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 2011

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This report, for which the directors (the "Directors") of M Dream Inworld Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. 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
Mr. Chi Chi Hung, Kenneth *(Chairman)*
Mr. Takashi Togo *(Chief Executive Officer)*

Independent Non-Executive Directors
Mr. Billy B Ray Tam
Ms. Chan Hoi Ling
Mr. Yu Pak Yan, Peter

COMPANY SECRETARY
Mr. Lam Wai Hung

COMPLIANCE OFFICER
Mr. Chi Chi Hung, Kenneth

AUTHORIZED REPRESENTATIVES
Mr. Chi Chi Hung, Kenneth
Mr. Lam Wai Hung

AUDIT COMMITTEE
Ms. Chan Hoi Ling
Mr. Billy B Ray Tam
Mr. Yu Pak Yan, Peter

REMUNERATION COMMITTEE
Ms. Chan Hoi Ling
Mr. Billy B Ray Tam
Mr. Yu Pak Yan, Peter

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Unit 2503, 25 Floor
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255–257 Gloucester Road, Causeway Bay
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
Bank of Communications Co., Limited
Standard Chartered Bank (Hong Kong) Limited
Wing Hang Bank Limited

AUDITOR
Baker Tilly Hong Kong Limited
Certified Public Accountants

STOCK CODE
8100

WEBSITE
http://www.mdreaminworld.com.hk

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of M Dream Inworld Limited ("the Company"), together with its subsidiaries, (the "Group"), I would like to present the audited consolidated results of the Group for the year ended 31 December 2011 ("the Year") together with comparative figures for the year ended 31 December 2010.

REVIEW AND PROSPECT

Our key business segment of the Group include provision of website development, electronic learning products and services, which has achieved small growth in sales in the Year. We are confident that remarkable results can be performed by this segment in coming years. We consider the demand for e-learning products and services in Hong Kong will remain strong. We will put in our best effort to capture this opportunity.

As at 31 December 2011, the Group has cash and bank balances amounting to approximately HK$118,105,000 and net current assets value was approximately HK$133,337,000. Based on such solid financial position the management will cautiously look for investment opportunities with good prospects.

Looking forward, the operating environment of the Group continues to be competitive. The Group will continue to implement better allocation of resources and risk management measures in each of the business segments in order to remain efficient and competitive in the industry. The Board would review its overall strategy to improve the existing operations and to explore means to improve the Group's performance so as to maximize the value of the Company to all shareholders.

APPRECIATION

Lastly, I would like to take this opportunity to thank all our business partners and shareholders for their continuing confidence in our Group. I would also like to express my deepest appreciation to all staff and our Board of Directors for their effort and dedication to the Group.

Chi Chi Hung, Kenneth
Chairman

23 March 2012

Management Discussion and Analysis

BUSINESS REVIEW

During the Year, the Group is principally engaged in two business segments, (i) sales of optical display equipment, components and related technology, and (ii) provision of website development, electronic learning products and services.

(i) Sales of optical display equipment, components and related technology

The optical display business recorded no turnover for the Year. A minimal amount of display units was kept by the Beijing subsidiary and some effort was put in to try to dispose them, but there was no result produced due to the high competition of the market. The management is thinking seriously about the prospect of this business.

(ii) Provision of website development, electronic learning products and services

With the acquisition of KanHan Educational Services Limited ("KanHan EDU") in last year, it is becoming the engine of growth for the Group now, and the turnover for the Year was approximately HK$3,636,000. With such turnover the profit before tax of this business to the Group was HK$2,356,000. This indicates the good prospect of the business, especially with profit guarantee given by the vendor of HK$6,500,000 for year 2012.

FINANCIAL REVIEW

Turnover

The turnover of the Group was approximately HK$3,636,000 for the Year, representing a decrease of approximately 4.3% compared to the turnover for the year ended 31 December 2010 of approximately HK$3,800,000.

Loss for the year

The loss of the Group attributable to the equity shareholders of the Company for the Year was approximately HK$6,146,000 compared to the same of loss of approximately HK$13,149,000 for the year ended 31 December 2010. Despite a lesser turnover the loss for the Year was less than last year mainly due to (i) one-off gain on disposal of two subsidiaries of approximately HK$1,278,000, (ii) bank interest income of approximately HK$1,376,000, (iii) a impairment loss of trade receivables of approximately HK$1,316,000 in last year, and (iv) the growth of gross profit is approximately HK$2,114,000.

Liquidity and financial resources

The Group had total liabilities of approximately HK$3,257,000 and cash and cash equivalents of approximately HK$118,105,000 as at 31 December 2011. There is no liquidity problem expected by the Group in the year of 2012, particularly after the completion of the Open Offer in January 2011 which gathered net proceeds of approximately HK$101,178,000, and the completion of the placing shares in June 2011 which gathered net proceeds of approximately HK$25,197,000.

