



**NetDimensions<sup>®</sup>**

NETDIMENSIONS (HOLDINGS) LIMITED

*Annual Report 2008*

## Table of Contents

---

	Pages
Directors and advisers	2
Directors' and senior management's biographies	3
Chairman's statement	5
Directors' report	8
Remuneration report	14
Report on corporate governance	15
Statement of directors' responsibilities	18
Independent auditors' report	19
Consolidated income statement	21
Consolidated statement of recognised income and expense	22
Consolidated balance sheet	23
Company balance sheet	24
Consolidated cash flow statement	25
Notes to the financial statements	26
Notice of Annual General Meeting	72

## Directors and Advisers

---

### DIRECTORS

Jay Mervin Shaw (*Chief Executive Officer*)  
 Ray Cecil Ruff (*Chief Information Officer*)  
 Jeffery Cyril Chung Man Cheung (*Chief Financial Officer*)  
 Roger Philip Edward Durn (*Non-Executive Chairman*)  
 Sanjay Vaze (*Non-Executive Director*)  
 Graham Malcolm Higgins (*Non-Executive Director*)

### SECRETARY

Amy Lee

### 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  
 Nicholas House, 3 Laurence Pountney Hill  
 London EC4R 0EU  
 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 Limited  
 4 Lombard Street  
 London EC3V 9HD  
 United Kingdom

### BANKERS

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

### AIM STOCK CODE

NETD

## Directors' and Senior Management's Biographies

---

### BOARD OF DIRECTORS

#### **Jay Mervin Shaw**

Chief Executive Officer

(Born in 1960)

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

#### **Ray Cecil Ruff**

Chief Information Officer

(Born in 1955)

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

#### **Jeffery Cyril Chung Man Cheung**

Chief Financial Officer

(Born in 1960)

Jeffery is a fellow member of both The Association of Chartered Certified Accountants and Certified General Accountant (Canada). He is also a member of the Hong Kong Institute of Taxation. He began his career as an audit accountant with Peat Marwick Mitchell & Co. in 1983. Prior to joining NetDimensions in 2001, Jeffery served in various roles, including financial controller of Oracle (HK) and tax auditor with Revenue Canada. Jeffery holds a BA in accounting and financial management from the University of Sheffield and an MBA from Sheffield Hallam University. Jeffery served on the board of the Hong Kong branch of the Association of Certified General Accountants (CGA-HK) from 2001 - 2007. Jeffery is responsible for overseeing the finance, human resources and administrative functions of the Group.

## Directors' and Senior Management's Biographies

---

### **Roger Philip Edward Durn**

Non-Executive Chairman

(Born in 1955)

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

### **Sanjay Vaze**

Non-Executive Director

(Born in 1955)

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

### **Graham Malcolm Higgins**

Non-Executive Director

(Born in 1951)

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

## INTRODUCTION

I am pleased to report on the results of NetDimensions (Holdings) Limited for the year ended 31 December 2008, our second year as a listed company, which has proved to be both an exciting and successful year for the Company.

## FINANCIAL REVIEW

During 2008 NetDimensions increased revenues by 46% to US\$6.35 million (2007: US\$4.34 million). Despite the more uncertain global economic conditions in the second half of the year, the fundamental strength of our business has led to improved results. The Company has maintained significant growth in our two biggest regions, EMEA and North America, with increases of 56% and 30% respectively over the same period last year. We have made good progress in driving sales of software licenses and hosting which increased by 42% and 55% respectively in the same period.

Gross profit margin was 93% (2007: 96%). The reduction in gross profit margin can be attributed to introduction of a new product, Enterprise Content Platform, jointly designed and developed with Xyleme Inc. Administration expenses were in line with the Group's increase in the development and expansion of products, sales and marketing capability.

The Company made an operating profit of US\$0.09 million (2007: US\$1.08 million loss). Due to the cash balances on 31 December 2008 being held in a mix of US Dollars, Sterling and Euros, the Company had an unrealised foreign exchange charge of US\$0.71 million for the year ended 31 December 2008. Although this is a non-cash charge, it had a substantial effect on the Company's current year reported profitability. In addition, the Company had to report the losses related to the combined start-up expenses for the two companies in which NetDimensions invested during the year. Overall the Company made a pre-tax loss of US\$0.59 million (2007: US\$0.95 million pre-tax loss).

The Company has continued to maintain a strong cash position, with cash balances of US\$5.34 million (2007: US\$5.71 million) and the cash generated from the operating activities for the year was US\$0.65 million (2007: US\$0.59 million).

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

## Chairman's Statement

---

### OPERATIONAL REVIEW

The Company has made substantial progress in key areas during the year and has continued to deliver on the strategy set out at the time of the IPO, including:

- The investment in two strategic partnerships:
  - a 50:50 joint venture agreement with Azeus Systems Holdings Ltd, a leading IT services provider listed on the main board of the Singapore Stock Exchange, as announced on 21 April 2008; and
  - the acquisition of a 25% interest in Peak Pacific Limited, which was formed in September 2008 through the spin-out of Cathay Pacific Airways' corporate eLearning business unit.
- The continued expansion of the Company's sales, marketing and engineering operations.

The Company added approximately 90 new clients during 2008. Our new client wins in 2008 include, for example, Yorkshire Housing Association, Royal London, Virgin Atlantic Airways, International Federation of Airline Pilots' Associations, Royal Air Force of Oman, Liz Claiborne Inc., Dak Americas LLC, Miami Herald, iLevel by Weyerhaeuser, Electrabel Nederland and University of Cape Town. We continue to target industries which are highly regulated such as financial services, aviation, energy and healthcare.

We focused in 2008 on strengthening our services by offering a more structured implementation services programme for both existing and new clients. Clients are given a choice between three different implementation services packages to help them install our flagship product, the Enterprise Knowledge Platform (EKP), the way they want. For customers with special requirements, an implementation services package can be tailored that is uniquely suited to their needs.

The Company also set up operations in the Philippines to address the growing need for dedicated technical support for clients around the world. The technical team has now grown to eight and will soon expand to incorporate marketing and graphic design services as well.

## Chairman's Statement

---

As part of the Company's goal of continuous product improvement to give clients an easier and more convenient experience with EKP and let them focus on learning, version 5.5 of EKP was released in August 2008. Designed in partnership with our customers to meet their requirements, EKP 5.5 includes visual enhancements, improvements in accessibility, resource management, usability and version control. The new technology is sold as part of the Company's high-end EKP Gold offering and in the Enterprise Assessment Platform (EAP). In addition, post year end, we released EKP 5.6 which contains additional strategic enhancements to our flagship product.

EAP offers organisations a platform for testing and certification. This is used by airlines which require flight operations testing for pilot certification and for other staff compliance licensing. EAP is focused on highly regulated industries such as financial services, transportation, public utilities, government agencies and other services focused sectors.

