M DREAM INWORLD LIMITED
聯夢活力世界有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8100

Annual Report 2010

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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This report, for which the directors of the issuer collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the issuer. The directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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Corporate Information

DIRECTORS

Executive Directors

Chi Chi Hung, Kenneth *(Chairman)*
Ng Kay Kwok

Independent Non-executive Directors

B Ray Tam, Billy
Yu Pak Yan, Peter
Chan Hoi Ling

COMPANY SECRETARY

Ng Kay Kwok

COMPLIANCE OFFICER

Chi Chi Hung, Kenneth

AUTHORIZED REPRESENTATIVES

Chi Chi Hung, Kenneth
Ng Kay Kwok

AUDIT COMMITTEE

B Ray Tam, Billy
Yu Pak Yan, Peter
Chan Hoi Ling

REGISTERED OFFICE

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Block C, 10 Floor
Cheong Wah Factory Building
39-41 Sheung Heung Road, To Kwa Wan
Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26 Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Wing Hang Bank Limited
Standard Chartered Bank (Hong Kong) Limited

AUDITOR

Baker Tilly Hong Kong Limited
Certified Public Accountants

STOCK CODE

8100

Board of Directors

Executive Directors

Mr. Chi Chi Hung, Kenneth aged 42, has over 18 years of experience in accounting and financial control area. He holds a Bachelor of Accountancy Degree from the Hong Kong Polytechnic University and is a fellow member of Association of Chartered Certified Accountants in the United Kingdom, an associate member of the Hong Kong Institute of Certified Public Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators in the United Kingdom. Mr. Chi is an executive director of Hua Yi Copper Holdings Limited, China Grand Forestry Green Resources Group Limited and Morning Star Resources Limited, all of which are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of ZMAY Holdings Limited and Aurum Pacific (China) Group Limited, both of which are listed on the Growth Enterprise Market of the Stock Exchange.

Mr. Ng Kay Kwok, aged 48, has over 15 years of experience in audit and accounting. He obtained a Graduate Diploma in Accounting from Macquarie University and is an associate member of CPA, Australia. He has served as the Chief Financial Officer and Company Secretary of the Company since 1 January 2007. Mr. Ng is the independent non-executive director of China Fortune Group Limited which is listed on the Main Board of the Stock Exchange. Mr. Ng is also the Company Secretary of the Company.

Independent Non-executive Directors

Mr. B Ray Tam Billy, aged 42, obtained his Bachelor Degree of Laws from The University of London, Bachelor Degree of PRC Laws from Tsinghua University and a Master Degree of Laws from The University of Hong Kong. Mr. Tam has been working in the legal profession for almost twenty years. He is an Admitted Solicitor in Hong Kong SAR and England. Mr. Tam is now a partner of Ho and Tam, Solicitors. Mr. Tam is the independent non-executive director of China Fortune Group Limited which is listed on the Main Board of the Stock Exchange and the non-executive director of Eternite International Company Limited which is listed on the GEM Board of the Stock Exchange.

Mr. Yu Pak Yan, Peter, aged 60, has over 28 years of experience in real estate and financial services industries. He obtained a Bachelor Degree in Management from Youngstown State University in Ohio, USA and a Master of Science Degree in Financial Services from American College in Pennsylvania, USA. Mr. Yu is a member of the Certified Commercial Investment Member Institute He has held senior positions in Metlife and New York Life Insurance Company in managing Asian customers in North America. Mr. Yu is currently serving as executive director of Kong Sun Holdings Limited and independent non-executive director of Golden Resorts Group Limited, both companies are listed on the Main Board of the Stock Exchange.

Ms. Chan Hoi Ling, aged 37, has extensive experience in auditing and financial management. She obtained a Bachelor Degree in Accountancy from the University of South Australia and is an associate member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Ms. Chan is the independent non-executive director of Morning Star Resources Limited which is listed on the Main Board of the Stock Exchange.

Chairman Statement

If the world economy is on the road of growth again, recovering from the devastating financial tsunami, M Dream Inworld Limited ("the Company") certainly is also heading to the same direction with accelerating momentum. Although the Company was still making a loss in the year ended 31 December 2010 ("the Year"), we have strong belief it will have a better future.

By acquiring the entire capital of KanHan Educational Services Limited during the Year will improve the profitability of the Company due to the profit guarantee given by the vendor. However, it is the long term prospect of this subsidiary that we have our confidence in. Education market is a huge market, and in particular e-learning products and services will be the centre of growth. The Company together with its subsidiary is well prepared to capture this opportunity.

The recent completed Open Offer has provided the Company sufficient cash for its future expansion. The proceeds gathered will be spent as working capital and future investments. We are actively seeking good opportunities and good projects on a prudent approach. We aim at making investments with solid foundation and long term growth, rather than those high risk high return types. We believe by making proper investments, the Company will be on a steady and healthy path of growth.

Chi Chi Hung, Kenneth
Chairman

11 March 2011

Report of the Directors

The Directors of the Company are pleased to present the annual report ("the Report") together with the audited consolidated financial statements of the Company and its subsidiaries (together "the Group") for the year ended 31 December 2010 ("the Year").

The Company was incorporated in the Cayman Islands on 30 July 2001 as an exempted company with limited liability under the Company Laws of the Cayman Islands. Its shares have been listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited ("the Stock Exchange") since 31 December 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are detailed in Note 18 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the principal activities and geographical locations of operations of the Group for the Year is set out in Note 5 to the consolidated financial statements.

RESULTS AND DIVIDENDS

Details of the Group's results for the Year are set out in the consolidated income statement on page 22 of the Report.

The Directors do not recommend the payment of any dividend for the Year.

CHARITABLE DONATIONS

Charitable donations made by the Group during the Year amounted to HK$240,000 (2009: HK$200,000).

SHARE CAPITAL

Details of the Company's share capital are set out in Note 27(b) to the consolidated financial statements.

RESERVES

Movements in reserves of the Group and the Company during the Year are set out in the consolidated statement of change in equity on page 26 of the Report and in note 27(a) to the consolidated financial statements respectively.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares during the Year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

FIXED ASSETS

Details of the movements in fixed assets of the Group and the Company during the Year are set out in note 17 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales for the Year attributable to the Group's major customers are as follows:

Sales

– the largest customer 17%

– five largest customers combined 70%

The percentages of purchases for the Year attributable to the Group's major suppliers are as follows:

Purchases

– the largest supplier 97%

– five largest suppliers combined 100%

None of Directors, their respective associates and shareholders of the Company (which to the knowledge of the Directors own more than 5% of the issued capital of the Company) had any interest in any of the five largest customers and suppliers (other than the largest supplier) of the Group for the Year. Purchases from the largest supplier for the Year was treated as Related Party Transactions and disclosed in note 36(b)(i) to the consolidated financial statements.

EVENTS AFTER THE REPORTING PERIOD

On 21 January 2011 the Company has completed an open offer and bonus issues. 1,048,894,324 Offer Shares at a subscription price of HK$0.10 per Offer Shares and 786,670,743 Bonus Shares were issued to Qualifying Shareholders of the Company. The net proceeds gathered from the Open Offer were approximately HK$100,000,000. For more details it can be referred to the announcement made by the Company on 19 January 2011.

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 96 of the Report.

CONTINUING CONNECTED TRANSACTIONS

The Group has maintained three Agreements for Continuing Connected Transactions during the Year. A company controlled by a former Director and former substantial shareholder and her associate has sold display equipment, components and related technology to the Group during the Year under a Framework Agreement. The amount was approximately HK$3,393,000 (2009: HK$4,608,000) which was classified as Continuing Connected Transactions. The details of this Framework Agreement and the relevant Continuing Connected Transactions are contained in the circular of the Company dated 18 February 2009.

A Supply Agreement for Continuing Connected Transactions was entered by the Group on 19 November 2010 with KanHan Technologies Limited ("KanHan Technologies") which is a connected person to the Company. During the Year, the Group has provided website development, electronic learning products and services to KanHan Technologies under this Agreement. The amount was approximately HK$367,000 which was classified as Continuing Connected Transactions.

A Business Centre Service Agreement for Continuing Connected Transactions was also entered by the Group on 19 November 2010 with KanHan Technologies. During the Year, the Group has provided business centre services to KanHan Technologies under this Agreement. The amount was HK$40,000 which was classified as Continuing Connected Transactions.

The details of both the Supply Agreement and the Business Centre Service Agreement and the relevant Continuing Connected Transactions are contained in the announcement of the Company dated 19 November 2010.

The auditor of the Company has reviewed the abovementioned Continuing Connected Transactions on an annual basis and they have issued a confirmation letter to the Board on the Continuing Connected Transactions for the Year. Based on this letter from the auditor and after their own review, the Independent Non-executive Directors of the Company confirm the Continuing Connected Transactions for the Year have been entered into (a) in the ordinary and usual course of business of the Company; (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (c) in accordance with the Agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Report of the Directors

MANAGEMENT CONTRACTS

No Director of the Company has any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation) during the Year and as at the date of the Report.

COMPETING INTEREST

None of the Directors or the management shareholders of the Company has any interest in a business which competes or may compete with the business of the Group during the Year and as at the date of the Report.

DIRECTORS

The Directors who held office during the Year and up to the date of the Report were:

	Appointed on	Resigned on
Executive Directors		
Mr. Rong Hsu	26 March 2008	16 July 2010
Ms. Li Fang Hong	19 May 2008	9 July 2010
Mr. Chi Chi Hung, Kenneth	8 July 2010	
Mr. Ng Kay Kwok	9 July 2010	
Independent Non-executive Directors		
Ms. Zhao Yang	6 March 2008	30 July 2010
Mr. Cho Chun Wai	19 November 2008	13 August 2010
Mr. Chan Kam Kwan, Jason	11 December 2008	17 June 2010
Mr. B Ray Tam, Billy	18 June 2010	
Mr. Yu Pak Yan, Peter	30 July 2010	
Ms. Chan Hoi Ling	30 July 2010	

In accordance with the Company's Articles of Association, all the existing Directors shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company confirmed that annual confirmations of independence were received from each of the Company's existing Independent Non-executive Directors pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on GEM ("GEM Listing Rules") and all existing Independent Non-executive Directors are considered to be independent by the Company.

DIRECTORS' INTERESTS IN CONTRACT

None of the Directors had any interests in any contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, and which subsisted at the end of the Year or at any time during the Year except the former Director Ms. Li Fang Hong had an interest in the Related Party Transactions with details as set out in note 36(b)(i) to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2010, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance "SFO", Chapter 571 under the Laws of Hong Kong), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Nil

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

At no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors and chief executives, their respective spouses or children under the age of 18 to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

2007 New Share Option Scheme

On 24 December 2007, this new share option scheme was approved by shareholders of the Company in an extraordinary general meeting. This scheme is to enable the Company to grant options to either Directors or employees of the Group in order to recognize and motivate their contribution, provide incentives and to help the Group in retaining its existing employees and recruiting additional quality employees and to provide them with a direct economics interest in attaining the long term business objectives of the Group.

No options were ever granted under this scheme as at 31 December 2010.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, the following persons had, or were deemed to have interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Division 2 and 3 or part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Company, or substantial shareholder details required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholder	Number of shares held	Approximate percentage of interests in the Company's issued share capital
Ample Field Limited *(Note 1)*	54,666,666	20.85%
Mr. Yu Shu Kuen *(Note 1)*	54,666,666	20.85%
Kingston Finance Limited *(Note 2)*	54,666,666	20.85%
Ample Cheer Limited *(Note 2, 3)*	54,666,666	20.85%
Best Forth Limited *(Note 2, 3)*	54,666,666	20.85%
Mrs. Chu Yuet Wah *(Note 2, 3)*	54,666,666	20.85%

Notes:

1. These shares are beneficially owned by Ample Field Limited of which the entire issued capital is beneficially owned by Mr. Yu Shu Kuen. Accordingly, Mr. Yu Shu Kuen is deemed to be interested in these shares.

