growing the Company and on growing stakeholder value in the Company for the benefit of our shareholders, clients, employees, partners, suppliers and the communities we work in.

Jay Mervin Shaw
CEO
18 April 2011



NetDimensions®

www.NetDimensions.com



NetDimensions

Performance. Knowledge. Learning.

Directors' Report

The directors submit herewith their report together with the audited financial statements for the year ended on 31 December 2010.

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\$116,051 (2009: US\$679,757). The directors do not recommend the payment of a dividend for the year (2009: US\$ nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of 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 20 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 Group during the year are set out in the consolidated statement of changes in equity.

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' Report

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 2010 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	
Beneficial Interests				
Jay Mervin Shaw	4,250,000	505,000	4,755,000	18.93
Ray Cecil Ruff	2,521,388	1,000,000	3,521,388	14.02
Roger Philip Edward Durn	65,000	–	65,000	0.26
Sanjay Vaze	148,750	260,000	408,750	1.63
Graham Malcolm Higgins	48,750	–	48,750	0.19

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.

(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 (the "Plan") whereby the directors of the Company are authorized, 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 Plan 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 Plan shall be valid and effective for a period of ten years. Pursuant to an ordinary resolution passed at the annual general meeting of the Company on 10 June 2010, the Plan which expired on 17 September 2010 is renewed for a further period of 10 years, ending on 16 September 2020 (the "Renewed Plan"). The maximum aggregate number of ordinary shares of US\$0.001 each which may be issued pursuant to the Renewed Plan is 3,000,000 ordinary shares.

The vesting date of the options granted under the Renewed Plan ranged from 1 year to 5 years after the date of grant and then exercisable within a period of ten years.

At 31 December 2010, the directors of the Company had the following interest in options to subscribe for shares of the Company (market value per share at 31 December 2010 was GBP0.195) granted for nil consideration under the Plan 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.

Directors' Report

SHARE OPTION SCHEME (CONTINUED)

Director	Date of grant	Exercisable period	Exercise price per share	Number of shares under options				
				At 1/1/2010	Granted during the year	Exercised during the year	Cancelled during the year	At 31/12/2010
Ray Cecil Ruff	13/2/2010	13/2/2012 – 12/2/2020	GBP0.18	–	85,000	–	–	85,000
		13/2/2013 – 12/2/2020	GBP0.18	–	85,000	–	–	85,000
		13/2/2014 – 12/2/2020	GBP0.18	–	80,000	–	–	80,000
Roger Philip Edward Durn	31/12/2005	31/12/2005 – 30/12/2015	US\$0.3	40,000	–	–	–	40,000
Sanjay Vaze	20/9/2000	20/9/2001 – 19/9/2010	US\$0.045	20,000	–	20,000	–	–
	28/3/2001	28/3/2001 – 27/3/2011	US\$0.1	20,000	–	20,000	–	–
	31/12/2005	31/12/2005 – 30/12/2015	US\$0.3	60,000	–	–	–	60,000
Clarence On Pong Wu	13/2/2010	13/2/2012 – 12/2/2020	GBP0.18	–	85,000	–	–	85,000
		13/2/2013 – 12/2/2020	GBP0.18	–	85,000	–	–	85,000
		13/2/2014 – 12/2/2020	GBP0.18	–	80,000	–	–	80,000
Jeffery Cyril	12/5/2003	Note	US\$0.165	30,000	–	–	30,000	–
Chung Man Cheung	25/5/2006	Note	US\$0.3	250,000	–	–	250,000	–
	29/12/2006	Note	US\$0.3	67,500	–	–	67,500	–

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 notes 2(q)(ii) and 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 2010.

Name of shareholder	Ordinary shares held as at 31 December 2010	% of shareholding held as at 31 December 2010
Jay Mervin Shaw ⁽¹⁾	4,250,000	16.92
Eurovestech plc	2,575,000	10.25
Ray Cecil Ruff ⁽²⁾	2,521,388	10.04
Nan Fung Investments Limited	1,731,733	6.89
Winston Kwok Wai Leong	1,704,500	6.79
Mark Douglas Lay	765,000	3.05
Chan Man Yee	760,000	3.03

⁽¹⁾ Rhea Lacson Briones-Shaw, the wife of Jay Mervin Shaw, holds 505,000 ordinary shares, which constitutes 2.01 per cent of the issued ordinary share capital of the Company as at 31 December 2010.

⁽²⁾ Jeannie Chung Ruff, the wife of Ray Cecil Ruff, holds 1,000,000 ordinary shares, which constitutes 3.98 per cent of the issued ordinary share capital of the Company as at 31 December 2010.

Directors' Report

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 (2009: 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.

By order of the Board

Clarence On Pong Wu

Director

18 April 2011

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:

	Salary and fees US\$	Benefits US\$	Bonuses US\$	Share-based payments US\$	2010 Total US\$	2009 Total US\$
Executive Directors						
Jay Mervin Shaw	193,064	–	15,001	–	208,065	197,292
Ray Cecil Ruff	180,708	–	15,001	–	195,709	197,292
Clarence On Pong Wu	169,896	–	15,001	–	184,897	–
Jeffery Cyril Chung Man Cheung (Resigned on 12 January 2010)	14,654	–	–	–	14,654	189,555
Non-executive Directors						
Roger Philip Edward Durn	18,019	–	–	8,404	26,423	16,194
Sanjay Vaze	13,514	–	–	6,302	19,816	12,145
Graham Malcolm Higgins	13,514	–	–	6,302	19,816	12,145

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. However, it is the intention of the Board to manage the Company affairs in accordance with this 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, Remuneration and Nomination Committee are all non-executive directors.