### OUTLOOK

NetDimensions has a sound business model and, as a rapidly expanding and cash generative business, remains in a good position to grow. We have maintained a healthy cash level, with cash balances on 31 December 2008 of US\$5.34 million held in a mix of US Dollars, Sterling and Euros. This equates to approximately 14.7p per share at 31 December 2008 currency rates. We will continue to use cash prudently and we believe that the two investments made in 2008 represent future growth opportunities for the Company.

We will continue to seek to take advantage of demand for our services, particularly from clients in highly regulated and compliance driven industries. Our focus will be much more on industry verticals and putting more time and effort into creating functionality that will help us expand usage within client accounts, as well as attract new customers.

While market conditions are likely to be more challenging reflecting the broader macro-economic conditions, the first quarter of trading results in 2009 were generally in line with management expectations.

**Roger Philip Edward Durn**

*Chairman*

17 April 2009

## Directors' Report

---

The directors submit herewith their report together with the audited financial statements for the year ended on 31 December 2008.

### **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 a 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 loss for the year after taxation was US\$588,662 (2007: US\$948,664). The directors do not recommend the payment of a dividend for the year (2007: US\$nil).

### **PROPERTY, PLANT AND EQUIPMENT**

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

### **SHARE CAPITAL**

Details of movements in the Company's share capital during the year are set out in note 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 Company and the Group during the year are set out in note 21 to the financial statements and in the consolidated statement of recognised income and expense respectively.

**DIRECTORS**

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

Jay Mervin Shaw  
 Ray Cecil Ruff  
 Jeffery Cyril Chung Man Cheung  
 Roger Philip Edward Durn  
 Sanjay Vaze  
 Graham Malcolm Higgins

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

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

The directors who held office during the year had the following interests in the shares of the Company as at 31 December 2008 which were:

**(i) Interests in issued shares**

	<b>Ordinary shares of US\$0.001</b>			
	<b>Personal interests</b> <i>(Note 1)</i>	<b>Family interests</b> <i>(Note 2)</i>	<b>Total number of shares held</b>	<b>% of total issued shares</b>
<b>Beneficial Interests</b>				
Jay Mervin Shaw	4,495,000	770,000	5,265,000	21.13
Ray Cecil Ruff	2,521,388	1,000,000	3,521,388	14.13
Jeffery Cyril Chung Man Cheung	35,000	–	35,000	0.14
Roger Philip Edward Durn	20,000	–	20,000	0.08
Sanjay Vaze	25,000	260,000	285,000	1.14
Graham Malcolm Higgins	15,000	–	15,000	0.06

## Directors' Report

---

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

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

At 31 December 2008, the directors of the Company had the following interests in options to subscribe for shares of the Company (market value per share at 31 December 2008 was 7.5p) granted for nil consideration under the share option scheme of the Company. The options are unlisted. Each option gives the holder the right to subscribe for one ordinary share of US\$0.001 each of the Company.

## Directors' Report

Director	Date of grant	Exercisable period	Exercise price per share US\$	Number of shares under options				
				As at 1/1/2008	Grant during the year	Exercised during the year	Cancelled during the year	As at 31/12/2008
Jeffery Cyril Chung Man Cheung	12/5/2003	12/5/2003 to 11/5/2013	0.165	30,000	-	-	-	30,000
	25/5/2006	25/5/2006 to 24/5/2016	0.300	250,000	-	-	-	250,000
	29/12/2006	29/12/2006 to 28/12/2016	0.300	67,500	-	-	-	67,500
Roger Philip Edward Durn	31/12/2005	31/12/2005 to 30/12/2015	0.300	40,000	-	-	-	40,000
Sanjay Vaze	20/9/2000	20/9/2000 to 19/9/2010	0.045	20,000	-	-	-	20,000
	28/3/2001	28/3/2001 to 27/3/2011	0.100	20,000	-	-	-	20,000
	31/12/2005	31/12/2005 to 30/12/2015	0.300	60,000	-	-	-	60,000

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

Information on the accounting policy for share options granted and the weighted average value per option is provided in note 2(r)(ii) and note 22 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.

## Directors' Report

### 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 2008.

Name of shareholder	Ordinary shares held as at 31 December 2008	% of shareholding held as at 31 December 2008
Jay Mervin Shaw <sup>(1)</sup>	4,495,000	18.04
Ray Cecil Ruff <sup>(2)</sup>	2,521,388	10.12
Nan Fung Investment Limited	1,731,733	6.95
Winston Kwok Wai Leong	1,704,500	6.84
HSBC Global Custody Nominee (UK) Limited	1,443,920	5.80
Vidacos Nominees Limited	1,353,957	5.43
Michelle Diane Sparks	991,500	3.98
Fiske Nominees Limited Fiskpool	927,900	3.72
Mark Douglas Lay	765,000	3.07
Chan Man Yee	760,000	3.05

<sup>(1)</sup> Rhea Lacson Briones-Shaw, the wife of Jay Mervin Shaw, holds 770,000 ordinary shares, which constitutes 3.09 per cent of the issued ordinary share capital as at 31 December 2008.

<sup>(2)</sup> Jeannie Chung Ruff, the wife of Ray Cecil Ruff, holds 1,000,000 ordinary shares, which constitutes 4.01 per cent of the issued ordinary share capital as at 31 December 2008.

### 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 (2007: 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 Smith & Williamson resigned on 18 June 2008 and Nexia Charles Mar Fan & Co. was appointed as auditors of the Company to fill up the casual vacancy on the same date. A resolution for the re-appointment of Nexia Charles Mar Fan & Co. as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

**Jeffery Cyril Chung Man Cheung**

*Director*

17 April 2009

## Remuneration Report

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

### MEMBERSHIP OF REMUNERATION COMMITTEE

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

### POLICY STATEMENT

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

### DIRECTORS' REMUNERATION

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

	<b>Salary and fees</b>	<b>Benefits</b>	<b>Bonuses</b>	<b>Share-based payments</b>	<b>2008 Total</b>	<b>2007 Total</b>
	US\$	US\$	US\$	US\$	US\$	US\$
<b>Executive Directors</b>						
Jay Mervin Shaw	147,740	–	12,903	–	160,643	164,897
Ray Cecil Ruff	147,095	–	12,903	–	159,998	161,692
Jeffery Cyril Chung Man Cheung	139,353	–	314,836	11,722	465,911	181,932
<b>Non-executive Directors</b>						
Roger Philip Edward Durn	12,903	–	–	4,134	17,037	14,500
Sanjay Vaze	9,678	–	–	3,100	12,778	14,027
Graham Malcolm Higgins	9,678	–	–	3,100	12,778	7,692

### 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.

## Report on Corporate Governance

---

### 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.

### 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.

## Report on Corporate Governance

---

### 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 companies. 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](http://www.netdimensions.com)). The Company will make every effort to ensure that all price-sensitive information is released publicly and immediately. If an immediate announcement is not possible, the Company will try to publicise the information at the earliest time possible to ensure that the shareholders and the public will have a fair access to it.