2. The 54,666,666 shares in the Company held by Ample Field Limited is charged to Kingston Finance Limited. Accordingly, Kingston Finance Limited is deemed to has a security interest in these 54,666,666 shares.

3. Kingston Finance Limited is wholly owned by Ample Cheer Limited which is 80% owned by Best Forth Limited, and Best Forth Limited is wholly owned by Mrs. Chu Yuet Wah. Accordingly, Ample Cheer Limited, Best Forth Limited and Mrs. Chu Yuet Wah are deemed to be interested in the 54,666,666 shares in the Company which Kingston Finance Limited is deemed to has a security interest.

AUDIT COMMITTEE

The Company established an Audit Committee with written terms of reference in accordance with Rules 5.28 to 5.33 of the GEM Listing Rules. The Audit Committee members as at the date of this Report are Mr. B Ray Tam, Billy, Mr. Yu Pak Yan, Peter and Ms. Chan Hoi Ling. They are the Independent Non-executive Directors of the Company. The Audit Committee's principal duties are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit committee met on a quarterly basis during the Year.

The Company's financial statements for the Year have been reviewed and discussed by the Audit Committee before any disclosure and release of information.

BOARD PRACTICES AND PROCEDURES

The Company has compiled with the board practices and procedures as set out in Rules 5.34 of the GEM Listing Rules during the Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, as at the date of this Report the Company has maintained the prescribed public float under the GEM Listing Rules.

AUDITOR

Baker Tilly Hong Kong Limited acted as auditor of the Company for the year ended 31 December 2010. Baker Tilly Hong Kong Limited shall retire and offer themselves for re-appointment by the approval of the Company's shareholders in the forthcoming annual general meeting.

ON BEHALF OF THE BOARD
Chi Chi Hung, Kenneth
Chairman

11 March 2011

Corporate Governance Report

The Board of Directors ("the Board") would like to present this Corporate Governance Report for the Year.

In November 2004, The Stock Exchange promulgated the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules which sets out corporate governance principles ("the Principles") and code provisions ("the Code Provisions") with which listed issuers are expected to follow and comply.

During the Year the Company has applied the Principles and on best effort basis complied with the Code Provisions. There was a temporary violation of Code Provision A2.1 during the Year. Code Provision A2.1 requires the separation of the roles of chairman and chief executive officer. Since the former Chairman of the Company resigned on 30 September 2009, the former Managing Director of the Company has temporarily taken up the role as Chairman while carrying out her duties as the Managing Director until she resigned as Director on 9 July 2010. Mr. Chi Chi Hung, Kenneth has been appointed as Executive Director and Chairman of the Company on 8 July 2010 and Mr. Ng Kay Kwok has been appointed as Executive Director of the Company on 9 July 2010 and since then he has been carrying out the duties as the chief executive officer.

The key corporate governance principles and practices of the Company are summarized as follows:

THE BOARD

(1) Responsibilities

The Board should assume responsibility for leadership and control of the Company and is collectively be responsible for promoting the success of the Company. All Directors should take decisions objectively in the interests of the Company.

As at 31 December 2010, the Board comprised two Executive Directors and three Independent Non-executive Directors. The biographies of the Directors are set out on page 3 of this Report. During the Year, the Board complied at all times with the requirement of the GEM Listing Rules that at least three Independent Non-executive Directors sit in the Board and at least one of them has appropriate professional accounting or related financial management expertise. As at the date of this Report the Company in its best knowledge considers the three existing Independent Non-executive Directors are independent and each of them has issued to the Company a confirmation of his/her independence.

During the Year there were 17 board meetings conducted. The Directors were participated either in person or through other electronic means of communication in the meetings. The attendance of Directors is summarized as follows:

Former Directors	
Mr. Rong Hsu	5 meetings
Ms. Li Fang Hong	5 meetings
Ms. Zhao Yang	2 meetings
Mr. Cho Chun Wai	7 meetings
Mr. Chan Kam Kwan, Jason	2 meetings
Existing Directors	
Mr. Chi Chi Hung, Kenneth	13 meetings
Mr. Ng Kay Kwok	11 meetings
Mr. B Ray Tam, Billy	11 meetings
Mr. Yu Pak Yan, Peter	6 meetings
Ms. Chan Hoi Ling	6 meetings

The Board has procedures to enable Directors, upon reasonable request, to seek independent professional advice at the Company's expense to discharge their duties to the shareholders.

All Directors also have access to the advice and services of the company secretary to ensure that proper procedures and all applicable rules are followed.

(2) Composition

The composition of the Board reflects the balance of skills and experience appropriate for the requirements of the Company's business and for the exercise of independent decisions. The Company has three Independent Non-executive Directors which is more than half of the Board. They are professionals in different areas and provide independent opinions based on their expertise.

(3) Appointments, re-election & removal of directors

The Company has established formal, considered and transparent procedures for the appointment of new directors. Although the Company has not set up a nomination committee, the Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment and retirement of directors and assessing the independence of Independent Non-executive Directors.

Corporate Governance Report

The Company's Articles of Association has been amended by the approval of shareholders. According to the present Company's Articles of Association all Non-executive Directors retire at each annual general meeting and are subject to re-elections by shareholders in the same meeting. Other relevant Articles state that all directors appointed to fill a casual vacancy should be subject to re-elections by shareholders at their first annual general meeting after appointment, and one-third of the directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation at every annual general meeting. A retired director shall be eligible for re-election. All directors should retire by rotation at least once every three years including those appointed for a specific term.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The following statement, which sets out the responsibility of Directors in relation to the financial statements, should be read in conjunction with, but distinguished from, the Independent Auditor's Report on pages 20 to 21 which acknowledges the reporting responsibility of the Group's Auditor.

ANNUAL REPORT AND ACCOUNTS

The Directors acknowledge their responsibility for the preparation of the Annual Report and financial statements of the Company to ensure that these financial statements give a true and fair presentation in accordance with Hong Kong Companies Ordinance and the applicable accounting standards.

ACCOUNTING POLICIES

The Directors consider that in preparing the financial statements, the Group applies appropriate accounting policies that are consistently adopted and makes judgements and estimates that are reasonable and prudent in accordance with the applicable accounting standards.

ACCOUNTING RECORDS

The Directors are responsible for ensuring that the Group keeps accounting records which disclose the financial position of the Group upon which financial statements of the Group could be prepared in accordance with the Group's accounting policies.

SAFEGUARDING ASSETS

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities within the Group.

AUDITOR'S REMUNERATION

The remuneration in respect of the services provided by the Company's auditor is analysed as follows:

	2010 HK$'000
Services rendered:	
Audit services	**380**
Non-audit services	**125**
	505

BOARD COMMITTEES

(1) Remuneration Committee

Code Provision B1.1 stipulates that an issuer should establish a Remuneration Committee with specific written terms of reference and a majority of the members of the Remuneration Committee should be independent non-executive directors.

The primary objectives of the Remuneration Committee include making recommendations on the remuneration policy and structure of, and determining the specific remuneration packages of, all directors and senior management.

The Company has established its Remuneration Committee on 1 February 2007 and all the present Independent Non-executive Directors are the present committee members. The committee will conduct meetings to discuss the remuneration policy on directors and senior management when it is appropriate. During the Year, one meeting of Remuneration Committee was held and all the present committee members attended the meeting.

(2) Audit Committee

The main duties of the Audit Committee include the following:

(a) To monitor the control procedures and the disclosures on the reporting of the Company's financial statements, and to review and discuss with external auditors any significant financial reporting standards and guidelines applied to the financial statements.

(b) To consider any significant or unusual items that are, or may need to be, reflected in financial reports and accounts, and give due consideration to matters raised by the Company's qualified accountant, compliance officer or external auditors.

(c) To review the relationship with the external auditors by reference to the work performed by them, their fees and terms of engagement, and make recommendations to the Board on the appointment, re-appointment and removal of auditors.

(d) To review the Company's financial controls, internal control and risk management systems.

The Audit Committee held four meetings during the Year to review the financial results and reports, financial reporting and compliance procedures, report on the Company's internal control and risk management review and processes and the re-appointment of external auditors. The former committee members who were the three former Independent Non-executive Directors at the time attended the first and second Audit Committee meeting. All the present Independent Non-executive Directors are the present committee members and they all attended the remaining two Audit Committee meetings of the Year.

The Audit Committee also held a meeting to review the annual results of the Company and the reporting of it for the year ended 31 December 2010.

DEALINGS FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has relied on Rules 5.48 to 5.67 of the GEM Listing Rules as the required standard of dealings in respect to any dealings of the Company's securities by the Company's Directors.

General and specific enquiries have been made to all Directors and they all confirmed they have complied with the said GEM Listing Rules during the Year.

SHAREHOLDER RIGHTS

According to the GEM Listing Rules, all resolutions proposed in any general meetings are by poll. Results on the voting will be posted on the websites of the Stock Exchange and the Company by way of an announcement on the business day following the general meeting.

The general meetings of the company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as the chairmen of the board committees or, in their absence, other members of the respective committees and, where applicable, the independent board committee, are normally available to answer questions at the general meetings.

Management Discussion and Analysis

BUSINESS REVIEW

The former Managing Director brought in and developed optical display business to the Group in year 2008 but the business so far was not successful. As she left the Company early in the Year, the business dropped in turnover. The amount for the Year was approximately HK$2,774,000 compared to HK$5,191,000 in year 2009. The present management is still considering the prospect of this business.

With the acquisition of KanHan Educational Services Limited ("KanHan EDU") in July of the Year, almost six months of its results for the Year was consolidated by the Company and its contribution to the turnover of the Group was approximately HK$1,026,000. Although this new business was not very significant to the Group during the Year, the management believes it will better perform in future, especially with guaranteed profits of HK$2,200,000 and HK$6,500,000 for years 2011 and 2012 respectively.

The selling and administrative expenses for the Year were approximately HK$10,728,000 compared to HK$14,226,000 in year 2009. In particular, staff costs for the Year was approximately HK$3,561,000 compared to HK$4,313,000 in year 2009. By reducing expenses, the loss for the Year was less than year 2009 despite a smaller volume in turnover.

FINANCIAL REVIEW

Turnover

The turnover of the Group for continuing operations was HK$3,800,000 for the Year, representing a decrease of approximately 32% compared to the turnover for the year ended 31 December 2009 of approximately HK$5,555,000.

Loss for the year

The loss of the Group attributable to the equity shareholders of the Company for the Year was HK$13,149,000 compared to the same of loss of HK$14,166,000 for the year ended 31 December 2009. Despite a lesser turnover the loss for the Year was less than last year due to significant decrease in selling and administrative expenses for the Year.

Liquidity and financial resources

The Group had total liabilities of approximately HK$4,135,000 and cash and cash equivalents of approximately HK$12,878,000 as at 31 December 2010. There is no liquidity problem expected by the Group in the year of 2011, particularly after the completion of the Open Offer in January 2011 which gathered proceeds of approximately HK$100,000,000.

Capital structure

On 29 July 2010, the Company has done a placement and issued 218,000,000 new shares at HK$0.10 per share to a few placees. The net proceed of approximately HK$21,205,000 from the placement has been mainly utilized for the redemption of promissory note issued by the Company in the acquisition of KanHan EDU.