Dividend

The Board of the Company does not recommend the payment of any dividend for the Year (2010: HK$ Nil).

Pledge of assets

As at 31 December 2011, the Group did not have any substantial pledge of assets.

Capital structure

On 17 January 2011, the Company has raised approximately HK$101,178,000, net of expenses, by issuing 1,048,894,324 offer shares (the "Open Offer") and 786,670,743 bonus share in aggregate to all equity shareholders of the Company. Details of this issuing open offer and bonus share are set out in the Company's announcements published on 15 October 2010, 16 November 2010, 13 December 2010, 29 December 2010 and 19 January 2011 respectively and notes 28(b)(iv) to the consolidated financial statements.

On 19 May 2011, the Company has granted 6,200,000* share options to a consultant at the exercise price of HK$0.116* per shares. Details of the granted share options are set out in the Company's announcements dated 19 April 2011 and 19 May 2011 respectively and the notes 28(b)(vi) and 29 to the consolidated financial statements.

* Adjusted for share consolidation dated 18 July 2011

On 21 June 2011, the Company has been raised approximately HK$25,197,000, net of expenses, by issuing 400,000,000 placing shares (the "Placement"). Details of the placing shares are set out in the Company's announcements published on 10 June 2011 and 21 June 2011 respectively and note 28(b)(v) to the consolidated financial statements.

On 18 July 2011, the Company has been finished the share consolidation, in which the every two exiting issued and unissued ordinary shares of HK$0.05 each in the share capital of the Company have been consolidated into one share of HK$0.10 in the share capital of the Company. Details of the share consolidation are set out in the Company's announcements dated 13 June 2011, 15 June 2011, 24 June 2011, 15 July 2011 and 18 July 2011 respectively and note 28(b)(ii) to the consolidated financial statements.

As at 31 December 2011, the total issued Shares of the Company were 1,248,894,324 Shares.

The change in equity of the Group and the Company are presented in the consolidated statement of changes in equity of the financial statements and in note 28 to the consolidated financial statements respectively.

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 investment

On June 2011, the Group conditionally agreed to purchase the 10% of the total issued capital of the Green Global Bioenergy Limited at the Consideration of HK$30,000,000 (subject to adjustments). However, on 21 March 2012, the Group, the Vendor and the Vendor's Guarantor entered into the Termination Agreement to terminate the Sales and Purchase Agreement, and the Group considers that the termination of the investment has no material adverse impact on the existing operations of the Group. The details of this acquisition and the termination of investment are set out in the Company's announcements published on 3 June 2011 and 21 March 2012 respectively and the note 21(d) to the consolidated financial statements.

Material acquisitions and disposals

Apart from significant investment disclosed above, the Group had no material acquisition or disposal during the Year.

Ageing of trade receivables and payables

The ageing of the Group's trade receivables and payables as at 31 December 2011 are set out in note 21(a) and note 24 to the consolidated financial statements.

Gearing ratio

As at 31 December 2011 the gearing ratio of the Group was 2% (2010: 11%).

Employee information

As at 31 December 2011, the Group employed has about 31 employees (2010: 25) working in Hong Kong, Guangzhou and Beijing. The increase of headcount is due to enhance new manpower of KanHan EDU for new product development.

Contingent liabilities

As at 31 December 2011 the Directors did not consider the Group had any contingent liabilities (2010: nil).

OUTLOOK

The wholly owned subsidiary acquired by the Group in 2010, KanHan EDU is a major participant in providing e-learning products and services for schools and colleges in Hong Kong.

2011 has been a pivotal year for KanHan EDU in her success cooperating with 4 primary schools in obtaining funding support for their pilot e-learning projects from Education Bureau of HKSAR Government. The pilot projects aim to develop new generation online teaching and learning curriculum for Chinese language replacing traditional text book approach. KanHan EDU plans to make the resulting online platform of the three year projects commercially available to all schools in Hong Kong, thus transforming KanHan EDU into the first generation e-publishers on major subject.

Another important step forward in 2012 is the KanHan EDU's inaugural entrance into providing online English learning platform to schools and corporations. KanHan EDU has officially become the sales partner of EnglishCentral, Inc. (the "EnglishCentral"), a U.S. based e-learning technology and service provider. The EnglishCentral platform provides an innovative and personalized learning tracking system helping students continue to evaluate their speech, diagnose their sound challenges and suggest for further study and practice. The EnglishCentral service has been launched to Japanese and Korean market in recent years with thumping success. KanHan EDU is confident the unique English listening and speaking skills training platform will gradually become an integral part of English language curriculum in Hong Kong schools while corporations will use it to improve their employees' English communication skills with their clients.