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

## Statement of Directors' Responsibilities

---

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

The directors are responsible to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss for that year.

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

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

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

# Independent Auditors' Report

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



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

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

We have audited the consolidated financial statements of NetDimensions (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated statement of recognised income and expense and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

### **AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit. 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 the 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 as to whether the financial statements are free from material misstatement.

## Independent Auditors' Report

---

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

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

### **OPINION**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the loss of the Group and cash flows of the Group 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

17 April 2009

## Consolidated Income Statement

For the year ended 31 December 2008

	Notes	<b>2008</b> <b>US\$</b>	2007 US\$
<b>Revenue</b>	5&10	<b>6,352,524</b>	4,336,659
Cost of sales		<u><b>(421,645)</b></u>	<u>(170,057)</u>
<b>Gross profit</b>		<b>5,930,879</b>	4,166,602
Administrative expenses before exceptional items		<b>(5,837,302)</b>	(4,152,202)
Exceptional costs of Placing and Admission to AIM		<u>–</u>	<u>(1,094,967)</u>
Total administrative expenses		<u><b>(5,837,302)</b></u>	<u>(5,247,169)</u>
<b>Operating profit/(loss)</b>		<b>93,577</b>	(1,080,567)
Net finance (costs)/gains	6	<b>(507,795)</b>	131,903
Share of loss of an associate	15	<b>(24,041)</b>	–
Share of loss of a jointly controlled entity	16	<b>(150,403)</b>	–
<b>Loss before taxation</b>	7	<b>(588,662)</b>	(948,664)
Taxation	8	<u>–</u>	<u>–</u>
<b>Loss for the year</b>	21	<u><b>(588,662)</b></u>	<u>(948,664)</u>
<b>Attributable to:</b>			
Equity shareholders of the Company	21	<u><b>(588,662)</b></u>	<u>(948,664)</u>
<b>Loss per share:</b>			
Basic	9	<b>US\$(0.02)</b>	US\$(0.04)
Diluted	9	<u><b>US\$(0.02)</b></u>	<u>US\$(0.04)</u>

## Consolidated Statement of Recognised Income and Expense

For the year ended 31 December 2008

	Notes	2008 US\$	2007 US\$
Exchange differences on translation of foreign operations	21	<u>37,702</u>	<u>(3,631)</u>
<b>Income and expense recognised directly in equity</b>		<b>37,702</b>	<b>(3,631)</b>
<b>Loss for the year</b>		<b><u>(588,662)</u></b>	<b><u>(948,664)</u></b>
<b>Total income and expense recognised in the year</b>		<b><u>(550,960)</u></b>	<b><u>(952,295)</u></b>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b><u>(550,960)</u></b>	<b><u>(952,295)</u></b>

# Consolidated Balance Sheet

As at 31 December 2008

	Notes	2008 US\$	2007 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	144,394	202,980
Intangible assets	13	49,790	40,503
Interest in an associate	15	226,275	–
Interest in a jointly controlled entity	16	49,597	–
		<u>470,056</u>	<u>243,483</u>
<b>Current assets</b>			
Inventories	17	–	10,584
Trade and other receivables	18	3,254,905	2,737,537
Cash and cash equivalents	19	5,338,405	5,711,745
		<u>8,593,310</u>	<u>8,459,866</u>
<b>TOTAL ASSETS</b>		<u><b>9,063,366</b></u>	<u>8,703,349</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	20	24,914	24,864
Reserves	21	5,727,407	6,239,190
<b>Total equity</b>		<u><b>5,752,321</b></u>	<u>6,264,054</u>
<b>Non-current liabilities</b>			
Obligations under finance leases	23	1,026	2,378
<b>Current liabilities</b>			
Trade and other payables	24	3,308,651	2,435,558
Obligations under finance leases	23	1,368	1,359
		<u>3,310,019</u>	<u>2,436,917</u>
<b>Total liabilities</b>		<u><b>3,311,045</b></u>	<u>2,439,295</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>9,063,366</b></u>	<u>8,703,349</u>

The financial statements were approved by the Board of Directors on 17 April 2009 and were signed on its behalf by:

**Jeffery Cyril Chung Man Cheung**  
Director

# Company Balance Sheet

As at 31 December 2008

	Notes	2008 US\$	2007 US\$
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	14	<b>902,737</b>	901,737
Interest in an associate	15	<b>250,000</b>	–
Interest in a jointly controlled entity	16	<b>200,000</b>	–
		<b>1,352,737</b>	901,737
<b>Current assets</b>			
Trade and other receivables	18	<b>4,217,113</b>	4,088,214
Cash and cash equivalents	19	<b>3,533,224</b>	4,896,721
		<b>7,750,337</b>	8,984,935
<b>TOTAL ASSETS</b>		<b>9,103,074</b>	9,886,672
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital	20	<b>24,914</b>	24,864
Reserves	21	<b>9,026,478</b>	9,809,773
<b>Total equity</b>		<b>9,051,392</b>	9,834,637
<b>Current liabilities</b>			
Trade and other payables	24	<b>51,682</b>	52,035
<b>Total liabilities</b>		<b>51,682</b>	52,035
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>9,103,074</b>	9,886,672

The financial statements were approved by the Board of Directors on 17 April 2009 and were signed on its behalf by:

**Jeffery Cyril Chung Man Cheung**

*Director*

## Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Notes	<b>2008</b> <b>US\$</b>	2007 US\$
<b>Cash flows from operating activities</b>	25	<b>648,844</b>	587,514
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		<b>(43,495)</b>	(216,391)
Purchase of intangible assets		<b>(56,828)</b>	(43,344)
Interest received		<b>199,571</b>	156,012
Investment in an associate		<b>(250,000)</b>	–
Investment in a jointly controlled entity		<b>(200,000)</b>	–
<b>Net cash used in investing activities</b>		<b>(350,752)</b>	(103,723)
<b>Cash flows from financing activities</b>			
Finance lease charge		<b>(335)</b>	(333)
Repayments of borrowings and finance leases		<b>(1,368)</b>	(1,359)
Net proceeds from issue of shares		–	4,735,613
<b>Net cash (used in)/generated from financing activities</b>		<b>(1,703)</b>	4,733,921
<b>Net increase in cash and cash equivalents</b>		<b>296,389</b>	5,217,712
Cash and cash equivalents at beginning of the year		<b>5,711,745</b>	521,332
Effect of foreign exchange rate changes, net		<b>(669,729)</b>	(27,299)
<b>Cash and cash equivalents at end of the year</b>	19	<b>5,338,405</b>	5,711,745

# Notes to the Financial Statements

---

## 1. GENERAL INFORMATION

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

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

### (b) Basis of preparation

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

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

## Notes to the Financial Statements

---

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

In the current year, the Group has adopted where appropriate the new and revised IFRSs that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2008. New and amended standards and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) are effective for the current period are as follows:

- IAS 39 and IFRS 7 Amendments: Reclassification of Financial Assets
- IFRIC 11: IFRS 2 – Group and Treasury Share Transactions
- IFRIC 12: Service Concession Arrangements
- IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

There has been no significant changes to the accounting policies applied in these financial statements for the year presented as a result of the adoption.