As announced by the Company on 15 October 2010, the Company proposed to implement the Capital Reorganisation which will involve (1) a share consolidation pursuant to which every five issued and unissued shares of HK$0.01 each were consolidated into one consolidated share of HK$0.05 each; and (2) increase of the authorised share capital from HK$60,000,000 divided into 1,200,000,000 consolidated shares of HK$0.05 each to HK$400,000,000 divided into 8,000,000,000 consolidated shares of HK$0.05 each. Details of the Capital Reorganisation are set out, inter alia, in the circular of the Company dated 17 November 2010. A special resolution approving the Capital Reorganisation was passed at the special general meeting of the Company held on 13 December 2010. The Capital Reorganisation became effective on 14 December 2010.

Besides that there has been no significant change in the capital structure of the Company for the Year.

Foreign exchange exposure

During the Year the business activities of the Group were mainly denominated in Hong Kong dollars and Renminbi. The Directors did not consider the Group was exposed to any significant foreign currency exchange risk.

Significant investments

Apart from material acquisitions and disposals disclosed below, the Group had no other significant investments during the Year.

Material acquisitions and disposals

In July 2010 the Group has acquired the entire issued capital of KanHan EDU at a consideration of HK$22,964,000. The company is principally engaged in providing e-learning products and services to schools and corporate institutions in Hong Kong. There are profits guaranteed by the vendor that the company must achieve profits before tax of HK$450,000, HK$2,200,000 and HK$6,500,000 for the years ending 31 December 2010, 2011 and 2012 respectively. For more details of the acquisition it can be referred to the announcement issued by the Company on 14 July 2010. There was no material disposal made by the Group during the Year.

Ageing of trade receivables and payables

The ageing of the Group's trade receivables and payables as at 31 December 2010 are set out in Note 22(a) and Note 25 to the consolidated financial statements.

Gearing ratio

As at 31 December 2010 the gearing ratio of the Group was 11% (2009: 5%).

Employee information

The Group currently has about 25 employees (2009: 20) working in Hong Kong, Guangzhou and Beijing. The increase of headcount is due to the acquisition of KanHan EDU.

Contingent liabilities

As at 31 December 2010 the Directors did not consider the Group had any contingent liabilities (2009: nil).

OUTLOOK

It is becoming a global belief now that the quality of the citizens is a critical factor to the development of a country, and governments of most countries in the world have kept increasing spending on education with emphasis in the adoption of using the internet as the learning medium (e-learning). According to its recent announced budget the Hong Kong government plans to spend $140 million until 2013 assisting primary and secondary schools to develop e-learning pilot projects either replacing or supplementing traditional text book based curriculum in various subjects.

The wholly owned subsidiary acquired by the Company in 2010, KanHan EDU is a major participant in providing e-learning products and services for schools and colleges in Hong Kong. In January 2011, out of the 21 selected from one hundred pilot project applications, KanHan EDU will lead to supply two projects revolutionizing the teaching and learning of Chinese language for primary schools. The aggregate contract amount including hardware, software and service is over four million Hong Kong dollars. Those are the first few contracts of this kind, and it certainly marks a new era to school education in Hong Kong and to the future expansion of KanHan EDU as well.

By getting those contracts, KanHan EDU will firmly establish its brand image as the first generation of e-publisher in Hong Kong by developing the first electronic curriculum with assessment and learning functions for Chinese language teaching and learning in Hong Kong, aiming to replace traditional printed textbook market at a fraction of cost for students. From a macroscopic viewpoint, this will be a reformation, if not revolution, of the whole school textbook market in Hong Kong. Applying printed textbook in teaching and learning will eventually fade out with e-learning services as a replacement. KanHan EDU, a pioneer in e-learning development, has already stepped ahead. The provision of a CLOUD hosting platform for e-publishing services becomes an essential business direction in building annual subscription model. A substantial increase in concurrent revenue is expected from the formation of this business model.

With a remarkable track record in developing e-learning platforms and electronic courseware, KanHan EDU will stand to benefit as the pioneer and market leader in the e-publishing sector for schools. KanHan EDU's ultimate goal is to revolutionize the education sector in Hong Kong through the adoption of internet in providing all sorts of educational services. By achieving this certainly will bring in high value to the equity shareholders of the Company.

Independent Auditor's Report

BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
天職香港會計師事務所有限公司
12th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong
香港干諾道中168-200號信德中心招商局大廈12樓

Independent auditor's report to the shareholders of
M Dream Inworld Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of M Dream Inworld Limited (the "Company") and its subsidiaries (together referred to as the "Group") set out on pages 22 to 95, which comprise the consolidated and Company's statement of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Baker Tilly Hong Kong Limited
Certified Public Accountants

Hong Kong, 11 March 2011

Andrew David Ross
Practising certificate number P01183

Consolidated Income Statement

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Continuing operations			
Turnover	4	**3,800**	5,555
Cost of sales		**(2,542)**	(4,662)
Gross profit		**1,258**	893
Other revenue	6	**499**	106
Other gains and losses	7	**(4,298)**	(45)
Selling and administrative expenses		**(10,728)**	(14,226)
Loss from operations		**(13,269)**	(13,272)
Finance costs	8(a)	**(31)**	(15)
Loss before taxation	8	**(13,300)**	(13,287)
Income tax credit	9(a)	**151**	–
Loss for the year from continuing operations		**(13,149)**	(13,287)
Discontinued operations			
Loss for the year from discontinued operations	12	**–**	(1,486)
Loss for the year		**(13,149)**	(14,773)
Attributable to:			
Equity shareholders of the Company	14		
Loss from continuing operations		**(13,149)**	(13,287)
Loss from discontinued operations		**–**	(879)
		(13,149)	(14,166)
Non-controlling interests			
Loss from continuing operations		**–**	–
Loss from discontinued operations		**–**	(607)
		–	(607)
		(13,149)	(14,773)
Loss per share	16		
From continuing and discontinued operations			
Basic		**(HK5.52cents)**	(HK6.72cents)
Diluted		**N/A**	N/A
From continuing operations			
Basic		**(HK5.52cents)**	(HK6.30cents)
Diluted		**N/A**	N/A

The notes on pages 29 to 95 form part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Loss for the year		**(13,149)**	(14,773)
Other comprehensive income/(expense) for the year	15		
Exchange differences on translation of financial statements of overseas subsidiaries		**214**	(548)
Reclassification adjustments relating to foreign operations disposed of during the year		**(25)**	–
		189	(548)
Total comprehensive expense for the year		**(12,960)**	(15,321)
Attributable to:			
Equity shareholders of the Company		**(12,960)**	(14,714)
Non-controlling interests		**–**	(607)
Total comprehensive expense for the year		**(12,960)**	(15,321)

The notes on pages 29 to 95 form part of the consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2010
(Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Non-current assets			
Fixed assets	17	**2,254**	1,730
Interest in an associate	19	**–**	–
Goodwill	20	**23,239**	–
		25,493	1,730
Current assets			
Inventories	21	**1,300**	2,078
Trade and other receivables	22	**2,144**	5,240
Amount due from an associate	19	**–**	84
Cash and cash equivalents	23	**12,878**	21,889
Current tax assets	24(a)	**–**	6
		16,322	29,297
Current liabilities			
Trade and other payables	25	**2,223**	1,211
Obligations under finance leases	26	**462**	83
		2,685	1,294
Net current assets		**13,637**	28,003
Total assets less current liabilities		**39,130**	29,733
Non-current liabilities			
Obligations under finance leases	26	**1,450**	298
NET ASSETS		**37,680**	29,435
CAPITAL AND RESERVES	27		
Share capital		**13,111**	10,931
Reserves		**24,569**	18,504
Total equity attributable to equity shareholders of the Company		**37,680**	29,435

Approved and authorised for issue by the board of directors on 11 March 2011

Chi Chi Hung, Kenneth
Director

Ng Kay Kwok
Director

The notes on pages 29 to 95 form part of the consolidated financial statements.

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Statement of Financial Position

At 31 December 2010
(Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Non-current assets			
Investments in subsidiaries	18	**4,200**	4,200
Current assets			
Amounts due from subsidiaries	18	**28,786**	3,000
Prepayments and deposits	22	**690**	–
Cash and cash equivalents	23	**3,720**	15,997
		33,196	18,997
Current liabilities			
Accrued expenses and other payables	25	**609**	334
Net current assets		**32,587**	18,663
NET ASSETS		**36,787**	22,863
CAPITAL AND RESERVES	27		
Share capital		**13,111**	10,931
Reserves		**23,676**	11,932
TOTAL EQUITY		**36,787**	22,863

Approved and authorised for issue by the board of directors on 11 March 2011

Chi Chi Hung, Kenneth
Director

Ng Kay Kwok
Director

The notes on pages 29 to 95 form part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company							
	Share capital	Share premium	Contributed surplus	Exchange reserve	Accumulated losses	Total	Non controlling interests	Total equity
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 1 January 2009	8,198	164,284	6,426	482	(146,729)	32,661	450	33,111
Disposal of discontinued operations *(note 31 (c))*	–	–	–	–	–	–	157	157
Shares issued upon open offer *(note 27 (b)(ii))*	2,733	8,755	–	–	–	11,488	–	11,488
Total comprehensive expense for the year	–	–	–	(548)	(14,166)	(14,714)	(607)	(15,321)
Balance at 31 December 2009 and 1 January 2010	10,931	173,039	6,426	(66)	(160,895)	29,435	–	29,435
Shares issued on placement of shares *(note 27 (b)(iii))*	2,180	19,025	–	–	–	21,205	–	21,205
Total comprehensive income/ (expense) for the year	–	–	–	189	(13,149)	(12,960)	–	(12,960)
Balance at 31 December 2010	13,111	192,064	6,426	123	(174,044)	37,680	–	37,680

The notes on pages 29 to 95 form part of the consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Operating activities			
Loss before taxation including discontinued operations		**(13,300)**	(14,773)
Adjustments for:			
– Depreciation	*8(c), 12*	**614**	475
– Dividend income from investments held for trading	*6*	**(390)**	–
– Finance costs	*8(a)*	**31**	15
– Foreign exchange loss		**144**	–
– (Gain)/loss on disposal of subsidiaries	*7*	**(24)**	52
– Gain on disposal of discontinued operations	*12*	**–**	(1,101)
– Gain on sale of investments held for trading	*7*	**(20)**	–
– Impairment loss on amount due from an associate	*7*	**–**	216
– Impairment loss on fixed assets	*7*	**913**	–
– Impairment loss on trade receivables	*7*	**1,316**	23
– Bank interest income	*6*	**(69)**	(106)
– Loss on disposal of an associate	*7*	**5**	–
– Loss on disposal of fixed assets	*7*	**776**	52
– Write-down of inventories	*7*	**970**	–
– Write-off of accruals and interest payables	*7*	**–**	(275)
– Write-off of inventories	*7*	**628**	–
– Write-off of receipts in advance	*7*	**(288)**	–
Operating loss before changes in working capital		**(8,694)**	(15,422)
Increase in inventories		**(820)**	(2,045)
Decrease/(increase) in trade and other receivables		**2,155**	(2,100)
Increase in amount due from an associate		**–**	(300)
Increase in trade and other payables		**516**	812
Decrease in unearned revenue		**–**	(579)
Decrease in amounts due to related parties		**–**	(598)
Cash used in operations		**(6,843)**	(20,232)
Income tax paid		**–**	(17)
Net cash used in operating activities		**(6,843)**	(20,249)

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Consolidated Cash Flow Statement