NOMINATION COMMITTEE

Our Nomination Committee (the "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 Committee has full discretion to invite any executive directors to attend its meetings. The 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 (the "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 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.

Report on Corporate Governance

REMUNERATION COMMITTEE

Our Remuneration Committee (the “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 Committee are to:

- determine the specific remuneration package for the directors including director’s 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 Committee deems appropriate.

In discharging its functions, the 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 Company’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 has 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). 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 Group and of their financial performance and cash flows 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 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 Group. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of 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



To the shareholders of NetDimensions (Holdings) Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of NetDimensions (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 62, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. This report is made solely to 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.

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 about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2010 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Nexia Charles Mar Fan & Co.

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

18 April 2011

Consolidated Income Statement

For the year ended 31 December 2010

	Notes	2010 US\$	2009 US\$
Revenue	5&10	8,257,601	6,839,795
Cost of sales		(637,313)	(561,001)
Gross profit		7,620,288	6,278,794
Administrative expenses		(7,365,729)	(5,586,308)
Operating profit		254,559	692,486
Net finance (costs)/gains	6	(33,296)	191,427
Impairment loss on goodwill		–	(54,604)
Share of loss of an associate	15	(41,250)	(78,955)
Share of loss of a jointly controlled entity	16	(63,962)	(49,597)
Profit before taxation	7	116,051	700,757
Taxation	8	–	(21,000)
Profit for the year		116,051	679,757
Attributable to:			
Equity shareholders of the Company		116,051	679,757
Earnings per share (US\$ cents):			
Basic	9	0.46	2.72
Diluted	9	0.43	2.60

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010 US\$	2009 US\$
Profit for the year	<u>116,051</u>	<u>679,757</u>
Other comprehensive income:		
Exchange differences on translation of foreign operations	3,731	1,422
Share of other comprehensive income of an associate	–	152
Fair value changes of available-for-sale financial assets	<u>(13,134)</u>	<u>–</u>
Other comprehensive income for the year	<u>(9,403)</u>	<u>1,574</u>
Total comprehensive income for the year	<u><u>106,648</u></u>	<u><u>681,331</u></u>
Total comprehensive income attributable to:		
Equity shareholders of the Company	<u><u>106,648</u></u>	<u><u>681,331</u></u>

Consolidated Statement of Financial Position

As at 31 December 2010

	Notes	2010 US\$	2009 US\$
ASSETS			
Non-current assets			
Property, plant and equipment	12	163,609	137,648
Intangible assets	13	1,223,940	26,138
Available-for-sale financial assets	14	142,161	–
Interests in associates	15	51,928	92,868
Interest in a jointly controlled entity	16	11,038	–
		<u>1,592,676</u>	<u>256,654</u>
Current assets			
Trade and other receivables	17	3,582,134	2,480,929
Pledged bank deposits	18	500,566	–
Cash and bank balances	19	5,498,420	7,444,665
		<u>9,581,120</u>	<u>9,925,594</u>
TOTAL ASSETS		<u>11,173,796</u>	<u>10,182,248</u>
EQUITY AND LIABILITIES			
Equity attributable to equity shareholders of the Company			
Share capital	20	25,116	25,014
Reserves	22	6,563,015	6,432,554
Total equity		<u>6,588,131</u>	<u>6,457,568</u>
Non-current liabilities			
Obligations under finance leases	23	6,772	–
Current liabilities			
Trade and other payables	24	4,577,087	3,713,655
Income tax payable		–	10,000
Obligations under finance leases	23	1,806	1,025
		<u>4,578,893</u>	<u>3,724,680</u>
Total liabilities		<u>4,585,665</u>	<u>3,724,680</u>
TOTAL EQUITY AND LIABILITIES		<u>11,173,796</u>	<u>10,182,248</u>

The consolidated financial statements were approved by the Board of Directors on 18 April 2011 and were signed on its behalf by:

Clarence On Pong Wu
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010

	Share capital US\$	Share premium US\$	Foreign currency translation reserve US\$	Available-for-sale financial asset revaluation reserve US\$	Accumulated losses US\$	Total US\$
At 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	100	–	–	–	23,816	23,916
At 31 December 2009 and 1 January 2010	25,014	11,116,871	34,381	–	(4,718,698)	6,457,568
Profit for the year	–	–	–	–	116,051	116,051
Other comprehensive income for the year	–	–	3,731	(13,134)	–	(9,403)
Total comprehensive income for the year	–	–	3,731	(13,134)	116,051	106,648
Issue of shares under share option scheme	40	2,860	7	–	–	2,907
Equity settled share-based payments	62	–	–	–	20,946	21,008
At 31 December 2010	25,116	11,119,731	38,119	(13,134)	(4,581,701)	6,588,131