## Notes to the Financial Statements

---

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

*Standards and Interpretations in issue not yet adopted*

At the date of authorisation of these financial statements, the International Accounting Standards Board and IFRIC have issued the following standards and interpretations which are not yet effective. These standards and interpretations are not effective for and have not been applied in the preparation of these financial statements:

- IFRS 1 and IAS 27 Amendments: Cost of and Investment in a Subsidiary, Jointly Controlled Entity or Associate
- IFRS 2 Amendment: Vesting Conditions and Cancellations
- IFRS 1 (Revised): First-time Adoption of IFRSs
- IFRS 3 (Revised): Business Combinations
- IFRS 8: Operating Segments
- IAS 1 (Revised): Presentation of Financial Statements
- IAS 23 (Revised): Borrowing Costs
- IAS 27 (Revised): Consolidated and Separate Financial Statements
- IAS 32 and IAS 1 Amendments: Puttable Financial Instruments and Obligations Arising on Liquidation
- IAS 39 Amendment: Eligible Hedged Items
- IFRIC 13: Customer Loyalty Programmes
- IFRIC 15: Agreements for the Construction of Real Estate
- IFRIC 16: Hedges of a Net Investment in a Foreign Operation
- IFRIC 17: Distribution of Non-cash Assets to Owners
- IFRIC 18: Transfer of Assets from Customers

## Notes to the Financial Statements

---

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

##### *Improvements to IFRSs*

The Group has not yet adopted the improvements to IFRSs which contain amendments to IFRS 5, IFRS 7, IAS 1, IAS 8, IAS 10, IAS 16, IAS 18, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41. These amendments will have no material effect on the financial statements.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, it has concluded that while the adoption of IFRS 8 and IAS 1 (Revised) may result in new or amended disclosures, these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

#### (c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries drawn up to 31 December 2008.

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.

#### (d) Subsidiaries

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

## Notes to the Financial Statements

---

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (d) Subsidiaries (continued)

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

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses.

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

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

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

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

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

## Notes to the Financial Statements

---

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

In the Company's balance sheet, its investment in the associate and the jointly controlled entity are stated at cost less impairment losses, unless it is classified as held for sale.

#### (f) Goodwill

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

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

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

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

## Notes to the Financial Statements

---

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (g) Research and development

Research and development costs 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 amortised on a straight-line basis over the period in which the related economic benefits are to be recognised. No development costs have been recognised by the Group to date.

#### (h) Property, plant and equipment

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

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

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

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

#### (i) Intangible assets

Intangible assets comprise computer software, which is amortised over its useful economic life of two years.

## Notes to the Financial Statements

---

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (j) Impairment of assets

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

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

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

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

## Notes to the Financial Statements

---

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (k) Revenue recognition

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

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

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

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

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

#### (l) Foreign currencies

Foreign currency transactions are translated into US dollars, the functional currency of the Group, 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 income statement for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

## Notes to the Financial Statements

---

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (l) Foreign currencies (continued)

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 balance sheet date. The revenues and expenses of these subsidiaries are translated at average rates applicable in the period. All resulting exchange differences are recognised as a separate component of equity.

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

#### (m) Inventories

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

#### (n) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at initial fair value 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.

## Notes to the Financial Statements

---

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (o) Cash and cash equivalents

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

#### (p) Trade and other payables

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

#### (q) Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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 balance sheet date 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)

#### (r) Employee benefits

##### (i) Pensions

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

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

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

The Group issues equity settled share-based payments to certain employees and sales agents. 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.

## Notes to the Financial Statements

---

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (s) Borrowings and borrowing costs

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

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

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

#### (t) Deferred income

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

#### (u) Leases

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

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

## Notes to the Financial Statements

---

### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (v) Equity instruments

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

#### (w) Segment reporting

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

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

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

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

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

## Notes to the Financial Statements

---

### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

#### (a) Critical accounting estimates

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

#### (b) Critical judgements

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

### 4. FINANCIAL RISK MANAGEMENT

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

#### (a) Foreign exchange risk

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

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

## Notes to the Financial Statements

### 4. FINANCIAL RISK MANAGEMENT (continued)

#### (a) Foreign exchange risk (continued)

The Group	2008	2008	2007	2007
	Increase/ (decrease) in foreign exchange rates	Effect on loss after taxation and accumulated losses \$'000	Increase/ (decrease) in foreign exchange rates	Effect on loss after taxation and accumulated losses \$'000
Hong Kong Dollars	1% (1)%	30 (30)	1% (1)%	21 (21)
Sterling pounds	9% (9)%	(119) 119	5% (5)%	(148) 148
Euros	7% (7)%	(182) 182	2% (2)%	(53) 53

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date 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 next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and US dollar would not be materially affected by any changes in movement in value of US dollar 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' loss after taxation and accumulated losses measured in the respective functional currencies, translated into US dollar at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2007.

## 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 significant external borrowings therefore the Group currently have 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 balance sheet date, 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 balance sheet.

#### (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.

### 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:

	<b>2008</b>	2007
	<b>US\$</b>	US\$
Software licensing	<b>2,986,803</b>	2,110,347
Hosting	<b>2,139,048</b>	1,383,146
Support and maintenance	<b>892,602</b>	575,108
Software customisation and implementation	<b>334,071</b>	268,058
	<b>6,352,524</b>	4,336,659

## Notes to the Financial Statements

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

	<b>2008</b>	2007
	<b>US\$</b>	US\$
Bank interest income	<b>199,571</b>	156,012
Finance lease charge	<b>(335)</b>	(333)
Foreign exchange loss	<b>(707,031)</b>	(23,776)
	<b>(507,795)</b>	131,903

### 7. LOSS BEFORE TAXATION

Loss before taxation is arrived after charging:

	<b>2008</b>	2007
	<b>US\$</b>	US\$
Depreciation of property, plant and equipment	<b>101,733</b>	70,417
Amortisation of computer software	<b>47,803</b>	18,351
Loss on disposal of property, plant and equipment	<b>511</b>	1,563
Statutory audit services	<b>48,943</b>	47,433
Taxation services	<b>4,977</b>	4,340
Operating lease rentals		
– land and buildings	<b>170,082</b>	126,849
Research and development		
– current year expenditure	<b>1,388,717</b>	995,946
Foreign exchange loss	<b>707,031</b>	23,776

## Notes to the Financial Statements

### 8. TAXATION

There was no taxation charge or credit for the year ended 31 December 2008 (2007: US\$nil) due to the utilisation of historical trading losses.