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

	Note	2010 $'000	2009 $'000
Investing activities			
Bank interest income	6	**69**	106
Dividend income from investments held for trading	6	**390**	–
Payment for purchase of fixed assets	35(a)	**(574)**	(1,354)
Payment for purchase of investments held for trading		**(601)**	–
Proceeds from disposal of fixed assets		**363**	350
Net cash outflow on disposal of discontinued operations	31(c)	**–**	(645)
Net cash outflow on acquisition of subsidiaries	30	**(5,636)**	–
Net cash inflow on disposal of subsidiaries	31	**13**	–
Proceeds from sale of investments held for trading		**621**	–
Proceeds from disposal of an associate		**79**	–
Net cash used in investing activities		**(5,276)**	(1,543)
Financing activities			
Finance charges on obligations under finance leases	8(a)	**(31)**	(15)
Proceeds from issue of shares upon open offer	27(b)(ii)	**–**	11,488
Proceeds from placement of shares	27(b)(iii)	**21,205**	–
Redemption of a promissory note	35(b)	**(18,000)**	–
Repayment of obligations under finance leases		**(128)**	(59)
Net cash generated from financing activities		**3,046**	11,414
Net decrease in cash and cash equivalents		**(9,073)**	(10,378)
Cash and cash equivalents at 1 January		**21,889**	32,377
Effect of foreign exchange rate changes		**62**	(110)
Cash and cash equivalents at 31 December	23	**12,878**	21,889

The notes on pages 29 to 95 form part of the consolidated financial statements.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

1 COMPANY INFORMATION

M Dream Inworld Limited (the "Company") is incorporated in the Cayman Islands under the Companies Law (2001 Revision) of the Cayman Islands as an exempted company with limited liability. The registered office of the Company is located at P.O. Box 309, Ugland House, Grand Cayman, KY1 -1104, Cayman Islands, British West Indies. The principal place of business in Hong Kong is located at Block C, 10 Floor, Cheong Wah Factory Building, 39-41 Sheung Heung Road, To Kwa Wan, Kowloon, Hong Kong.

The Company has its primary listing on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal activity of the Company is investment holding. The principal activities of its subsidiaries (together with the Company collectively referred to as the "Group") are set out in note 18 to the consolidated financial statements.

The consolidated financial statements are presented in thousands of units of Hong Kong dollars ($'000), unless otherwise stated. Hong Kong dollars ("HK$") is the Company's functional and the Group's presentation currency.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange of Hong Kong Limited ("the GEM Listing Rules"). A summary of the significant accounting policies adopted by the Group and the Company is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the consolidated financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 38.

(c) Subsidiaries and non-controlling interests

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries and non-controlling interests *(Continued)*

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the company.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the equity shareholders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Changes in the Group's ownership interests in existing subsidiaries

(i) Changes in the Group's ownership interests in existing subsidiaries prior to 1 January 2010

Increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. For decreases in interests in subsidiaries regardless of whether the disposals would result in the Group losing control over the subsidiaries, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss.

(ii) Changes in the Group's ownership interests in existing subsidiaries after 1 January 2010

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to equity shareholders of the Company.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Subsidiaries and non-controlling interests *(Continued)*

(ii) Changes in the Group's ownership interests in existing subsidiaries after 1 January 2010 *(Continued)*

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained profits or accumulated losses at the date when control is lost). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, Financial instruments: recognition and measurement, or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses.

(d) Business combinations

Business combinations prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair values at the acquisition date.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Business combinations *(Continued)*

Business combinations prior to 1 January 2010 (Continued)

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the business combination, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Contingent consideration was recognised, if and only if, the contingent consideration was probable and could be measured reliably. Subsequent adjustments to contingent consideration were recognised against goodwill.

Business combinations achieved in stages were accounted for as separate steps. Goodwill was determined at each step. Any additional acquisition did not affect the previously recognised goodwill.

Business combinations on or after 1 January 2010

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 (Revised 2008), Business combinations, are recognised at their fair values, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12, Income taxes, and HKAS 19, Employee benefits, respectively;

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Business combinations *(Continued)*

Business combinations on or after 1 January 2010 (continued)

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with HKFRS 2, Share-based payment; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5, Non-current assets held for sale and discontinued operations, are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Business combinations *(Continued)*

Business combinations on or after 1 January 2010 (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37, Provisions, contingent liabilities and contingent assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

(e) Associate

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

An investment in an associate 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 net assets and any impairment loss relating to the investment. The Group's share of the post-acquisition, post-tax results of the associate and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition, post-tax items of the associate's other comprehensive income is recognised in the consolidated statement of comprehensive income.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(g) Fixed assets

Items of fixed assets are stated in the consolidated statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(i)).

Depreciation is calculated to write off the cost of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

–	Leasehold improvements	5 years or over the lease term, if shorter
–	Office equipment	3-5 years
–	Furniture and fixtures	5 years
–	Computer hardware and software	2-5 years
–	Motor vehicles	5 years

Both the useful life of an asset, its residual value, if any, and depreciation method are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(i). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets

(i) Impairment of receivables

Receivables that are stated at cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investment in an associate recognised using the equity method (see note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 2(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(i)(ii).

– For trade and other receivables, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets *(Continued)*

(i) Impairment of receivables (continued)

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– fixed assets;

– investments in subsidiaries;

– interest in an associate; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets *(Continued)*

(ii) Impairment of other assets (continued)

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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 time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(i)), except where the trade and other receivables are interest free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the trade and other receivables are stated at cost less allowance for impairment of doubtful debts.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Employee benefits

(i) Short term employee benefits and contributions to defined contribution/benefit retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution/benefit retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to defined contribution/benefit retirement plans are recognised as an expense in the income statement as incurred.

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax *(continued)*

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the year end date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax *(continued)*

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Service income

– Revenue from website development is recognised when the services are rendered.

– Revenue from software application, electronic learning platform and maintenance services is recognised on a straight-line basis over the term of the service contract.

(ii) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Dividend income

Dividend income from investments is recognised when the shareholder's right to receive payment is established.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Translation of foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

(s) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separated major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs when the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of comprehensive income, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

(u) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(v) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Related parties *(Continued)*

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the respect of the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued two revised HKFRSs, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the consolidated financial statements:

- HKFRS 3 (revised 2008), Business Combinations
- Amendment to HKFRS 5, Non-current Assets Held for Sale and Discontinued Operations – plan to sell the controlling interest in a subsidiary (as part of improvements to HKFRSs (2008))
- Improvements to HKFRSs (2009)
- Amendment made under HKAS 27(revised 2008), Consolidated and Separate Financial Statements
- Amendment to HKAS 39, Financial Instruments: Recognition and Measurement – eligible hedged items
- HK(IFRIC) – Int 17, Distributions of Non-cash Assets to Owners
- HK – Int 5, Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
- Amendment to HKFRS 2, Share – based Payment – Group cash – settled share – based payment transactions.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The amendment to HKAS 39 and the issuance of HK – Int 5 have had no material impact on the consolidated financial statements as the amendment and the Interpretation's conclusions were consistent with policies already adopted by the Group. The other developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods.

4 TURNOVER

Turnover represents the sales value of goods and services supplied to customers. An analysis of the Group's revenue for the year from continuing operation is as follows:

	2010	2009
	$'000	*$'000*
Sales of optical display equipment, components and related technology	**2,774**	5,191
Sales of software and hardware	**–**	364
Provision of website development, electronic learning products and services	**1,026**	–
	3,800	5,555

5 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments.

– Optical display equipment, components and related technology

– Website development, electronic learning products and services

– System solution services (discontinued operations)

(a) Segment results, assets and liabilities

For the purpose of monitoring segment performances and allocating resources between segments:

– Segment profit/(loss) represented profit earned by/(loss from) each segment without allocation of central administration costs, finance costs and income tax expense.

– Segment assets include all tangible, intangible assets and current assets with the exception of interest in an associate, investment in financial assets, income tax recoverable and other corporate assets.

– Segment liabilities include all current and non-current liabilities with the exception of accrued central administration cost and income tax payable.

Segment revenue reported below represents revenue generated from external customers. There were no inter-segment sales in the current year (2009: HK$nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2.

5 SEGMENT REPORTING *(Continued)*

(a) Segment results, assets and liabilities *(continued)*

Information regarding the Group's reportable segments for the years ended 31 December 2010 and 2009 is set out below.

	Continuing operations				Discontinued operations					
	Optical display equipment, components and related technology		Website development, electronic learning products and services		System solution services		Unallocated		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Turnover										
Revenue from external customers	**2,774**	4,373	**1,026**	–	**–**	5,226	**–**	1,182	**3,800**	10,781
Results										
Segment result	**(4,843)**	(535)	**173**	–	**–**	(1,486)	**–**	–	**(4,670)**	(2,021)
Interest income									**69**	–
Unallocated income									**430**	442
Unallocated expenses									**(9,098)**	(13,194)
Loss from operations									**(13,269)**	(14,773)
Finance costs									**(31)**	–
Loss before income tax									**(13,300)**	(14,773)
Income tax credit									**151**	–
Loss for the year									**(13,149)**	(14,773)
Assets										
Segment assets	**4,183**	8,649	**29,003**	–	**–**	–	**–**	–	**33,186**	8,649
Unallocated assets	**–**	–	**–**	–	**–**	–	**8,629**	22,378	**8,629**	22,378
Total assets									**41,815**	31,027
Liabilities										
Segment liabilities	**628**	438	**800**	–	**–**	–	**–**	–	**1,428**	438
Unallocated liabilities	**–**	–	**–**	–	**–**	–	**2,707**	1,154	**2,707**	1,154
Total liabilities									**4,135**	1,592
Other information										
Capital expenditure	**(353)**	(422)	**–**	–	**–**	(32)	**(1,481)**	(1,340)	**(1,834)**	(1,794)
Depreciation	**(221)**	(97)	**–**	–	**–**	(44)	**(393)**	(334)	**(614)**	(475)
Gain/(loss) on disposal of subsidiaries	**–**	–	**–**	–	**–**	–	**24**	(52)	**24**	(52)
Gain on disposal of discontinued operations	**–**	–	**–**	–	**–**	1,101	**–**	–	**–**	1,101
Impairment loss on amount due from an associate	**–**	–	**–**	–	**–**	–	**–**	(216)	**–**	(216)
Impairment loss on fixed assets	**–**	–	**–**	–	**–**	–	**(913)**	–	**(913)**	–
Impairment loss on trade receivables	**(1,316)**	–	**–**	–	**–**	–	**–**	(23)	**(1,316)**	(23)
Loss on disposal of an associate	**–**	–	**–**	–	**–**	–	**(5)**	–	**(5)**	–
Loss on disposal of fixed assets	**(606)**	–	**–**	–	**–**	–	**(170)**	(52)	**(776)**	(52)
Write-down of inventories	**(970)**	–	**–**	–	**–**	–	**–**	–	**(970)**	–
Write-off of accruals and interest payables	**–**	–	**–**	–	**–**	–	**–**	275	**–**	275
Write-off of inventories	**(628)**	–	**–**	–	**–**	–	**–**	–	**(628)**	–
Write-off of receipts in advance	**288**	–	**–**	–	**–**	–	**–**	–	**288**	–

5 SEGMENT REPORTING *(Continued)*

(b) Geographical information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of fixed assets and the location of operations to which it is allocated, in the case of goodwill.