Consolidated Statement of Cash Flows

For the year ended 31 December 2010

	Notes	2010 US\$	2009 US\$
Cash (used in)/generated from operations	25	(123,541)	2,033,680
Income tax paid		(20,000)	(11,000)
Net cash (used in)/generated from operating activities		(143,541)	2,022,680
Cash flows from investing activities			
Purchase of property, plant and equipment	12 & 25(b)	(105,347)	(88,880)
Purchase of intangible assets	13 & 25(b)	(938,559)	(19,397)
Purchase of available-for-sale financial assets		(153,715)	–
Interest received		61,895	6,940
Capital contribution to an associate		(310)	–
Capital contribution to a jointly controlled entity		(75,000)	–
Net cash used in investing activities		(1,211,036)	(101,337)
Cash flows from financing activities			
Finance lease charges		(415)	(335)
Proceeds on issue of shares under share option scheme		2,907	–
Repayments of obligations under finance leases		(1,477)	(1,368)
Net cash generated from/(used in) financing activities		1,015	(1,703)
Net (decrease)/increase in cash and cash equivalents		(1,353,562)	1,919,640
Cash and cash equivalents at beginning of the year		7,444,665	5,338,405
Effect of foreign exchange rate changes, net		(92,117)	186,620
Cash and cash equivalents at end of the year		5,998,986	7,444,665
Analysis of balances of cash and cash equivalents			
Cash and bank balances	19	5,498,420	7,444,665
Pledged bank deposits	18	500,566	–
		5,998,986	7,444,665

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, Uglund 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 32 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 are discussed in note 3 to the financial statements.

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 2010:

IFRSs (Amendments)	Improvements to IFRSs issued in 2009
IAS 27 (revised in 2008)	Consolidated and separate financial statements
IAS 28 (revised in 2008)	Investments in associates
IAS 39 (Amendments)	Eligible hedged items
IFRS 2 (Amendments)	Share-based payment – Group cash-settled share-based payment transactions
IFRS 3 (revised in 2008)	Business combinations
IFRIC – INT 17	Distributions of non-cash assets to owners

The adoption of the new and revised IFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

IFRSs (Amendments)	Improvements to IFRSs issued in 2010 except for the amendments to IFRS 3 (revised in 2008), IAS 1 and IAS 28 ¹
IFRS 7 (Amendments)	Disclosures – Transfers of financial assets ³
IFRS 9	Financial instruments ⁴
IAS 24 (revised in 2009)	Related party disclosures ⁵
IAS 32 (Amendments)	Classification of rights issues ⁶
IFRIC – INT 14 (Amendments)	Prepayments of a minimum funding requirement ⁵
IFRIC-INT19	Extinguishing financial liabilities with equity instruments ²

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

² Effective for annual periods beginning on or after 1 July 2010.

³ Effective for annual periods beginning on or after 1 July 2011.

⁴ Effective for annual periods beginning on or after 1 January 2013.

⁵ Effective for annual periods beginning on or after 1 January 2011.

⁶ Effective for annual periods beginning on or after 1 February 2010.

The directors of the Company anticipate that the application of the new and revised standards or interpretations listed above will have no material impact on the Group's financial performance and the financial position of the Group in the future periods.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries drawn up to 31 December 2010.

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. 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.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Associates and jointly controlled entities

An associate is an entity in which the Group 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 and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity.

Investment in associates 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 associates' 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 associates 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. The Group's share of post-acquisition post-tax items of the associates' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interests in the associates 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 associates or the jointly controlled entity. For this purpose, the Group's interests in the associates 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 associates or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and its jointly controlled entity are eliminated to the extent of the Group's interests in the associates 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 profit or loss.

(e) 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 profit or loss.

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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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.

(g) 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 profit or loss 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 profit or loss.

(h) Intangible assets

(i) Computer software

Computer software is carried at cost less amortisation and any impairment losses and is amortised over its useful economic life of two years.

(ii) Other intangible assets

Customer base, business name and intellectual property rights with finite useful lives that are acquired separately are recognised at cost less amortisation and any impairment losses. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Amortisation is calculated using the straight-line method with the finite useful life ranging from 3 to 5 years on a pro-rata basis.

(i) 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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (continued)

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 profit or loss 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.

(j) 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.

(k) 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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Available-for-sale financial assets

The Group classifies its financial assets as available-for-sale and are measured at fair value at the end of the reporting period.

Changes in fair value are recognised in other comprehensive income and accumulated in available-for-sale financial asset revaluation reserve, until the financial assets is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the available-for-sale financial asset revaluation reserve is reclassified to the income statement as "gains and losses from investment securities".

Interest on available-for-sale financial assets calculated using the effective interest method is recognized in the income statement as part of other revenue. Dividends on available-for-sale financial assets are recognized in the income statement as part of other revenue when the Group's right to receive payments is established.

(m) 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.

(n) 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.

(o) 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.

(p) 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 consolidated 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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) 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.

(r) 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.

(s) Deferred income

Deferred income represents support and maintenance 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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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.

(u) 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.

(v) 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

Useful lives and impairment of intangible assets

The Group determines the useful lives and related amortisation charges for the intangible assets based on the historical experience of the actual useful lives of the intangible assets of similar nature and functions and by reference to the relevant acquisition contracts. The estimated useful lives could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles.

The Group determines whether intangible assets are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the intangible assets are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the intangible assets at 31 December 2010 was US\$1,223,940 (2009:US\$26,138). The Group does not have to recognise an impairment loss as at 31 December 2010 based on the impairment assessment performed.

Notes to the Financial Statements

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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.

The following table indicates the approximate change in the Group's profit 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.

	2010 Increase/ (decrease) in foreign exchange rates	2010 Effect on profit after taxation and accumulated losses US\$'000	2009 Increase/ (decrease) in foreign exchange rates	2009 Effect on profit after taxation and accumulated losses US\$'000
HK dollars	1% (1%)	4 (4)	1% (1%)	4 (4)
Pounds Sterling	15% (15%)	267 (267)	15% (15%)	258 (258)
Euros	11% (11%)	145 (145)	6% (6%)	44 (44)

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 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 2009.