	<b>2008</b>	2007
	<b>US\$</b>	US\$
<i>Tax reconciliation</i>		
Loss before taxation	<b>(588,662)</b>	(948,664)
Loss before taxation multiplied by the standard rate of corporation tax in the Cayman Islands of 0%	-	-
<i>Tax effects of:</i>		
Rate adjustment relating to overseas losses	<b>7,560</b>	123,101
Income not subject to taxation	<b>(570)</b>	(2,026)
Expenses not deductible for tax purposes	<b>10,781</b>	2,854
Capital allowances in excess of depreciation	<b>2,791</b>	(10,418)
Utilisation of previously unrecognised overseas tax losses	<b>(20,562)</b>	(113,511)
	-	-
	<b>501,085</b>	556,188
The Group's unrecognised deferred tax asset can be analysed as follows:		
Accelerated depreciation charges	<b>(28,341)</b>	(21,800)
Tax losses	<b>527,931</b>	577,988
Retirement benefits	<b>1,495</b>	-
	<b>501,085</b>	556,188

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

## Notes to the Financial Statements

### 9. LOSS PER SHARE

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

	<b>2008</b>	2007
	<b>US\$</b>	US\$
<i>Loss used for the 'Loss per share'</i>		
Loss for the purpose of basic loss per share being net loss attributable to equity shareholders of the parent	<b>(588,662)</b>	(948,664)
Loss for the purpose of diluted loss per share	<b>(588,662)</b>	(948,664)
	<b>2008</b>	2007
	<b>US\$</b>	US\$

*Loss used for the 'Loss per share before exceptional costs'*

(Loss)/earnings for the purpose of basic loss before exceptional costs per share being net loss attributable to equity shareholders of the parent less exceptional costs of US\$1,094,967 in 2007 related to the admission to AIM	<b>(588,662)</b>	146,303
(Loss)/earnings before exceptional costs for the purpose of diluted earnings per share	<b>(588,662)</b>	146,303

## Notes to the Financial Statements

### 9. LOSS PER SHARE (continued)

	2008	2007
<i>Number of shares</i>		
Weighted average number of ordinary and preferred shares for the purpose of basic loss per share	<b>24,885,980</b>	23,089,650
Effect of dilutive potential ordinary and preferred shares:		
Share options	<b>1,239,475</b>	1,453,451
Weighted average number of ordinary and preferred shares for the purpose of dilutive loss per share	<b>26,125,455</b>	24,543,101
	<b>2008</b>	2007
	<b>US\$</b>	US\$
<b>Loss per share:</b>		
Basic	<b>(0.02)</b>	(0.04)
Diluted	<b>(0.02)</b>	(0.04)
<b>(Loss)/Earnings per share before exceptional costs:</b>		
Basic	<b>(0.02)</b>	0.01
Diluted	<b>(0.02)</b>	0.01

## Notes to the Financial Statements

### 10. SEGMENTAL ANALYSIS

*Primary reporting format – geographic segments*

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 2008:

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

## Notes to the Financial Statements

### 10. SEGMENTAL ANALYSIS (continued)

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

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

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

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

It is considered that there is no material difference in the information regarding segment assets and liabilities as at 31 December 2008 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)

Segmental information for the year ended 31 December 2007:

	<b>North America</b> US\$	<b>EMEA</b> US\$	<b>Rest of the World</b> US\$	<b>Total</b> US\$
Revenue from external customers	2,017,356	1,505,697	813,606	4,336,659
Revenue	<u>2,017,356</u>	<u>1,505,697</u>	<u>813,606</u>	<u>4,336,659</u>
Operating loss	(502,666)	(375,175)	(202,726)	(1,080,567)
Net finance gains				131,903
Loss before taxation				(948,664)
Taxation				–
Loss for the year				<u>(948,664)</u>

## Notes to the Financial Statements

### 10. SEGMENTAL ANALYSIS (continued)

Other segment items included in the income statement for the year ended 31 December 2007:

	<b>North America</b> US\$	<b>EMEA</b> US\$	<b>Rest of the World</b> US\$	<b>Total</b> US\$
Depreciation	15,030	2,062	53,325	70,417
Amortisation	253	–	18,098	18,351
Bad debts	63,949	–	2,287	66,236
	<u>15,030</u>	<u>2,062</u>	<u>53,325</u>	<u>70,417</u>

Information regarding segment assets and liabilities as at 31 December 2007 and capital expenditure in the year then ended, based on the location of customers:

	<b>North America</b> US\$	<b>EMEA</b> US\$	<b>Rest of the World</b> US\$	<b>Total</b> US\$
Total assets	184,896	6,718	8,511,735	8,703,349
Total liabilities	107,772	–	2,331,523	2,439,295
Tangible assets additions	63,279	7,928	145,184	216,391
Intangible assets additions	2,022	–	41,322	43,344
Total capital expenditure	65,301	7,928	186,506	259,735

It is considered that there is no material difference in the information regarding segment assets and liabilities as at 31 December 2007 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)

#### Secondary reporting format – business segments

The Group's business segments are support and maintenance, hosting, software customisation and implementation and software licensing. 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 2008:

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

Segmental information for the year ended 31 December 2007:

	<b>Software licensing</b>	<b>Hosting</b>	<b>Support and maintenance</b>	<b>Software customisation and implementation</b>	<b>Total</b>
	US\$	US\$	US\$	US\$	US\$
Segment revenue from external customers	2,110,347	1,383,146	575,108	268,058	4,336,659
Total capital expenditure	126,394	82,841	34,445	16,055	259,735
Total carrying amounts of segment assets	4,235,307	2,775,871	1,154,199	537,972	8,703,349

## Notes to the Financial Statements

### 11. STAFF COSTS

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

	<b>2008</b>	2007
Sales and marketing	<b>18</b>	14
Technical and client service	<b>21</b>	17
Finance and administration	<b>8</b>	6
	<b>47</b>	37

Staff costs for the above persons were:

	<b>2008</b>	2007
	<b>US\$</b>	US\$
Wages and salaries	<b>2,324,323</b>	1,749,173
Pension contributions	<b>42,220</b>	35,925
Equity settled share-based payments	<b>38,911</b>	133,094
	<b>2,405,454</b>	1,918,192

#### Directors' emoluments

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

	<b>2008</b>	2007
	<b>US\$</b>	US\$
Aggregate directors' emoluments	<b>829,145</b>	551,075

## Notes to the Financial Statements

### 11. STAFF COSTS (continued)

	<b>Fees and salaries</b>	<b>Benefits</b>	<b>Bonuses</b>	<b>Share based payments</b>	<b>Total</b>
	US\$	US\$	US\$	US\$	US\$
<b>Year ended 31 December 2008</b>					
Jay Shaw	147,740	–	12,903	–	160,643
Ray Ruff	147,095	–	12,903	–	159,998
Jeffery Cheung	139,353	–	314,836	11,722	465,911
Roger Durn	12,903	–	–	4,134	17,037
Sanjay Vaze	9,678	–	–	3,100	12,778
Graham Higgins	9,678	–	–	3,100	12,778
	<u>466,447</u>	<u>–</u>	<u>340,642</u>	<u>22,056</u>	<u>829,145</u>