	Revenues from external customers		**Specified non-current assets**	
	2010	2009	**2010**	2009
	$'000	*$'000*	***$'000***	*$'000*
Hong Kong (place of domicile)	**1,026**	1,182	**25,448**	1,311
Mainland China	**2,774**	4,373	**45**	415
Singapore	**–**	5,226	**–**	4
	3,800	10,781	**25,493**	1,730

(c) Information about major customers

For the year ended 31 December 2010, there were five (2009: nil) customers who individually accounted for over 10% of total revenue of the Group and their aggregate revenue was HK$2,671,000 (2009: HK$nil) related to the optical display equipment, components and related technology segment.

6 OTHER REVENUE

	2010 $'000	2009 $'000
Continuing operations		
Bank interest income	**69**	106
Dividend income from investments held for trading	**390**	–
Service fee income	**40**	–
	499	106

7 OTHER GAINS AND LOSSES

	2010 $'000	2009 $'000
Continuing operations		
Gain on sale of investments held for trading	**20**	–
Gain/(loss) on disposal of subsidiaries	**24**	(52)
Loss on disposal of an associate	**(5)**	–
Loss on disposal of fixed assets	**(776)**	(52)
Impairment loss on amount due from an associate (note 19)	**–**	(216)
Impairment loss on fixed assets	**(913)**	–
Impairment loss on trade receivables	**(1,316)**	(23)
Net foreign exchange gain/(loss)	**(22)**	23
Write-down of inventories	**(970)**	–
Write-off of accruals and interest payables	**–**	275
Write-off of inventories	**(628)**	–
Write-off of receipts in advance	**288**	–
	(4,298)	(45)

8 LOSS BEFORE TAXATION

Loss before taxation from continuing operations has been arrived at after charging:

		2010	2009
		$'000	*$'000*
(a)	Finance costs:		
	Finance charges on obligations under finance leases	**31**	15
(b)	Staff costs (including directors' remuneration):		
	Salaries, wages and other benefits	**3,423**	4,170
	Retirement scheme contributions	**138**	143
		3,561	4,313
(c)	Other items:		
	Depreciation	**614**	431
	Auditor's remuneration	**380**	300
	Operating lease charges:		
	minimum lease payments		
	– hire of office premises	**1,849**	1,768
	– hire of other assets	**129**	314
	Cost of inventories sold	**2,464**	4,662

9 INCOME TAX (RELATING TO CONTINUING OPERATIONS)

(a) Income tax in the consolidated income statement represents:

	2010 $'000	2009 $'000
Current tax		
Provision for the year	–	–
Deferred tax		
Reversal of temporary difference	(151)	–
	(151)	–

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not have any assessable profit for taxation purpose during the year (2009: HK$nil).

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries. No taxation has been provided in the consolidated financial statements of the subsidiaries operating outside Hong Kong for the year (2009: HK$nil).

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2010 $'000	2009 $'000
Loss before taxation	(13,300)	(13,287)
Notional tax credit on loss before taxation, calculated at the rate of 16.5% (2009: 16.5%)	(2,194)	(2,192)
Tax effect of different taxation rates in other tax jurisdictions	(437)	(150)
Tax effect of non-deductible expenses	1,438	1,154
Tax effect of non-taxable income	(61)	(87)
Tax effect of unused tax losses not recognised	1,239	1,330
Utilisation of tax losses previously not recognised	(46)	–
Tax effect of temporary differences not recognised	(90)	(55)
Income tax credit	(151)	–

10 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	2010 Total $'000
Executive directors					
Mr. Ng Kay Kwok	115	–	–	–	115
Mr. Chi Chi Hung, Kenneth	–	–	–	–	–
Ms. Li Fang Hong	–	–	–	–	–
Mr. Rong Hsu	32	–	–	–	32
Independent non-executive directors					
Mr. B Ray Tam, Billy	32	–	–	–	32
Mr. Cho Chun Wai	74	–	–	–	74
Ms. Chan Ho Ling	25	–	–	–	25
Mr. Chan Kam Kwan, Jason	55	–	–	–	55
Mr. Yu Pak Yan, Peter	25	–	–	–	25
Ms. Zhao Yang	35	–	–	–	35
	393	–	–	–	393

	Directors' fees $'000	Salaries, allowances and benefits in kind $'000	Discretionary bonuses $'000	Retirement scheme contributions $'000	2009 Total $'000
Executive directors					
Ms. Li Fang Hong	–	–	–	–	–
Mr. Rong Hsu	60	–	–	–	60
Mr. Yu Shu Kuen	900	–	–	–	900
Independent non-executive directors					
Mr. Cho Chun Wai	120	–	–	–	120
Mr. Chan Kam Kwan, Jason	120	–	–	–	120
Ms. Zhao Yang	60	–	–	–	60
	1,260	–	–	–	1,260

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group as compensation for loss of office during the year.

11 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, none (2009: one) is a director whose emoluments are disclosed in note 10. The aggregate of the emoluments in respect of the five (2009: four) individuals are as follows:

	2010	2009
	$'000	*$'000*
Salaries and other emoluments	**1,461**	2,234
Retirement scheme contributions	**37**	192
	1,498	2,426

The emoluments of the five (2009: four) individuals with the highest emoluments are within the following bands:

	2010 Number of individuals	2009 Number of individuals
HK$nil – HK$1,000,000	**5**	4

12 DISCONTINUED OPERATIONS

On 20 March 2008, the Group disposed of a 30% equity interest in a wholly-owned subsidiary, Elipva Limited, together with its interest in a subsidiary, Elipva Inc., at a consideration of HK$560,000.

On 29 October 2009, the Group further disposed of the remaining 70% equity interest in Elipva Limited, together with its interest in a subsidiary, Elipva Inc., at a consideration of HK$300,000.

The business of provision of system solution services carried out by the subsidiaries were classified as discontinued operations.

12 DISCONTINUED OPERATIONS *(Continued)*

The results of the discontinued operations for the period from 1 January 2009 to 29 October 2009, which had been included in the consolidated income statement, were as follows:

	$'000
Turnover	5,226
Cost of sales	(2,031)
Gross profit	3,195
Other revenue and other gains and losses	204
Selling and administrative expenses	(5,986)
Loss before taxation	(2,587)
Income tax	–
	(2,587)
Gain on disposal of discontinued operations *(note 31(c))*	1,101
Loss for the year from discontinued operations	(1,486)
Attributable to:	
Equity shareholders of the Company *(note 16(a))*	(879)
Non-controlling interests	(607)
	(1,486)

No tax charge or credit arose on gain on disposal of the discontinued operations.

Loss for the year from discontinued operations included the following:

	$'000
Depreciation	44
Auditor's remuneration	40
Operating lease charges: minimum lease payments	
– hire of office premises	321

The carrying amounts of the assets and liabilities of Elipva Limited at the date of disposal are disclosed in note 31(c).

13 DIVIDENDS

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2010 (2009: HK$nil).

14 LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of HK$7,281,000 (2009: HK$20,761,000) which has been dealt with in the financial statements of the Company.

15 OTHER COMPREHENSIVE INCOME/(EXPENSE)

Tax effects relating to each component of other comprehensive income/(expense)

	2010			2009		
	Before tax amount	**Tax expense**	**Net-of–tax amount**	Before tax amount	Tax expense	Net-of–tax amount
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Exchange differences on translation of financial statements of overseas subsidiaries	**214**	**–**	**214**	(548)	–	(548)
Reclassification adjustments relating to foreign operations disposal of during the year	**(25)**	**–**	**(25)**	–	–	–
	189	**–**	**189**	(548)	–	(548)

16 LOSS PER SHARE

(a) Basic loss per share

From continuing and discontinued operations

The calculation of basic loss per share from continuing and discontinued operations is calculated by dividing the loss attributable to equity shareholders of the Company from continuing and discontinued operations by the weighted average number of ordinary shares in issue during the year.

	2010	2009
	$'000	*$'000*
Loss for the year attributable to the equity shareholders of the Company from continuing and discontinued operations for the purpose of basic loss per share	**(13,149)**	(14,166)
Loss for the year attributable to the equity shareholders of the Company from discontinued operations *(note 12)*	**–**	(879)
Loss for the year attributable to the equity shareholders of the Company from continuing operations for the purpose of basic loss per share	**(13,149)**	(13,287)

	2010	2009
	'000	*'000*
Weighted average number of ordinary shares in issue	**238,117**	210,891

The weighted average number of ordinary shares for the purposes of calculating basic loss per share for the year ended 31 December 2009 has been adjusted to reflect the placement of shares in August 2010 and the consolidation of shares in December 2010 on the basis of five shares consolidated into one share.

From continuing operations

The calculation of basic loss per share from continuing operations is based on the loss attributable to equity shareholders of the Company of HKD13,149,000 (2009: HKD13,287,000) and the weighted average of 238,117,000 ordinary shares (2009: 210,891,000 ordinary shares) in issue during the year.

16 LOSS PER SHARE *(Continued)*

(a) Basic loss per share *(Continued)*

From discontinued operations

The calculation of basic loss per share from discontinued operations is based on the loss attributable to equity shareholders of the Company of HK$nil (2009: HK$879,000) and the weighted average of 238,117,000 ordinary shares (2009: 210,891,000 ordinary shares) in issue during the year.

(b) Diluted loss per share

No diluted loss per share has been presented as there were no dilutive events during the years ended 31 December 2010 and 2009.

17 FIXED ASSETS

The Group

	Leasehold improvements *$'000*	Office equipment *$'000*	Furniture and fixtures *$'000*	Computer hardware and software *$'000*	Motor vehicles *$'000*	Total *$'000*
Cost:						
At 1 January 2009	90	307	80	2,996	420	3,893
Exchange adjustments	3	2	–	82	–	87
Additions	431	266	2	60	1,035	1,794
Disposals	–	–	–	(866)	(466)	(1,332)
Disposals of discontinued operations *(note 31(c))*	(93)	(130)	–	(2,228)	–	(2,451)
At 31 December 2009 and 1 January 2010	431	445	82	44	989	1,991
Exchange adjustments	7	9	–	(3)	–	13
Additions	–	419	–	–	1,415	1,834
Disposals	(257)	(647)	–	(30)	(596)	(1,530)
Acquisition through business combination *(note 30(b))*	–	–	–	–	1,353	1,353
Derecognised on disposal of subsidiaries *(note 31(b))*	–	–	–	(11)	–	(11)
At 31 December 2010	181	226	82	–	3,161	3,650

17 FIXED ASSETS *(Continued)*

The Group *(Continued)*

	Leasehold improvements $'000	Office equipment $'000	Furniture and fixtures $'000	Computer hardware and software $'000	Motor vehicles $'000	Total $'000
Accumulated depreciation and impairment:						
At 1 January 2009	87	130	14	2,804	7	3,042
Exchange adjustments	3	3	–	79	–	85
Charge for the year	48	81	16	194	136	475
Written back on disposals	–	–	–	(867)	(63)	(930)
Written back on disposals of discontinued operations *(note 31(c))*	(91)	(119)	–	(2,201)	–	(2,411)
At 31 December 2009 and 1 January 2010	47	95	30	9	80	261
Exchange adjustments	4	2	–	1	–	7
Charge for the year	264	110	16	2	222	614
Impairment loss	–	–	–	–	913	913
Written back on disposals	(134)	(124)	–	(4)	(129)	(391)
Written back on disposal of subsidiaries *(note 31(b))*	–	–	–	(8)	–	(8)
At 31 December 2010	181	83	46	–	1,086	1,396
Net book value:						
At 31 December 2010	–	143	36	–	2,075	2,254
At 31 December 2009	384	350	52	35	909	1,730

During the year, additions to motor vehicles of the Group financed by new finance leases were HK$1,260,000 (2009: HK$440,000) (note 35(a)). At the end of the reporting period, the net book value of motor vehicles held under finance leases of the Group was HK$2,075,000 (2009: HK$375,000).