Notes to the Financial Statements

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

(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 2010, which fall due within 12 months from the end of reporting period were US\$1,036,352 (2009: US\$812,678).

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale financial assets.

The Group's investments are listed on the London Stock Exchange AIM. Listed investments held as available-for-sale financial assets have been chosen based on their longer term growth potential and are monitored regularly for performance against expectations.

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:

	2010 US\$	2009 US\$
Software licensing	3,437,718	2,574,937
Hosting	2,659,344	2,687,848
Support and maintenance	1,414,164	1,127,230
Software customisation and implementation	746,375	449,780
	8,257,601	6,839,795

Notes to the Financial Statements

6. NET FINANCE (COSTS)/GAINS

	2010 US\$	2009 US\$
Bank interest income	61,895	6,940
Finance lease charges	(415)	(335)
Foreign exchange (loss)/gain	(94,776)	184,822
	<u>(33,296)</u>	<u>191,427</u>

7. PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging:

	2010 US\$	2009 US\$
Depreciation of property, plant and equipment	86,215	94,766
Amortisation of intangible assets	148,018	43,009
Loss on disposal of property, plant and equipment	–	523
Statutory audit services	57,264	46,608
Taxation services	58,480	67,769
Operating lease rentals in respect of leased premises	205,952	178,885
Research and development expenditures	<u>3,117,293</u>	<u>2,314,726</u>

Notes to the Financial Statements

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.

	2010 US\$	2009 US\$
Current tax – Overseas		
Provision for the year	–	21,000

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

	2010 US\$	2009 US\$
<i>Tax reconciliation</i>		
Profit before taxation	116,051	700,757
Profit 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	364,720	207,867
Income not subject to taxation	(270,376)	(312)
Expenses not deductible for tax purposes	67,630	428
Capital allowances in excess of depreciation	(2,999)	13,231
Utilisation of previously unrecognised overseas tax losses	(190,963)	(196,364)
Others	31,988	(3,850)
	–	21,000

The Group's unrecognised deferred tax assets can be analysed as follows:

	2010 US\$	2009 US\$
Accelerated depreciation charges	(7,453)	(8,160)
Tax losses	166,591	335,793
Retirement benefits	1,490	1,495
	160,628	329,128

Deferred tax assets have 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 assets will be recovered.

Notes to the Financial Statements

9. EARNINGS PER SHARE

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

	2010 US\$	2009 US\$
<i>Earnings used for the 'Earnings per share'</i>		
Earnings for the purpose of basic earnings per share being net profit attributable to equity shareholders of the Company	<u>116,051</u>	<u>679,757</u>
Earnings for the purpose of diluted earnings per share	<u>116,051</u>	<u>679,757</u>
	2010	2009
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	25,058,925	24,961,658
Effect of dilutive potential ordinary shares on shares options	<u>2,220,646</u>	<u>1,226,500</u>
Weighted average number of ordinary shares for the purpose of dilutive earnings per share	<u>27,279,571</u>	<u>26,188,158</u>
<p>Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.</p>		
	2010	2009
Earnings per share (US\$ cents):		
Basic	0.46	2.72
Diluted	<u>0.43</u>	<u>2.60</u>

Notes to the Financial Statements

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 2010:

	North America US\$	EMEA US\$	Rest of the World US\$	Total US\$
Revenue from external customers	2,492,718	4,331,905	1,432,978	8,257,601
Revenue	<u>2,492,718</u>	<u>4,331,905</u>	<u>1,432,978</u>	<u>8,257,601</u>
Operating profit	76,844	133,541	44,174	254,559
Net finance costs				(33,296)
Share of loss of an associate				(41,250)
Share of loss of a jointly controlled entity				<u>(63,962)</u>
Profit before taxation				116,051
Taxation				<u>–</u>
Profit for the year				<u>116,051</u>

Other segment items included in the income statement for the year ended 31 December 2010:

	North America US\$	EMEA US\$	Rest of the World US\$	Total US\$
Depreciation	26,026	45,228	14,961	86,215
Amortisation	<u>13,962</u>	<u>109,916</u>	<u>24,140</u>	<u>148,018</u>

Notes to the Financial Statements

10. SEGMENTAL ANALYSIS (CONTINUED)

Information regarding segment assets and liabilities as at 31 December 2010 and capital expenditure in the year then ended, based on the locations of customers:

	North America US\$	EMEA US\$	Rest of the World US\$	Total US\$
Total assets	1,221,238	1,474,515	8,478,043	11,173,796
Total liabilities	1,114,996	1,191,962	2,278,707	4,585,665
Tangible assets additions	12,501	15,093	86,783	114,377
Intangible assets additions	837,594	494,639	11,894	1,344,127
Total capital expenditure	850,095	509,732	98,677	1,458,504

It is considered that there is no material difference in the information regarding segment assets and liabilities as at 31 December 2010 and capital expenditure in 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 2009:

	North America US\$	EMEA US\$	Rest of the World US\$	Total US\$
Revenue from external customers	2,098,150	3,572,647	1,168,998	6,839,795
Revenue	2,098,150	3,572,647	1,168,998	6,839,795
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				(49,597)
Profit before taxation				700,757
Taxation				(21,000)
Profit for the year				679,757