	<b>Fees and salaries</b>	<b>Benefits</b>	<b>Bonuses</b>	<b>Share based payments</b>	<b>Total</b>
	US\$	US\$	US\$	US\$	US\$
<b>Year ended 31 December 2007</b>					
Jay Shaw	140,379	–	24,518	–	164,897
Ray Ruff	133,713	3,461	24,518	–	161,692
Jeffery Cheung	133,969	–	24,518	23,445	181,932
Roger Durn	10,256	–	–	4,244	14,500
Sanjay Vaze	7,692	–	–	6,335	14,027
Graham Higgins	7,692	–	–	–	7,692
Winston Leong	–	–	–	6,335	6,335
	<u>433,701</u>	<u>3,461</u>	<u>73,554</u>	<u>40,359</u>	<u>551,075</u>

## Notes to the Financial Statements

### 12. PROPERTY, PLANT AND EQUIPMENT

	<b>Leasehold improvements</b>	<b>Plant and equipment</b>	<b>Total</b>
	US\$	US\$	US\$
<b>Group</b>			
<b>Cost</b>			
At 1 January 2007	13,213	398,757	411,970
Exchange differences	–	(1,061)	(1,061)
Additions	73,321	143,070	216,391
Disposals	(13,213)	(4,582)	(17,795)
At 31 December 2007 and 1 January 2008	73,321	536,184	609,505
Exchange differences	475	3,475	3,950
Additions	–	43,495	43,495
Disposals	–	(136,099)	(136,099)
At 31 December 2008	73,796	447,055	520,851
<b>Depreciation</b>			
At 1 January 2007	13,213	340,140	353,353
Exchange differences	–	(1,013)	(1,013)
Charge for the year	19,814	50,603	70,417
Disposals	(13,213)	(3,019)	(16,232)
At 31 December 2007 and 1 January 2008	19,814	386,711	406,525
Exchange differences	128	2,507	2,635
Charge for the year	36,950	64,783	101,733
Disposals	–	(134,436)	(134,436)
At 31 December 2008	56,892	319,565	376,457
<b>Net book value</b>			
At 31 December 2008	16,904	127,490	144,394
At 31 December 2007	53,507	149,473	202,980
Finance lease assets included in the above net book value:			
At 31 December 2008	–	1,507	1,507
At 31 December 2007	–	3,388	3,388

## Notes to the Financial Statements

### 13. INTANGIBLE ASSETS

	<b>Software costs</b>
	US\$
<b>Cost</b>	
At 1 January 2007	47,916
Exchange differences	(171)
Additions	43,344
	<hr/>
At 31 December 2007 and 1 January 2008	91,089
Exchange differences	615
Additions	56,828
	<hr/>
At 31 December 2008	148,532
	<hr/>
<b>Amortisation</b>	
At 1 January 2007	32,331
Exchange differences	(96)
Charge for the year	18,351
	<hr/>
At 31 December 2007 and 1 January 2008	50,586
Exchange differences	353
Charge for the year	47,803
	<hr/>
At 31 December 2008	98,742
	<hr/>
<b>Net book value</b>	
At 31 December 2008	49,790
	<hr/> <hr/>
At 31 December 2007	40,503
	<hr/> <hr/>

## Notes to the Financial Statements

### 14. INVESTMENTS IN SUBSIDIARIES

	<b>2008</b>	2007
	<b>US\$</b>	US\$
Unlisted shares, at cost	<b>902,737</b>	901,737

Particulars of the subsidiaries as at 31 December 2008 are as follows:

Name of Company	Place of incorporation and operation	Percentage of equity attributable to the Company		Principal activities
		Direct	Indirect	
NetDimensions Limited	Hong Kong	100%	–	Licensing of computer software and provision of related services and investment holding
ND Services, Inc.	USA	100%	–	Licensing of computer software and provision of related services
NetDimensions Inc.	USA	100%	–	Dormant
NetDimensions Asia Limited	Hong Kong	–	100%	Not yet commenced business

## Notes to the Financial Statements

### 15. INTEREST IN AN ASSOCIATE

	<b>The Group</b>		<b>The Company</b>	
	<b>2008</b>	2007	<b>2008</b>	2007
	<b>US\$</b>	US\$	<b>US\$</b>	US\$
Unlisted shares, at cost	–	–	<b>250,000</b>	–
Share of net assets	<b>101,275</b>	–	–	–
Goodwill on acquisition	<b>125,000</b>	–	–	–
	<b>226,275</b>	–	<b>250,000</b>	–

Particulars of the associate as at 31 December 2008 are as follows:

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

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

	<b>2008</b>
	US\$
Total assets	439,643
Total liabilities	(34,542)
Net assets	<b>405,101</b>
Revenue	174,750
Loss for the year	(96,162)
Group's share of loss of an associate for the year	<b>(24,041)</b>

## Notes to the Financial Statements

### 16. INTEREST IN A JOINTLY CONTROLLED ENTITY

	The Group		The Company	
	2008	2007	2008	2007
	US\$	US\$	US\$	US\$
Unlisted shares, at cost	–	–	200,000	–
Share of net assets	49,597	–	–	–
	<u>49,597</u>	<u>–</u>	<u>200,000</u>	<u>–</u>

Particulars of the jointly controlled entity as at 31 December 2008 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 on the jointly controlled entity with the Company's effective interests, as at 31 December 2008 is as follows:

	2008
	US\$
Non-current assets	843
Current assets	48,754
Non-current liabilities	–
Current liabilities	–
Net assets	<u>49,597</u>
Income	7,170
Expenses	(157,573)
Loss for the year	<u>(150,403)</u>

## Notes to the Financial Statements

### 17. INVENTORIES

	<b>2008</b>	2007
	<b>US\$</b>	US\$
Goods for resale	–	10,584
	<b>US\$</b>	US\$
Inventories included within cost of sales	<b>226,257</b>	68,884

There are no inventory write downs included within cost of sales (2007: US\$nil).

### 18. TRADE AND OTHER RECEIVABLES

		<b>The Group</b>		<b>The Company</b>	
		<b>2008</b>	2007	<b>2008</b>	2007
	Note	<b>US\$</b>	US\$	<b>US\$</b>	US\$
Trade receivables		<b>2,945,336</b>	2,135,308	–	–
Less: Allowance for doubtful debts	(a)	<b>(34,924)</b>	(16,236)	–	–
Trade receivables – net		<b>2,910,412</b>	2,119,072	–	–
Other debtors		<b>174,622</b>	171,442	–	–
Less: Allowance for doubtful debts	(a)	<b>(109,152)</b>	(50,000)	–	–
Other debtors – net		<b>65,470</b>	121,442	–	–
Prepayments, deposits and other receivables		<b>279,023</b>	497,023	<b>8,669</b>	15,893
Amounts due from subsidiaries		–	–	<b>4,208,444</b>	4,072,321
		<b>3,254,905</b>	2,737,537	<b>4,217,113</b>	4,088,214

The allowance for doubtful debts has been determined by reference to past default experience and knowledge of the individual circumstances of certain receivables. Trade receivables and other debtors 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).