18 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES

	The Company	
	2010	2009
	$'000	*$'000*
Unlisted shares, at cost	**11,985**	11,985
Less: Impairment loss	**(7,785)**	(7,785)
	4,200	4,200
Amounts due from subsidiaries	**47,735**	21,035
Less: Impairment loss	**(18,949)**	(18,035)
	28,786	3,000

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Details of the Group's subsidiaries as at 31 December 2010 are as below:

Name of subsidiary	Place of incorporation/ registration and operation	Particulars of issued and fully paid up share capital/registered capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
Billion Harvest Development Limited ("Billion Harvest") *(note 1)*	Hong Kong	Ordinary HK$1	100%	–	100%	Inactive
Elite Ford Limited	Hong Kong	Ordinary HK$1	100%	–	100%	Investment holding
Elipva International Limited	British Virgin Islands ("BVI")	Ordinary United State dollars ("US$") $1,000	100%	100%	–	Investment holding
Elipva (Greater China) Holdings Limited	Hong Kong	Ordinary HK$1	100%	–	100%	Investment holding

(Expressed in Hong Kong dollars)

18 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ registration and operation	Particulars of issued and fully paid up share capital/registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Hong Kong Plastic Trading and Manufacturing Company, Limited ("HK Plastic")	Hong Kong	Ordinary HK$5	100%	–	100%	Inactive
iBar International Holdings Limited	BVI	Ordinary US$1	100%	100%	–	Inactive
KanHan Educational Services Limited ("KanHan EDU")	Hong Kong	Ordinary HK$1	100%	–	100%	Provision of website development, electronic learning products and services
Karlon Development Limited	Hong Kong	Ordinary HK$1	100%	–	100%	Inactive
Mission Ahead Limited	BVI	Ordinary US$1	100%	100%	–	Investment holding
Refine Skill Limited	BVI	Ordinary US$1	100%	100%	–	Investment holding
Upway (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100%	100%	–	Inactive
廣泰益昌（北京）科技有限公司 ("廣泰") *(note 2)*	People's Republic of China ("PRC")	Registered capital HK$10,000,000	100%	–	100%	Sale of optical display equipment, components and related technology
廣州看普軟件科技有限公司 ("看普") *(note 3)*	PRC	Registered capital RMB1,000,000	100%	–	100%	Not yet commenced business

18 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES *(Continued)*

Note:

1 On 2 March 2010, the Group signed an agreement to sale its entire share capital in Billion Harvest to an independent third party. The completion date for the transaction is expected on 1 May 2014.

2 廣泰 is a wholly foreign owned enterprise with an operating period of 10 years expiring on 19 August 2018.

3 看普 is a wholly foreign owned enterprise with an operating period of 30 years expiring on 3 November 2040.

19 INTEREST IN AN ASSOCIATE

	The Group	
	2010	2009
	$'000	*$'000*
Share of net assets	**–**	–
Amount due from an associate	**–**	300
Less: Impairment loss *(note 7)*	**–**	(216)
	–	84

On 22 March 2010, the Group has disposed all shares in OLE Consultants Limited at a consideration of HK$81,000 to an independent third party.

The amount due from an associate was unsecured, interest free and had no fixed terms of repayment.

Details of the Group's associate as at 31 December 2009 were as below:

Name of company	Place of incorporation and operation	Particulars of issued and fully paid up share capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
OLE Consultants Limited	Hong Kong	Ordinary HK$4	25%	–	25%	Securities investment

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

19 INTEREST IN AN ASSOCIATE *(Continued)*

Summary financial information on an associate for the year ended 31 December 2009 was set out below:

	Assets	**Liabilities**	**Equity**	**Revenue**	**Loss**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
2009					
100 per cent	343	(1,200)	(857)	–	(842)
Group's effective interest	–	–	–	–	–

20 GOODWILL

	The Group
	$'000
Cost:	
At 1 January 2009	18,334
Disposal of discontinued operations	(18,334)
At 31 December 2009 and 1 January 2010	–
Acquisition of a subsidiary *(note 31(a))*	23,239
At 31 December 2010	23,239
Accumulated impairment losses:	
At 1 January 2009	18,334
Eliminated on disposal of discontinued operations	(18,334)
At 31 December 2009, 1 January 2010 and 31 December 2010	–
Carrying value:	
At 31 December 2010	23,239
At 31 December 2009	–

20 GOODWILL *(Continued)*

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash generating units ("CGU") identified according to the business segment as follows:

	2010
	$'000
Website development, electronic learning products and services	**23,239**

The recoverable amount of the CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one-year period. Cash flows were then extrapolated using the estimate rates stated below for the following four years. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value in use calculations:

	2010
Gross margin	**83% – 91%**
Growth rate	**0 – 4.5%**
Discount rate	**4.5%**

Management determined the budgeted gross margin and growth rate based on past performance and its expectation for market development. The discount rate used is pre-tax and reflected specific risks relating to the relevant segment.

During the year ended 31 December 2010, management of the Group determined that there are no impairments of any of its CGU containing goodwill.

21 INVENTORIES

	The Group	
	2010	2009
	$'000	*$'000*
Trading goods	**1,300**	2,078

22 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	$'000	*$'000*	***$'000***	*$'000*
Trade receivables	**1,887**	1,390	**–**	–
Less: Impairment loss *(note 22(b))*	**(1,316)**	–	**–**	–
	571	1,390	**–**	–
Prepayments and deposits	**1,099**	2,512	**690**	–
Other receivables	**474**	1,338	**–**	–
	2,144	5,240	**690**	–

All of the trade and other receivables, apart from rental deposits of HK$116,000 (2009: HK$138,000), are expected to be recovered or recognised as expenses within one year.

The Directors considered that the fair value of trade and other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inspection.

22 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis

According to the credit ratings of different customers, the Group allows credit periods ranging from 30 days to 90 days (2009: 30 days to 60 days) to its trade customers. Further details on the Group's credit policy are set out in note 32(a).

The ageing analysis of trade receivables (net of allowance for doubtful debts), based on due date, is as follows:

	The Group	
	2010	2009
	$'000	*$'000*
Current	**514**	1,064
Less than 1 month past due	**–**	266
1 to 3 months past due	**7**	24
More than 3 months but less than 12 months past due	**50**	36
Amounts past due	**57**	326
	571	1,390

(b) Impairment of trade receivables

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

The movement in the allowance for impairment loss on trade receivables is as follows:

	The Group	
	2010	2009
	$'000	*$'000*
At 1 January	**–**	374
Impairment loss recognised	**1,316**	23
Uncollectible amounts written off	**–**	(23)
Disposal of discontinued operations	**–**	(374)
At 31 December	**1,316**	–

22 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Impairment of trade receivables *(Continued)*

At the end of each reporting period, the Group reviews trade receivables for evidence of impairment on both individual and collective basis. The impaired trade receivables are due from customers that were in default of payments.

The Group does not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on individual or collective basis.

(c) Trade receivables that are not impaired

As of 31 December 2010, the ageing analysis of the Group's trade receivables that are past due but not impaired is as follows:

	The Group	
	2010	2009
	$'000	*$'000*
Less than 1 month past due	**–**	266
1 to 3 months past due	**7**	24
More than 3 months but less than 12 months past due	**50**	36
	57	326

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 impairment allowance 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.

23 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2010	2009	**2010**	2009
	$'000	*$'000*	***$'000***	*$'000*
Cash and bank balances	**9,675**	15,886	**2,017**	9,994
Short-term bank deposits	**3,203**	6,003	**1,703**	6,003
	12,878	21,889	**3,720**	15,997

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for terms of seven days to three months (2009: seven days) depending on the immediate cash requirements of the Group.

At 31 December 2010, the cash and cash equivalents of the Group denominated in Renminbi ("RMB") amounted to HK$3,826,000 (2009: HK$1,329,000). Conversion of RMB into foreign currencies is subject to the PRC foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation assets in the consolidated statement of financial position represent:

	The Group	
	2010	2009
	$'000	*$'000*
Provision for Hong Kong Profits Tax for the year	**–**	–
Balance of Profits Tax credit relating to prior years	**–**	(6)
	–	(6)

24 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax liabilities

Deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the year are as follows:

	The Group Fair value gains
	$'000
At 1 January 2009, 31 December 2009 and 1 January 2010	–
Acquisition of subsidiary *(Note 30(b))*	151
Income statement credit	(151)
At 31 December 2010	–

No provision for deferred tax liabilities has been made as the Company do not have any material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements (2009: HK$nil).

(c) Deferred tax assets

The Group has not recognised any deferred tax assets in respect of tax losses carried forward of HK$33,735,000 (2009: HK$28,287,000) due to the unpredictability of the future profit streams.

The unused tax losses will be expired in the following years ending 31 December:

	The Group	
	2010	2009
	$'000	*$'000*
2011	**–**	42
2012	**–**	286
2013	**542**	543
2014	**1,099**	1,541
2015	**5,084**	–
No expiry date	**27,010**	25,875
	33,735	28,287

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25 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2010	2009	**2010**	2009
	$'000	*$'000*	***$'000***	*$'000*
Trade payables	**240**	346	**–**	–
Deferred income	**767**	–	**–**	–
Receipts in advance	**539**	36	**–**	–
Accrued expenses and other payables	**677**	829	**609**	334
	2,223	1,211	**609**	334

All of the trade and other payables, apart from certain deferred income and receipts in advance amounted to HK$167,000 (2009: HK$nil), are expected to be settled or recognised as income within one year or are repayable on demand.

The ageing analysis of trade payables, based on the date of receipt of goods, is as follows:

	The Group	
	2010	2009
	$'000	*$'000*
Less than 3 months	**240**	346

26 OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2010, the Group had obligations under finance leases repayable as follows:

	The Group			
	2010		2009	
	Present value of the minimum lease payments	**Total minimum lease payments**	Present value of the minimum lease payments	Total minimum lease payments
	$'000	***$'000***	*$'000*	*$'000*
Within 1 year	**462**	**564**	83	99
After 1 year but within 2 years	**488**	**564**	87	99
After 2 years but within 5 years	**962**	**1,029**	211	223
	1,450	**1,593**	298	322
	1,912	**2,157**	381	421
Less: Total future interest expenses		**(245)**		(40)
Present value of lease obligations		**1,912**		381

27 CAPITAL AND RESERVES

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

	Share capital	Share premium	Contributed surplus	Accumulated losses	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 1 January 2009	8,198	164,284	2,985	(143,331)	32,136
Shares issued upon open offer	2,733	8,755	–	–	11,488
Total comprehensive expense for the year	–	–	–	(20,761)	(20,761)
Balance at 31 December 2009 and at 1 January 2010	10,931	173,039	2,985	(164,092)	22,863
Shares issued on placement of shares	2,180	19,025	–	–	21,205
Total comprehensive expense for the year	–	–	–	(7,281)	(7,281)
Balance at 31 December 2010	13,111	192,064	2,985	(171,373)	36,787

27 CAPITAL AND RESERVES *(Continued)*

(b) Share capital

	Note	Nominal value per share HK$	Number of shares '000	Amount $'000
Authorised:				
At 1 January 2009, 31 December 2009 and 1 January 2010		0.01	6,000,000	60,000
Consolidation of shares	(i)		(4,800,000)	–
		0.05	1,200,000	60,000
Increase in authorised share capital	(i)	0.05	6,800,000	340,000
At 31 December 2010		0.05	8,000,000	400,000
Issued and fully paid:				
At 1 January 2009		0.01	819,837	8,198
Shares issued upon open offer	(ii)	0.01	273,279	2,733
At 31 December 2009 and 1 January 2010		0.01	1,093,116	10,931
Shares issued on placement of shares	(iii)	0.01	218,000	2,180
		0.01	1,311,116	13,111
Consolidation of shares			(1,048,896)	–
At 31 December 2010		0.05	262,220	13,111

27 CAPITAL AND RESERVES *(Continued)*

(b) Share capital *(Continued)*

Note:

(i) As announced by the Company on 15 October 2010, the Company proposed to implement the Capital Reorganisation which will involve (1) a share consolidation pursuant to which every five issued and unissued shares of HK$0.01 each were consolidated into one consolidated share of HK$0.05 each; and (2) increase of the authorised share capital from HK$60,000,000 divided into 1,200,000,000 consolidated shares of HK$0.05 each to HK$400,000,000 divided into 8,000,000,000 consolidated shares of HK$0.05 each. Details of the Capital Reorganisation are set out, inter alia, in the circular of the Company dated 17 November 2010. A special resolution approving the Capital Reorganisation was passed at the special general meeting of the Company held on 13 December 2010. The Capital Reorganisation became effective on 14 December 2010.