Notes to the Financial Statements

10. SEGMENTAL ANALYSIS (CONTINUED)

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

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

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

	North America US\$	EMEA US\$	Rest of the World US\$	Total 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

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

Notes to the Financial Statements

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 2010:

	Software licensing US\$	Hosting US\$	Support and maintenance US\$	Software customisation and implementation US\$	Total US\$
Segment revenue from external customers	3,437,718	2,659,344	1,414,164	746,375	8,257,601
Total capital expenditure	607,189	469,708	249,778	131,829	1,458,504
Total carrying amounts of segment assets	4,651,758	3,598,499	1,913,580	1,009,959	11,173,796

Segmental information for the year ended 31 December 2009:

	Software licensing US\$	Hosting US\$	Support and maintenance US\$	Software customisation and implementation US\$	Total 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

Information about major customers

Included in revenue arising from EMEA segment of approximately US\$4,332,000 (2009: US\$3,573,000) is revenue of approximately US\$1,022,000 (2009: US\$1,254,000) which arose from the Group's largest customer.

Notes to the Financial Statements

11. STAFF COSTS

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

	2010	2009
Sales and marketing	23	19
Technical and client service	38	29
Finance and administration	10	8
	<u>71</u>	<u>56</u>

Staff costs for the above persons were:

	2010 US\$	2009 US\$
Wages and salaries	3,806,776	2,753,568
Pension contributions	69,189	44,854
Equity settled share-based payments	21,008	23,916
	<u>3,896,973</u>	<u>2,822,338</u>

Directors' emoluments

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

	2010 US\$	2009 US\$
Aggregate directors' emoluments	<u>669,380</u>	<u>624,623</u>

Notes to the Financial Statements

11. STAFF COSTS (CONTINUED)

Year ended 31 December 2010

	Fees and salaries US\$	Benefits US\$	Bonuses US\$	Equity settled share-based payments US\$	Total US\$
Jay Shaw	193,064	–	15,001	–	208,065
Ray Ruff	180,708	–	15,001	–	195,709
Clarence Wu	169,896	–	15,001	–	184,897
Jeffery Cheung	14,654	–	–	–	14,654
Roger Durn	18,019	–	–	8,404	26,423
Sanjay Vaze	13,514	–	–	6,302	19,816
Graham Higgins	13,514	–	–	6,302	19,816
	<u>603,369</u>	<u>–</u>	<u>45,003</u>	<u>21,008</u>	<u>669,380</u>

Year ended 31 December 2009

	Fees and salaries US\$	Benefits US\$	Bonuses US\$	Equity settled share-based payments US\$	Total US\$
Jay Shaw	147,002	–	50,290	–	197,292
Ray Ruff	147,002	–	50,290	–	197,292
Jeffery Cheung	139,265	–	50,290	–	189,555
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>–</u>	<u>150,870</u>	<u>8,247</u>	<u>624,632</u>

Notes to the Financial Statements

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements US\$	Plant and equipment US\$	Total US\$
Cost			
At 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 and 1 January 2010	87,969	519,325	607,294
Exchange differences	(245)	(1,067)	(1,312)
Additions	10,590	103,787	114,377
Disposals	–	(77,460)	(77,460)
At 31 December 2010	98,314	544,585	642,899
Depreciation			
At 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 and 1 January 2010	76,415	393,231	469,646
Exchange differences	(241)	1,130	889
Charge for the year	10,016	76,199	86,215
Disposals	–	(77,460)	(77,460)
At 31 December 2010	86,190	393,100	479,290
Net book value			
At 31 December 2010	12,124	151,485	163,609
At 31 December 2009	11,554	126,094	137,648

Notes to the Financial Statements

13. INTANGIBLE ASSETS

	Other intangibles US\$	Software costs US\$	Total US\$
Cost			
At 1 January 2009	–	148,532	148,532
Exchange differences	–	(169)	(169)
Additions	–	19,397	19,397
At 31 December 2009 and 1 January 2010	–	167,760	167,760
Exchange differences	2,214	(377)	1,837
Additions	1,332,233	11,894	1,344,127
At 31 December 2010	1,334,447	179,277	1,513,724
Amortisation			
At 1 January 2009	–	98,742	98,742
Exchange differences	–	(129)	(129)
Charge for the year	–	43,009	43,009
At 31 December 2009 and 1 January 2010	–	141,622	141,622
Exchange differences	492	(348)	144
Charge for the year	123,878	24,140	148,018
At 31 December 2010	124,370	165,414	289,784
Net book value			
At 31 December 2010	1,210,077	13,863	1,223,940
At 31 December 2009	–	26,138	26,138

Note:

Additions to other intangibles, representing other intangibles acquired from a reseller in United Kingdom and an independent third party in North America, comprise :

	US\$
Customer base – EMEA (note 25(b))	494,639
Customer base, business name and intellectual property rights – North America	837,594
	1,332,233

Notes to the Financial Statements

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010 US\$	2009 US\$
Listed equity investments, at fair value	<u>142,161</u>	<u>–</u>

The above financial assets are carried at fair value based on Level 1 of the fair value hierarchy as stipulated in IFRS 7. Level 1 is defined in IFRS 7 as fair values measure using quoted price (unadjusted) in active markets for identical financial instruments.