## Notes to the Financial Statements

### 18. TRADE AND OTHER RECEIVABLES (continued)

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

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

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

	The Group		The Company	
	2008 US\$	2007 US\$	2008 US\$	2007 US\$
At 1 January	<b>66,236</b>	51,647	–	–
Impairment loss recognised	<b>94,078</b>	14,589	–	–
Bad debts written off	<b>(16,238)</b>	–	–	–
At 31 December	<b>144,076</b>	66,236	–	–

At 31 December 2008, the Group's trade receivables and other debtors of US\$34,924 (2007: US\$16,236) and US\$109,152 (2007: US\$108,773) respectively were individually determined to be impaired. The individually impaired receivable 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\$144,076 (2007: US\$66,236) were recognised. The Group does not hold any collateral over these balances.

## Notes to the Financial Statements

### 18. TRADE AND OTHER RECEIVABLES (continued)

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

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

##### (i) Trade receivables

	The Group		The Company	
	2008 US\$	2007 US\$	2008 US\$	2007 US\$
Neither past due nor impaired	267,653	159,339	-	-
Less than 1 month past due	2,242,502	1,536,669	-	-
1 to 3 months past due	321,975	284,646	-	-
Over 3 months past due	78,282	138,418	-	-
	<u>2,910,412</u>	<u>2,119,072</u>	<u>-</u>	<u>-</u>

##### (ii) Other debtors

	The Group		The Company	
	2008 US\$	2007 US\$	2008 US\$	2007 US\$
Neither past due nor impaired	484	61,068	-	-
Less than 1 month past due	1,148	-	-	-
1 to 3 months past due	2,071	-	-	-
Over 3 months past due	61,767	60,374	-	-
	<u>65,470</u>	<u>121,442</u>	<u>-</u>	<u>-</u>

## Notes to the Financial Statements

### 18. TRADE AND OTHER RECEIVABLES (continued)

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

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

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

### 19. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2008 US\$	2007 US\$	2008 US\$	2007 US\$
<b>Cash at bank and in hand</b>				
US dollars	<b>30,121</b>	21,042	<b>150</b>	285
Sterling pounds	<b>8</b>	461	–	–
Euros	<b>8</b>	156	–	–
Hong Kong dollars	<b>46,645</b>	35,242	<b>13</b>	–
Other currencies	<b>609</b>	–	–	–
<b>Short-term bank deposits</b>				
US dollars	<b>762,966</b>	422,108	<b>96,813</b>	16,376
Sterling pounds	<b>1,440,063</b>	2,471,592	<b>1,361,220</b>	2,249,561
Euros	<b>2,879,317</b>	2,533,537	<b>2,022,428</b>	2,533,511
Hong Kong dollars	<b>178,211</b>	227,039	<b>52,600</b>	96,988
Other currencies	<b>457</b>	568	–	–
	<b>5,338,405</b>	5,711,745	<b>3,533,224</b>	4,896,721

Short-term deposits are made for varying periods depending on the cash requirements of the Group, and earn interest at market short-term deposits rates of between 0.75% and 5.20%.

## Notes to the Financial Statements

### 20. SHARE CAPITAL

	2008		2007	
	No. of shares	US\$	No. of shares	US\$
<b>Authorised:</b>				
Ordinary shares at US\$0.001 each	<b>100,000,000</b>	<b>100,000</b>	100,000,000	100,000
<b>Allotted, called up and fully paid:</b>				
Ordinary shares	<b>24,913,576</b>	<b>24,914</b>	24,863,576	24,864
<b>Movements in ordinary shares</b>				
At 1 January	<b>24,863,576</b>	<b>24,864</b>	8,788,881	8,789
Shares issued under share option scheme	-	-	318,000	318
Shares issued to non-executive directors	<b>50,000</b>	<b>50</b>	-	-
Conversion of preferred shares into ordinary shares	-	-	10,917,985	10,918
Shares issued upon Admission	-	-	4,838,710	4,839
At 31 December	<b>24,913,576</b>	<b>24,914</b>	24,863,576	24,864
<b>Movements in preferred shares</b>				
At 1 January	-	-	10,917,985	10,918
Conversion of preferred shares into ordinary shares	-	-	(10,917,985)	(10,918)
At 31 December	-	-	-	-

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 associated 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. RESERVES

#### Group

	<b>Share premium</b> US\$	<b>Foreign currency translation reserve</b> US\$	<b>Accumulated losses</b> US\$	<b>Total</b> US\$
At 1 January 2007	5,291,448	(1,580)	(4,056,900)	1,232,968
Issue of new shares	6,065,538	–	–	6,065,538
Share issue cost	(240,115)	–	–	(240,115)
Loss for the year	–	–	(948,664)	(948,664)
Currency translation differences	–	(3,631)	–	(3,631)
Equity settled share-based payments	–	–	133,094	133,094
At 31 December 2007 and 1 January 2008	11,116,871	(5,211)	(4,872,470)	6,239,190
Loss for the year	–	–	(588,662)	(588,662)
Currency translation differences	–	37,702	–	37,702
Share of reserve movements of an associate	–	316	–	316
Equity settled share-based payments	–	–	38,861	38,861
At 31 December 2008	<u>11,116,871</u>	<u>32,807</u>	<u>(5,422,271)</u>	<u>5,727,407</u>

## Notes to the Financial Statements

### 21. RESERVES (continued)

#### Company

	<b>Share premium</b>	<b>Accumulated losses</b>	<b>Total</b>
	US\$	US\$	US\$
At 1 January 2007	5,291,448	(124,598)	5,166,850
Issue of new shares	6,065,538	–	6,065,538
Share issue cost	(240,115)	–	(240,115)
Loss for the year	–	(1,302,827)	(1,302,827)
Currency translation differences	–	(12,767)	(12,767)
Equity settled share-based payments	–	133,094	133,094
	<hr/>	<hr/>	<hr/>
At 31 December 2007 and 1 January 2008	11,116,871	(1,307,098)	9,809,773
Loss for the year	–	(877,153)	(877,153)
Currency translation differences	–	54,997	54,997
Equity settled share-based payments	–	38,861	38,861
	<hr/>	<hr/>	<hr/>
At 31 December 2008	<u>11,116,871</u>	<u>(2,090,393)</u>	<u>9,026,478</u>