(ii) Pursuant to the ordinary resolutions passed on 9 July 2009, the Company made an open offer of 273,279,476 ordinary shares of HK$0.01 each at a subscription price of HK$0.045 per offer share on the basis of one offer share for every three shares. The open offer was completed on 29 July 2009 and the excess of the subscription consideration received over the nominal values issued, amounting to approximately HK$8,755,000, net of share issuance expenses, was credited to the Company's share premium account.

(iii) On 29 July 2010, the Company entered into a conditional placing agreement with the placing agent in respect of the placement of 218,000,000 ordinary shares of HK$0.01 each to independent third parties at a price of HK$0.10 per share. The placement of shares was completed on 11 August 2010 and the excess of the subscription consideration received over the nominal values issued, amounting to approximately HK$19,025,000, net of share issuance expenses, was credited to the Company's share premium account.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

27 CAPITAL AND RESERVES *(Continued)*

(c) Nature and purpose of reserves

(i) Share premium

Under the Companies Law (Revised) of the Cayman Islands, the fund in the share premium account of the Company is distributable to the equity shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Contributed surplus

The contributed surplus of the Group represents the difference between the nominal value of share capital of the subsidiaries acquired pursuant to the reorganisation scheme (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the public listing of the Company's shares on the Stock Exchange set out in the Company's prospectus dated 18 December 2001, over the nominal value of the shares of the Company issued in exchange thereof.

The contributed surplus of the Company represents the excess of the fair value of the subsidiaries companies acquired pursuant to the Group Reorganisation over the nominal value of the shares of the Company issued in exchange thereof.

Under the Companies Law (Revised) of the Cayman Islands, the contributed surplus account of the Company is distributable to the equity shareholders of the Company provided that immediately following the distribution or payment of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business.

(iii) Exchange reserve

The exchange reserve of the Group comprises all foreign exchange differences arising from the translation of the consolidated financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(r).

27 CAPITAL AND RESERVES *(Continued)*

(c) Nature and purpose of reserves *(Continued)*

(iv) Distributability of reserves

At 31 December 2010, the aggregate amount of reserves available for distribution to equity shareholders of the Company was approximately HK$23,676,000 (2009: HK$11,932,000).

(d) Capital management

The Group's primarily 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 equity shareholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

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

The Group and the Company monitor its capital structure on the basis of a debt-to-equity ratio. For this purpose, adjusted net debt is defined as total debt (which includes trade and other payables and obligations under finance leases, which is applicable). Equity comprises share capital and reserves.

During 2010, the Group's strategy was to maintain a debt-to-equity ratio at not more than 45%. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to equity shareholders, issue new shares, return capital to equity shareholders, raise new debt financing or sell assets to reduce debt.

	The Group		**The Company**	
	2010	2009	**2010**	2009
	$'000	*$'000*	***$'000***	*$'000*
Debts *(Note 1)*	**4,135**	1,592	**609**	334
Equity *(Note 2)*	**37,680**	29,435	**36,787**	22,863
Debt-to-equity ratio	**11%**	5%	**2%**	1%

27 CAPITAL AND RESERVES *(Continued)*

(d) Capital management *(Continued)*

Notes:

(1) Debts comprise trade and other payables and obligations under finance leases as details in notes 25 and 26.

(2) Equity includes all capital and reserves attributable to equity shareholders of the Company.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

28 EQUITY SETTLED SHARE-BASED TRANSACTIONS

2007 New Share Option Scheme

The purpose of the 2007 New Share Option Scheme is to enable the Company to grant options to either Directors or employees of the Group in order to recognise and motivate the contribution of them, and to provide incentives and to help the Group in retaining its existing employees and recruiting additional employees, providing them with direct economic interest in attaining the long term business objectives of the Group.

No options were granted under the 2007 New Share Option Scheme up to the date of the approval of the financial statements.

29 DEFINED CONTRIBUTION/BENEFIT RETIREMENT PLANS

The Group operates a mandatory provident fund Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

The employees of the Group's subsidiaries in the PRC are members of the state-sponsored retirement benefit scheme organised by the relevant local government authority in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the basic salary of its employees, to the retirement benefit scheme and have no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement benefit scheme represents for the entire pension obligations payable to retired employees.

The Group does not have any other pension schemes for its employees in respect of its subsidiaries outside Hong Kong and the PRC. In the opinion of the Directors of the Company, the Group did not have any significant contingent liabilities as at 31 December 2010 in respect of the retirement of its employees.

30 BUSINESS COMBINATIONS

Acquisition of subsidiaries

(a) *On 19 July 2010, the Group acquired the entire issued share capital of KanHan EDU for a total consideration of HK$22,964,000. KanHan EDU is engaged in the provision of website development, electronic learning products and services.*

The fair value of the identifiable assets and liabilities of KanHan EDU acquired as at its date of acquisition is as follows:

	Previous carrying amount *$'000*	Fair value recognised on acquisition *$'000*
Net liabilities assumed:		
Trade receivables	377	377
Cash and cash equivalents	86	86
Trade and other payables	(738)	(738)
	(275)	(275)

	$'000
Satisfied by:	
Cash	5,000
Promissory note (note 35(b))	18,000
Assignment of a shareholder's loan from the vendor, KanHan Technology Inc.	(36)
Total consideration transferred	22,964

Contingent consideration

Pursuant to the acquisition agreement, the vendor of KanHan EDU (the "vendor") irrevocably warrants and guarantees to the Group that the audited net profits before tax and any extraordinary or exceptional items ("Audited profits") of KanHan EDU will not be less than HK$450,000, HK$2,200,000 and HK$6,500,000 for the years ending 31 December 2010, 2011 and 2012 ("Guaranteed profits") respectively.

The vendor is required to return to the Group in cash of the contingent consideration paid in the year if the Audited profits of KanHan EDU are less than the Guaranteed profits. The Group has not recognised any contingent assets might arise from return of the contingent consideration as (1) the unaudited profit before tax of KanHan EDU for the year ended 31 December 2010 was HK$592,000; and, (2) the Directors of the Company do not consider that KanHan EDU will not able to meet the Guaranteed profits for the years ending 31 December 2011 and 2012.

30 BUSINESS COMBINATIONS *(Continued)*

Acquisition of subsidiaries *(Continued)*

(a) *On 19 July 2010, the Group acquired the entire issued share capital of KanHan EDU for a total consideration of HK$22,964,000. KanHan EDU is engaged in the provision of website development, electronic learning products and services. (Continued)*

	$'000
Goodwill arising on acquisition:	
Consideration	22,964
Net liabilities assumed	275
Goodwill arising on acquisition *(note 20)*	23,239
Net cash outflow arising on acquisition:	
Consideration paid in cash	5,000
Shareholder's loan	(36)
Cash and cash equivalents acquired	(86)
	4,878

The goodwill arising on the acquisition of KanHan EDU is attributable to the anticipated future operating synergies from the combination included amounts in relation to revenue growth and future market development.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Impact of acquisition of KanHan EDU on the results of the Group

KanHan EDU contributed approximately HK$1,026,000 and a profit of HK$305,000 to the Group's turnover and loss for the year respectively for the period between the date of acquisition and the end of the reporting period.

30 BUSINESS COMBINATIONS *(Continued)*

Acquisition of subsidiaries *(Continued)*

(b) *On 15 December 2010, the Group acquired the entire issued share capital of HK Plastic for a total consideration of HK$855,000.*

The fair value of the identifiable assets and liabilities of HK Plastic acquired as at its date of acquisition is as follows:

	Previous carrying amount	Fair value recognised on acquisition
	$'000	*$'000*
Net assets acquired:		
Fixed assets *(note 17)*	440	1,353
Prepayments and deposits	1	1
Cash and cash equivalents	97	97
Accrued expenses and other payables	(46)	(46)
Obligations under finance lease	(399)	(399)
Deferred tax *(note 24(b))*	–	(151)
	93	855
Satisfied by:		
Cash		855
Net cash outflow arising on acquisition:		
Consideration paid in cash		855
Cash and cash equivalents acquired		(97)
		758

No goodwill arose in the acquisition of HK Plastic.

Impact of acquisition of HK Plastic on the results of the Group

Included in the loss for the year is a loss of HK$36,000 attributable to the operation expense incurred by HK Plastic.

30 BUSINESS COMBINATIONS *(Continued)*

Acquisition of subsidiaries *(Continued)*

(b) *On 15 December 2010, the Group acquired the entire issued share capital of HK Plastic for a total consideration of HK$855,000. (continued)*

Impact of acquisitions of KanHan EDU and HK Plastic on the results of the Group

If the acquisitions of KanHan EDU and HK Plastic had been completed on 1 January 2010, the turnover of the Group from continuing operations would have been HK$4,668,000, and loss from continuing operations would have been HK$14,413,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the turnover and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is intended to be a projection of future results.

31 DISPOSALS OF SUBSIDIARIES

(a) *On 25 May 2010, the Group disposed of its entire equity interest in Elipva (Hong Kong) Limited for a cash consideration of HK$36,000.*

Details of assets and liabilities over which control was lost:

	2010
	$'000
Cash and cash equivalents	**30**
Tax recoverable	**7**
Net assets disposed of	**37**
Loss on disposal of a subsidiary	
Consideration	**36**
Net assets disposed of	**(37)**
Loss on disposal	**(1)**
Net cash inflow on disposal of a subsidiary:	
Cash consideration received	**36**
Cash and cash equivalents disposed of	**(30)**
	6

31 DISPOSALS OF SUBSIDIARIES *(Continued)*

(b) *On 13 August 2010, the Group disposed of its entire equity interest in 北京聯夢活力世界咨詢服務有限公司 for a cash consideration of HK$30,000.*

Details of assets and liabilities over which control was lost:

	2010
	$'000
Fixed assets *(note 17)*	3
Prepayment	4
Cash and cash equivalents	23
Net assets disposed of	30
Gain on disposal of a subsidiary	
Consideration	30
Net assets disposed of	(30)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	25
Gain on disposal	25
Net cash inflow on disposal of a subsidiary:	
Cash consideration received	30
Cash and cash equivalents disposed of	(23)
	7

31 DISPOSALS OF SUBSIDIARIES *(Continued)*

(c) *In October 2009, the Group further disposed of its remaining 70% equity interest in Elipva Limited for a total consideration of HK$300,000 (see note 12).*

Details of assets and liabilities over which control was lost:

	2009 *$'000*
Fixed assets *(note 17)*	40
Trade and other receivables	698
Cash and cash equivalents	421
Trade and other payables	(2,202)
Net liabilities disposed of	(1,043)
Gain on disposal of a subsidiary	
Consideration received	300
Net liabilities disposed of	1,043
Non-controlling interest	(157)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss on loss of control of the subsidiary	439
Professional fees incurred	(524)
Gain on disposal	1,101

The gain on disposal is included in the loss for last year from discontinued operations in the consolidated income statement (note 12).