15. INTERESTS IN ASSOCIATES

	2010 US\$	2009 US\$
Share of net assets	19,032	59,972
Goodwill on acquisition	<u>32,896</u>	<u>32,896</u>
	<u>51,928</u>	<u>92,868</u>

Particulars of the associates as at 31 December 2010 are as follows:

Name of associate	Place of incorporation and operation	Percentage of equity attributable to the Group	Principal activities
Peak Pacific Limited	Hong Kong	25%	Provision and development of professional eLearning products, solutions and services
Workdocx Limited	UK	22%	Not yet commenced operation

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

	2010 US\$	2009 US\$
Total assets	204,657	280,312
Total liabilities	<u>(130,222)</u>	<u>(40,419)</u>
Net assets	<u>74,435</u>	<u>239,893</u>
Revenue	<u>1,075,956</u>	<u>831,950</u>
Loss for the year	<u>(165,000)</u>	<u>(315,821)</u>
Group's share of loss of an associate	<u>(41,250)</u>	<u>(78,955)</u>
Group's share of other comprehensive income	<u>–</u>	<u>152</u>

Notes to the Financial Statements

16. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2010 US\$	2009 US\$
Share of net assets	–	–
Goodwill on acquisition	11,038	–
	11,038	–

Particulars of the jointly controlled entity as at 31 December 2010 are as follows:

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

A summary of the financial position of the jointly controlled entity with the Group's effective interests is set out below:

	2010 US\$	2009 US\$
Non-current assets	1,453	1,393
Current assets	7,777	8,834
Current liabilities	(13,579)	(25,615)
Net liabilities	(4,349)	(15,388)
Income	330	4,535
Expenses	(64,292)	(69,520)
Loss for the year	(63,962)	(64,985)

Notes to the Financial Statements

17. TRADE AND OTHER RECEIVABLES

	Note	2010 US\$	2009 US\$
Trade receivables		3,035,129	2,025,602
Other receivables		578,692	111,083
Less: Allowance for doubtful debts	(a)	(108,454)	(108,454)
Other receivables – net		470,238	2,629
Prepayments, deposits and other receivables		66,767	452,698
Tax prepayment		10,000	–
		3,582,134	2,480,929

This 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) to the financial statements.

(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(m)).

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

	2010 US\$	2009 US\$
At 1 January	108,454	144,076
Bad debts written off	–	(35,622)
At 31 December	108,454	108,454

At 31 December 2010, the Group's trade and other receivables of US\$ Nil (2009: US\$ Nil) and US\$108,454 (2009: US\$108,454) 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, allowance for doubtful debts of US\$108,454 (2009: US\$108,454) were recognised. The Group does not hold any collateral over these balances.

Notes to the Financial Statements

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

(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:

	2010 US\$	2009 US\$
(i) Trade receivables		
Neither past due nor impaired	399,871	243,356
Less than 1 month past due	2,082,365	1,344,355
1 to 3 months past due	378,352	281,079
Over 3 months past due	174,541	156,812
	<u>3,035,129</u>	<u>2,025,602</u>
	2010 US\$	2009 US\$
(ii) Other receivables		
Neither past due nor impaired	470,238	2,629
Less than 1 month past due	–	–
1 to 3 months past due	–	–
Over 3 months past due	–	–
	<u>470,238</u>	<u>2,629</u>

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

Receivables that were past due but not impaired related 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.

Notes to the Financial Statements

18. PLEDGED BANK DEPOSIT

The bank deposit has been pledged to secure short-term banking facilities granted for the Group. The deposit is carried effective interest of 0.25% to 0.35% per annum and is matured within three months. As the banking facilities have not been utilized, this deposit can practically be used to meet short-term cash commitment on maturity and accordingly, the deposit is classified as cash and cash equivalents.

19. CASH AND BANK BALANCES

	2010 US\$	2009 US\$
Cash at bank and in hand		
US dollars	1,628,413	99,216
Sterling pounds	437,441	–
Euros	102,351	2,337
HK dollars	317,508	100,656
Other currencies	12,707	7,609
Short-term bank deposits		
US dollars	3,000,000	5,589,384
Sterling pounds	–	1,403,218
Euros	–	68,534
HK dollars	–	173,711
	5,498,420	7,444,665

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 2.5% and are matured within three months.

20. SHARE CAPITAL

	2010		2009	
	Number of shares	US\$	Number of shares	US\$
Authorised:				
Ordinary shares at US\$0.001 each	100,000,000	100,000	100,000,000	100,000
Allotted, called up and fully paid:				
Ordinary shares	25,116,076	25,116	25,013,576	25,014
Movements in ordinary shares				
At 1 January	25,013,576	25,014	24,913,576	24,914
Issue of shares to non-executive directors and staff	62,500	62	100,000	100
Issue of shares upon exercise of share option scheme	40,000	40	–	–
At 31 December	25,116,076	25,116	25,013,576	25,014

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.

Notes to the Financial Statements

20. SHARE CAPITAL (CONTINUED)

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.

21. EQUITY SETTLED SHARE-BASED PAYMENTS

The Company has a share option scheme for certain employees, directors and sales agent. 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 ranged from 1 year to 5 years after the date of grant. If the options remain unexercised after a period of 10 years after the date of grant, the option expire. Option are forfeited if the employee, director or sales agent leaves the Group before the options vest.