### 22. EQUITY SETTLED SHARE-BASED PAYMENTS

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

## Notes to the Financial Statements

### 22. EQUITY SETTLED SHARE-BASED PAYMENTS (continued)

The following table discloses movement of the Company's share options during the year and prior year:

	2008		2007	
	Number of share options	Weighted average exercise price US\$	Number of share options	Weighted average exercise price US\$
Outstanding at 1 January	1,260,500	0.269	1,641,500	0.260
Forfeited during the year	(34,000)	0.300	(63,000)	0.300
Exercised during the year	–	–	(318,000)	0.213
Outstanding at 31 December	1,226,500	0.268	1,260,500	0.269
Exercisable at 31 December	1,062,328	0.264	892,824	0.259

Share options outstanding during the years ended 31 December 2008 and 31 December 2007 are as follows:

Exercise period lapse	Exercise price per share US\$	2008	2007
		Number of shares under option	Number of shares under option
19.09.2010	0.045	20,000	20,000
27.03.2011	0.100	20,000	20,000
14.09.2011	0.160	7,000	7,000
11.05.2013	0.165	152,000	152,000
11.08.2013	0.165	10,000	10,000
19.04.2015	0.165	50,000	50,000
30.12.2015	0.300	100,000	100,000
24.05.2016	0.300	385,000	385,000
11.06.2016	0.300	5,000	5,000
28.12.2016	0.300	477,500	511,500
		<b>1,226,500</b>	<b>1,260,500</b>

## Notes to the Financial Statements

### 22. EQUITY SETTLED SHARE-BASED PAYMENTS (continued)

The weighted average market value per share at the date of exercise for share options exercised during the years ended 31 December 2007 and 31 December 2008 was US\$0.403 and US\$0.403 respectively. The options outstanding at 31 December 2007 and 31 December 2008 had a weighted average exercise price of US\$0.269 and US\$0.268 respectively and a weighted average remaining contractual life of three years.

There were no options granted for the year ended 31 December 2008.

Fair value of the share options granted at grant date during the financial year ended 31 December 2007 was measured based on the Black-Scholes model. The inputs into the Black-Scholes model were as follows:

	<b>2007</b>
Weighted average market value per share (US\$)	0.403
Weighted average exercise price (US\$)	0.258
Expected volatility	36% – 38%
Expected life	3 years
Risk free rate	4.0% – 4.4%
Expected dividend yield	0%

Expected volatility of the Group was determined by calculating the average historical volatilities of the share prices of comparable listed companies over the same period of time. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised total expenses of US\$133,094 and US\$38,911 related to equity settled share-based payments transactions in the years ended 31 December 2007 and 31 December 2008 respectively.

## Notes to the Financial Statements

### 23. OBLIGATIONS UNDER FINANCE LEASES

Finance lease liabilities – minimum lease payments:

	<b>2008</b>	2007
	<b>US\$</b>	US\$
Within one year	<b>1,703</b>	1,692
Between two and five years	<b>1,277</b>	2,962
	<b>2,980</b>	4,654
Future finance charges	<b>(586)</b>	(917)
	<b>2,394</b>	3,737

Finance lease liabilities – present value of minimum lease payments:

	<b>US\$</b>	US\$
Within one year	<b>1,368</b>	1,359
Between two and five years	<b>1,026</b>	2,378
	<b>2,394</b>	3,737

The weighted average fixed interest rate on the outstanding finance lease liabilities as at 31 December 2007 was 8.42% and 31 December 2008 was 8.42%.

All the lease obligations are denominated in Hong Kong 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

	The Group		The Company	
	2008 US\$	2007 US\$	2008 US\$	2007 US\$
Trade payables	<b>77,122</b>	139,021	<b>12,752</b>	4,999
Other payables	–	–	<b>392</b>	–
Accruals and deferred income	<b>3,231,529</b>	2,296,537	<b>38,538</b>	47,036
	<b>3,308,651</b>	2,435,558	<b>51,682</b>	52,035

### 25. CASH FLOWS FROM OPERATING ACTIVITIES

	2008 US\$	2007 US\$
Loss before taxation	<b>(588,662)</b>	(948,664)
Exceptional costs of Placing and Admission to AIM	–	1,094,967
Equity settled share-based payments	<b>38,911</b>	133,094
Depreciation	<b>101,733</b>	70,417
Amortisation	<b>47,803</b>	18,351
Loss on disposal of property, plant and equipment	<b>511</b>	1,563
Finance lease charges	<b>335</b>	333
Interest income	<b>(199,571)</b>	(156,012)
Share of loss of an associate	<b>24,041</b>	–
Share of loss of a jointly controlled entity	<b>150,403</b>	–
Unrealised exchange loss	<b>707,031</b>	23,776
Operating cash flows before changes in working capital	<b>282,535</b>	237,825
Decrease in inventories	<b>10,584</b>	2,370
Increase in receivables	<b>(517,368)</b>	(334,051)
Increase in payables	<b>873,093</b>	681,370
<b>Cash flows generated from operating activities</b>	<b>648,844</b>	587,514

## Notes to the Financial Statements

---

### 26. OPERATING LEASE COMMITMENTS

At the balance sheet dates, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>2008</b>	2007
	<b>US\$</b>	US\$
<hr/>		
Land and buildings:		
Within one year	<b>68,922</b>	164,906
In the second to fifth year inclusive	–	68,479
	<hr/>	<hr/>
	<b>68,922</b>	233,385
	<hr/> <hr/>	<hr/> <hr/>

### 27. CAPITAL COMMITMENTS

At 31 December 2008, there were no capital commitments that had not been provided for (2007: US\$nil).

### 28. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 2008 (2007: US\$nil).

## Notes to the Financial Statements

### 29. RELATED PARTY TRANSACTIONS

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

	<b>2008</b>	2007
	<b>US\$</b>	US\$
Sales of goods to an associate	<b>45,000</b>	–
Software customisation and implementation service fee received from a jointly controlled entity	<b>35,938</b>	–

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

- (b) Key management

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

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

### 30. ULTIMATE CONTROLLING PARTY

The Group has no ultimate controlling party.

### 31. POST BALANCE SHEET EVENTS

There were no post balance sheet events which will or may have a material effect on the financial statements as presented.

## 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 Tuesday 26th May 2009 at 6:30 pm for the following purposes:

1. To receive and consider the audited financial statements of the Group for the year ended 31 December 2008.
2. To re-appoint Nexia Charles Mar Fan & Co. as auditors and to authorise the Directors to fix the remuneration of the auditors.
3. Any other business.

By Order of the Board

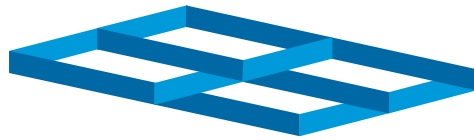
**Amy Lee**

*Company Secretary*

Hong Kong, 17 April 2009

*Notes:*

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



**NetDimensions<sup>®</sup>**

NETDIMENSIONS (HOLDINGS) LIMITED