	2009 *$'000*
Net cash outflow on disposal of a subsidiary:	
Cash consideration received	300
Cash and cash equivalents disposed of	(421)
Payment for professional fees incurred on disposal	(524)
	(645)

During the period from 1 January 2009 to 29 October 2009, the disposed subsidiaries paid approximately HK$247,000 and HK$34,000 in respect of operating activities and investing activities respectively.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's businesses.

These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The credit risk on bank deposits is limited because the counterparties are banks with high credit-ratings.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The directors are of the opinion that adequate provision for uncollectible receivables has been made in the financial statements and the Group has no significant concentration of credit risk. Normally, the Group does not obtain collateral from customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 22.

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants and to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(b) Liquidity risk *(Continued)*

(i) The Group

	2010 Contractual undiscounted cash outflow					2009 Contractual undiscounted cash outflow				
	Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Total**	**Balance sheet carrying amount**	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Balance sheet carrying amount
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Trade and other payables	**917**	**–**	**–**	**917**	**917**	1,211	–	–	1,211	1,211
Obligations under finance leases	**564**	**564**	**1,029**	**2,157**	**1,912**	99	99	223	421	381
	1,481	**564**	**1,029**	**3,074**	**2,829**	1,310	99	223	1,632	1,592

(ii) The Company

	2010 Contractual undiscounted cash outflow			2009 Contractual undiscounted cash outflow		
	Within 1 year or on demand	**Total**	**Balance sheet carrying amount**	Within 1 year or on demand	Total	Balance sheet carrying amount
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Accrued expenses and other payables	**609**	**609**	**609**	334	334	334

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(c) Interest rate risk

The Group's significant interest-bearing assets are bank deposits. The Group's interest income is dependent on changes in market interest rates and will not have significant adverse impact on the Group's financial position.

The Group's interest rate risk arises from finance lease obligations at fixed rates exposed the Group to fair value interest rate risk.

The Group's interest rate profile of its borrowings as monitored by management is set out below:

	2010		2009	
	Effective interest rate		Effective interest rate	
	%	***$'000***	%	*$'000*
Obligations under finance leases	**5.50 – 7.04**	**1,912**	6.05	381

A reasonably possible change of 100 basis points in interest rates would have no significant impact on the Group's loss and equity for the year.

(d) Foreign currency risk

Certain bank deposits of the Group are denominated in foreign currencies. The Group currently does not have a currency hedging policy. The Group will monitor its currency exposure closely and will consider hedging significant currency exposure should the need arise.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets denominated in a currency other than the functional currency of the group entities to which they relate. For presentation purposes, the amounts of the exposure are shown in HK$, translated using the spot rate at the year end date.

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(d) Foreign currency risk *(Continued)*

The Group

	Exposure to foreign currencies (expressed in HK$)			
	2010		2009	
	HK$	***RMB***	*HK$*	*US$*
	$'000	***$'000***	*$'000*	*$'000*
Total assets, net exposure arising from recognised assets and liabilities	**1,227**	**1,501**	3,409	977

A reasonably possible change of 1% in exchange rates between RMB to HK$ and US$ to HK$ would have no significant impact on the Group's loss and equity for the year.

The Company has no significant exposure to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the Company as at 31 December 2010 and 2009.

(e) Categories of financial instruments

	2010	2009
The Group	***$'000***	*$'000*
Financial assets		
Loan and receivables (including cash and cash equivalents)	**14,978**	27,140
Financial liabilities		
Financial liabilities at amortised cost	**2,829**	1,592
The Company		
Financial assets		
Loan and receivables (including cash and cash equivalents)	**33,196**	18,997
Financial liabilities		
Financial liabilities at amortised cost	**609**	334

32 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(Continued)*

(f) Equity price risk

The Group is not exposed to any equity securities risk or commodity price risk.

(g) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2010 and 2009.

33 COMMITMENTS

At 31 December 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group			
	2010		2009	
	Properties	**Others**	Properties	Others
	$'000	***$'000***	*$'000*	*$'000*
Within 1 year	**1,166**	**16**	1,296	513
After 1 year but within 5 years	**873**	**17**	581	181
	2,039	**33**	1,877	694

The Group is the lessee in respect of a number of properties, items of office equipment and motor vehicles held under operating leases. The leases typically run for an initial period of 3 months to 60 months, at the end of which period all terms are renegotiated. None of the leases includes contingent rentals.

34 CONTINGENT LIABILITIES

At 31 December 2010 and 2009, the Group and the Company had no significant contingent liabilities.

35 NON-CASH TRANSACTIONS

(a) During the year, the Group acquired HK$1,260,000 (2009: HK$440,000) of motor vehicles under finance leases (note 17).

(b) On 14 July 2010, the Group issued a HK$20,000,000 promissory note for the acquisition of the entire issued share capital of KanHan EDU (note 30(a)). The promissory note carries no interest and is redeemable on 14 July 2015. On 23 August 2010, the Group early redeemed the promissory note with principal amount of the 20,000,000 at the redemption price of HK$18,000,000.

36 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with key management personnel

All key management personnel are Directors of the Company and their remuneration is disclosed in note 10.

(b) Transactions with other related parties

During the year, the Group entered into the following material related party transactions:

	Note	**2010** **$'000**	2009 $'000
Purchase of display equipment, components and related technology from related companies	*(i)*	**2,127**	4,608
Sale of fixed assets to a related company	*(ii)*	**–**	350

(i) Purchases of display equipment, components and related technology from a subsidiary of 鴻源控股有限公司 or Greatsource Holding Co., Ltd., a PRC company which is controlled by Ms. Li Fang Hong, a former substantial shareholder and an Executive Director of the Company for the period from 1 January 2010 to 8 July 2010 and her associate(s), amounted to HK$2,127,000 (2009: HK$4,608,000).

The Group's wholly owned subsidiary, 廣泰, entered into a framework agreement with its major supplier, 鴻源控股有限公司 and its subsidiaries, to purchase display equipment and components and related technology, in an aggregate commercial value of, but not exceeding, HK$97,000,000, HK$126,000,000 and HK$149,000,000 in the calendar years of 2009, 2010 and 2011 respectively. The transaction has been approved in an extraordinary general meeting on 9 March 2009. Details of the transaction and the results of the extraordinary general meeting are set out in the Company's announcements dated 18 February and 9 March 2009 respectively.

(ii) Two motor vehicles with an aggregate net book value of HK$364,000 were sold to a related company at a total consideration of HK$350,000 in prior year.

(c) Balances with related parties are disclosed in the consolidated statement of financial position and statement of financial position and in notes 18 and 19.

37 EVENTS AFTER THE REPORTING PERIOD

On 15 October 2010, the Company has entered into an underwriting agreement with Kingston Securities Limited to raise approximately HK$104,889,000 by issuing 1,048,894,324 offer shares and 786,670,743 bonus shares in aggregate to all equity shareholders of the Company. Details of the open offer are disclosed in the Company's prospectus dated 29 December 2010. The open offer has become unconditional on 17 January 2011.

38 ACCOUNTING ESTIMATES AND 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.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(i) Trade and other receivables

The aged debt profile of trade and other receivables is reviewed on a regular basis to ensure that the debtor balances are collectible and follow up actions are promptly carried out if the agreed credit periods have been exceeded. However, from time to time, the Group may experience delays in collection. Where recoverability of debtor balances are called into doubt, specific allowance for impairment are made based on credit status of the customers, the aged analysis of the trade and other receivable balances and their write-off history. Certain receivables may be initially identified as collectible, yet subsequently become uncollectible and result in a subsequent write-off of the related receivables to the income statement. Changes in the collectability of trade and other receivables for which allowance for impairment are not made could affect the results of operations.

(ii) Useful lives of fixed assets

In accordance with HKAS 16, the Group estimates the useful lives of fixed assets in order to determine the amount of depreciation expenses to be recorded. The useful lives are estimated at the time the asset is acquired based on historical experience, the expected usage, wear and tear of the assets, as well as technical obsolescence arising from changes in market demand or service output of the assets. The Group also performs annual reviews on whether the assumptions made on useful lives continue to be valid.

38 ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(iii) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

39 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The changes included the reclassification of certain amounts previously classified under other revenue, and selling and administrative expenses to other gains and losses.

(Expressed in Hong Kong dollars)

40 POSSIBLE IMPACT OF NEW AND REVISED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2010

Up to the date of issue of the consolidated financial statements, the HKICPA has issued a number of amendments on standards and interpretations and one new standard which are not yet effective for the year ended 31 December 2010 and which have not been adopted in the consolidated financial statements. These include the following which may be relevant to the Group.

HKFRSs (Amendments) Improvements to HKFRSs issued in 2010 except for the amendments to HKFRSs 3 (revised 2008), HKAS1 and HKAS 28 [3]

HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets [5]
HKFRS 9	Financial Investment [7]
HKAS 12 (Amendments)	Deterred Tax: Recovery of Underlying Assets [6]
HKAS 24 (Revised 2009)	Related Party Disclosures [4]
HKAS 32 (Amendments)	Classification of Rights Issues [1]
HK(IFRC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement [4]
HK(IFRC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments [2]

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate
4 Effective for annual periods beginning on or after 1 January 2011
5 Effective for annual periods beginning on or after 1 July 2011
6 Effective for annual periods beginning on or after 1 January 2012
7 Effective for annual periods beginning on or after 1 January 2013

The Group is assessing the impact of these amendments on standards and interpretations and new standards and has so far concluded that they are not in a position to state whether their adoption will have a significant impact on the Group's results of operations and financial position.

Five Years Financial Information

The following is a summary of the published results and of the assets and liabilities of the Group for the five years ended 31 December 2006, 2007, 2008, 2009 and 2010:

Results

	Year ended				
	31 December 2010	31 December 2009	31 December 2008	31 December 2007	31 December 2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**3,800**	5,555	15,233	15,112	13,931
(Loss)/profit from operations	**(13,269)**	(13,272)	(8,047)	10,755	5,328
Finance costs	**(31)**	(15)	(40)	(174)	(2,209)
(Loss)/profit before taxation	**(13,300)**	(13,287)	(8,087)	10,581	3,119
Taxation	**151**	–	7	(18)	–
(Loss)/profit after taxation from continuing operations	**(13,149)**	(13,287)	(8,080)	10,563	3,119
(Loss)/profit after taxation from discontinued operations	**–**	(1,486)	–	–	12,402
(Loss)/profit for the year	**(13,149)**	(14,773)	(8,080)	10,563	15,521
(Loss)/profit attributable to					
– Equity shareholders of the Company	**(13,149)**	(14,166)	(8,358)	10,563	15,521
– Non-controlling interests	**–**	(607)	278	–	–
	(13,149)	(14,773)	(8,080)	10,563	15,521

Assets and liabilities

	As at 31 December				
	2010	2009	2008	2007	2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**41,815**	31,027	37,175	58,947	3,719
Total liabilities	**(4,135)**	(1,592)	(4,064)	(24,129)	(37,197)
Non-controlling interests	**–**	–	(450)	–	–
Total equity attributable to equity shareholders of the Company	**37,680**	29,435	32,661	34,818	(33,478)

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