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

	2010		2009	
	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	0.268	1,226,500	0.269
Granted during the year	1,500,000	0.291	–	–
Forfeited during the year	(560,000)	0.281	–	–
Exercised during the year	(40,000)	0.073	–	–
Outstanding at 31 December	<u>2,126,500</u>	0.285	<u>1,226,500</u>	0.268
Exercisable at 31 December	<u>626,500</u>	0.270	<u>1,226,500</u>	0.268

Notes to the Financial Statements

21. EQUITY SETTLED SHARE-BASED PAYMENTS (CONTINUED)

Share options outstanding during the years ended 31 December 2010 and 31 December 2009 are as follows:

Exercise period lapse	Exercise price per share	2010 Number of shares under option	2009 Number of shares under option
19.09.2010	US\$0.045	–	20,000
27.03.2011	US\$0.100	–	20,000
14.09.2011	US\$0.160	7,000	7,000
11.05.2013	US\$0.165	72,000	152,000
11.08.2013	US\$0.165	10,000	10,000
19.04.2015	US\$0.165	50,000	50,000
30.12.2015	US\$0.300	100,000	100,000
24.05.2016	US\$0.300	105,000	385,000
11.06.2016	US\$0.300	5,000	5,000
28.12.2016	US\$0.300	277,500	477,500
12.02.2020	GBP0.18	1,250,000	–
06.12.2020	GBP0.215	250,000	–
		2,126,500	1,226,500

During the year ended 31 December 2010, the Company granted 1,500,000 share options to directors and employees at exercise price ranging from GBP0.18 to GBP0.215 per share. The fair value of the share options granted was approximately GBP92,879. The share options granted were subject to vesting conditions from 2 to 5 years.

The fair value determination at the date of grant was carried out by Grant Sherman Appraisal Limited using the Black-Scholes Option Pricing Model (the "Model"). The key inputs into the Model were summarised as follows:

Batch	i	ii	iii	iv	v	vi	vii
Date of grant	13 Feb 10	13 Feb 10	13 Feb 10	7 Dec 10	7 Dec 10	7 Dec 10	7 Dec 10
Closing price at date of grant (GBP)	0.18	0.18	0.18	0.215	0.215	0.215	0.215
Expected volatility	25.67%	25.67%	25.67%	26.09%	26.09%	26.09%	26.09%
Expected life (year)	6	6.5	7	6	6.5	7	7.5
Risk-free interest rate	3.435%	3.435%	3.647%	2.4%	2.64%	2.88%	3.03%
Expected annual dividend yield	0%	0%	0%	0%	0%	0%	0%
Fair value per share option (GBP)	0.0581	0.0599	0.0625	0.0657	0.0701	0.0744	0.0782

The expected volatility is based on the average of industry annualized historical stock price volatility as at the date of grant. The expected life is the estimates of the expected lives of the options which have been taken into account of early exercise behavior for the option holders.

The weighted average market value per share at the date of exercise for share options exercised during the years ended 31 December 2009 and 31 December 2010 was US\$0.403 and US\$0.336 respectively. The options outstanding at 31 December 2009 and 31 December 2010 had a weighted average exercise price of US\$0.268 and US\$0.285 respectively and a weighted average remaining contractual life of three years.

The Group recognised total expenses of US\$23,916 and US\$21,008 related to equity settled share-based payments transactions for the years ended 31 December 2009 and 31 December 2010 respectively.

Notes to the Financial Statements

22. RESERVES

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.

(a) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company net of share issuing expenses. The application of the share premium account of the Company is governed by the Companies Law (Revised) of the Cayman Islands, under which the share premium account of the Company can be distributed as dividends provided that immediately following the date on which dividend is proposed to be distributed, the Company would be in a position to pay off its debts as they fall due in the ordinary course of business.

(b) Available-for-sale financial asset revaluation reserve

The available-for-sale financial asset revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognized in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

(c) Foreign currency translation reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognized directly in other comprehensive income and accumulated in the foreign currency translation reserve.

23. OBLIGATIONS UNDER FINANCE LEASES

Finance lease liabilities – minimum lease payments:

	2010 US\$	2009 US\$
Within one year	2,461	1,277
Between two and five years	9,227	–
	11,688	1,277
Future finance charges	(3,110)	(252)
	8,578	1,025

Finance lease liabilities – present value of minimum lease payments:

	US\$	US\$
Within one year	1,806	1,025
Between two and five years	6,772	–
	8,578	1,025

The weighted average fixed interest rate on the outstanding finance lease liabilities as at 31 December 2009 and 31 December 2010 was 4.9% and 7.3% 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.

Notes to the Financial Statements

24. TRADE AND OTHER PAYABLES

	2010 US\$	2009 US\$
Trade payables	360,739	232,293
Other payables	237,121	4,160
Accruals	436,686	565,200
Deferred income	3,542,541	2,912,002
	4,577,087	3,713,655

The average credit period on payable is 30 days. No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

25. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before taxation to cash (used in)/generated from operations

	2010 US\$	2009 US\$
Profit before taxation	116,051	700,757
Equity settled share-based payments	21,008	23,916
Depreciation	86,215	94,766
Amortisation	148,018	43,009
Loss on disposal of property, plant and equipment	–	523
Finance lease charges	415	335
Interest income	(61,895)	(6,940)
Impairment loss on goodwill	–	54,604
Share of loss of an associate	41,250	78,955
Share of loss of a jointly controlled entity	63,962	49,597
Exchange loss/(gain)	94,776	(184,822)
Operating cash flows before changes in working capital	509,800	854,700
(Increase)/decrease in trade and other receivables	(1,496,773)	773,976
Increase in trade and other payables	863,432	405,004
Cash (used in)/generated from operations	(123,541)	2,033,680

(b) Non-cash transactions

- (i) During the year, a list of customer base, with a value of US\$494,639 was acquired from a reseller in United Kingdom and classified as other intangibles. The purchase consideration was paid through off-setting against the trade receivable with this reseller of US\$405,568 and remaining balance of US\$89,071 by cash.
- (ii) Property, plant and equipment of US\$9,030 were acquired through finance leases during the year.

Notes to the Financial Statements

26. 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:

	2010	2009
	US\$	US\$
Leased premises:		
Within one year	284,418	154,230
In the second to fifth year inclusive	273,712	45,693
	558,130	199,923

27. CAPITAL COMMITMENTS

At the end of the reporting period, there were no capital commitments that had not been provided for (2009: US\$nil).

28. CONTINGENT LIABILITIES

There were no contingent liabilities at the end of the reporting period (2009: US\$nil).

29. RELATED PARTY TRANSACTIONS

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

	2010	2009
	US\$	US\$
Sales of goods to an associate	34,585	13,736
Software customisation and implementation service fee received from a jointly controlled entity	30,701	20,654

The sales and services fee are 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 statements.

Details of the share options granted to the directors of the Group are set out in the "Share Option Scheme" of the Directors' Report.

30. ULTIMATE CONTROLLING PARTY

The Group has no ultimate controlling party.

31. EVENT AFTER THE REPORTING PERIOD

On 25 January 2011, the Company disposed all its interest in an associate, Peak Pacific Limited, for a consideration of US\$90,000.

Notes to the Financial Statements

32. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries as at 31 December 2010 are as follows:

Name of company	Place of incorporation/ establishment 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 and investment holding
NetDimensions, Inc.	USA	100%	–	Licensing of computer software and provision of related services
NetDimensions Asia Limited	Hong Kong/Philippines	–	100%	Support service centre
NetDimensions (UK) Limited	UK	100%	–	Licensing of computer software and provision of related services
NetDimensions (China) Limited	Hong Kong	100%	–	Investment holding
NetDimensions Software (Shanghai) Company Limited	PRC	–	100%	In the stage of setting up

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 16 June 2011 at 6:00 pm for the following purposes:

1. To receive and consider the audited financial statements of the Group for the year ended 31 December 2010.
2. To appoint auditor and to authorise the Directors to fix their remuneration.
3. THAT the Company be generally and unconditionally authorised to make market purchases of ordinary shares of US\$0.001 each in the capital of the Company (ordinary shares) provided that:
 - (a) the maximum number of ordinary shares hereby authorised to be purchased is 3,807,864 (representing 15% of the Company's issued ordinary share capital at the date of this resolution);
 - (b) the minimum price, exclusive of any expenses, which may be paid for an ordinary share is Great Britain 1 pence;
 - (c) the maximum price, exclusive of any expenses, which may be paid for any such share is an amount equal to 105% of the average of the middle market quotations for an ordinary share taken from AIM, a market of the London Stock Exchange plc, for the five business days immediately preceding the date on which such share is contracted to be purchased;
 - (d) the authority hereby conferred shall expire on the earlier of the date falling 12 months after the date of this meeting or the close of the next annual general meeting of the Company;
 - (e) the Company may make a contract for the purchase of ordinary shares under this authority before the expiry of this authority which would or might be executed wholly or partly after the expiry of such authority, and may make purchases of ordinary shares in pursuance of such a contract as if such authority had not expired; and
 - (f) any shares to be purchased under this authority shall be paid out of the profits of the Company or the proceeds of a fresh issue of shares made for the purposes of the purchase, or out of the capital of the Company provided that immediately following the date on which such payment out of capital is made, the Company will be able to pay its debts as they fall due in the ordinary course of business.
4. THAT the Company's 2000 Stock Option Plan (Plan), which is due to expire on 16 September 2020, be subject to the following limitations:
 - (a) the stock options may only be granted to an employee and/or director of the Company or any of its subsidiaries;
 - (b) the stock options shall be subject to the existing Plan rules as updated and amended from time to time;
 - (c) the maximum aggregate number of ordinary shares of US\$0.001 each which may be issued pursuant to the renewed Plan is 6,000,000 ordinary shares; and
 - (d) the minimum exercise price is US\$ 0.001.
5. That the Directors be generally and unconditionally authorized to declare a special dividend in the financial year ending 31 December 2011 provided that there are sufficient distributable profits to enable such a dividend to be declared and paid.

Notice of Annual General Meeting

6. THAT the Directors be generally and unconditionally authorised to allot ordinary shares in the capital of the Company on a non-pre-emptive basis, up to an aggregate nominal amount of US\$5,007.72 (comprising 5,007,715 ordinary shares of US\$0.001 each), provided that this authority shall, unless renewed, varied or revoked by the Company, expire on the date falling 12 months after the date that this resolution is passed or, if earlier, the date of the next annual general meeting of the Company, save that the Company may, before such expiry, make offers or agreements which would or might require ordinary shares in the capital of the Company to be allotted and the Directors may allot such ordinary shares in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

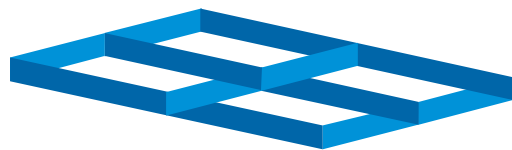
By Order of the Board

Janet Luk
Company Secretary

Hong Kong, 18 April 2011

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 PXS, 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.



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