In summary, KanHan EDU has been on track in launching new e-learning services and expanding market share and is optimistic in realizing her long term goal in becoming one of the dominant e-publishers competing for the replacement of Hong Kong's present billion dollar worth of text book market.

With careful execution of the existing business mentioned above, the Group believes it can achieve better results than last year. Meanwhile, the Group will continue to seek for new acquisition opportunities and new business plans which would bring value to the shareholders as a whole.

Corporate Governance Report

The Board would like to present this Corporate Governance Report for the Year.

The Company is committed to maintaining corporate governance of high standards and quality procedures. The Company has put in place governance practices with emphasis on the integrity to shareholders and quality of disclosure, transparency and accountability to shareholders for the sake of maximizing returns to shareholders.

During the Year the Company has applied the Principles and on best effort basis complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the Year.

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 2011, the Board comprised two Executive Directors and three Independent Non-executive Directors. The biographies of the Directors are set out on page 13 and 14 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, 18 board meetings had been held for reviewing business performance, considering and approving the overall strategies and policies of the Company, and other business matters. The Directors were participated either in person or through other electronic means of communication in the meetings. Attendance of each Directors, on a named basis, during the Year is set out in the table below.

	Board Meetings	Remuneration Committee Meetings	Audit Committee Meetings
Number of meetings held	18	1	4
Executive Directors			
Mr. Ng Kay Kwok	5/5**	N/A	N/A
Mr. Chi Chi Hung, Kenneth	18/18	N/A	N/A
Mr. Takashi Togo	13/13*	N/A	N/A
Independent Non-executive Directors			
Mr. Billy B Ray Tam	18/18	1/1	4/4
Ms. Chan Hoi Ling	18/18	1/1	4/4
Mr. Yu Pak Yan, Peter	18/18	1/1	4/4

* Mr. Takashi Togo was appointed on 31 May 2011.
** Mr. Ng Kay Kwok was resigned on 31 May 2011.

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.

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 22 to 23 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 judgments 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:

	2011 *HK$'000*
Services rendered:	
Audit services	**380**
Non-audit services	**—**
	380

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.

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.

Biographical Details of Directors

Executive Directors

Mr. Chi Chi Hung, Kenneth, aged 43, has been appointed as the Chairman and executive director of the Company since July 2010. Mr. Chi has over 19 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 (stock code: 559), China Grand Forestry Green Resources Group Limited (stock code: 910) and Morning Star Resources Limited (stock code: 542), all of which are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Perfect Shape (PRC) Holdings Limited (stock code: 1830), Interchina Holdings Company Limited (stock code: 202) and Sam Woo Holdings Limited (stock code: 2322), all of which are listed on the Main Board of the Stock Exchange. Mr. Chi is also an independent non-executive director of ZMAY Holdings Limited (stock code: 8085), China Natural Investment Company Limited (stock code: 8250) and Aurum Pacific (China) Group Limited (stock code: 8148), all of which are listed on the GEM of Stock Exchange.

Mr. Takashi Togo, aged 48, has been appointed as the Chief Executive Officer and executive director of the Company since May 2011. Mr. Togo holds a bachelor degree of Economics from Hitotsubashi University in Japan. He has over 11 years' experience in foreign equities investment. He was the investment manager of several investment funds in Japan including Yasuda Trust & Banking Corporation Limited and Fuji Investment Management Company Limited. Mr. Togo is currently serving as a chief executive officer of a consultancy firm in Japan since 2000.

Independent Non-executive Directors

Mr. Billy B Ray Tam, aged 43, joined the Company since June 2010. He has been a practising solicitor in Hong Kong for over fifteen years. He is currently a partner of Messrs. Ho & Tam, a firm of solicitors in Hong Kong. Mr. Tam holding a Bachelor Degree of Laws from the University of London, a Bachelor Degree in laws of the People's Republic of China ("PRC") from Tsinghua University; and a Master Degree of Laws from The University of Hong Kong. He is an independent non-executive director of China Fortune Financial Group Limited (stock code: 290), a company listed on the Main Board of the Stock Exchange and China AU Group Holdings Limited (stock code: 8176) and China Natural Investment Company Limited (stock code: 8250), both of which are listed on the GEM of the Stock Exchange. Mr. Tam is also a non-executive director of Larry Jewelry International Company Limited (stock code: 8351), a company listed on the GEM of the Stock Exchange and a non-executive director of Milan Station Holdings Limited (stock code: 1150), a company listed on Main Board of the Stock Exchange.

Biographical Details of Directors

Mr. Yu Pak Yan, Peter, aged 61, joined the Company since July 2010. Mr. Yu has over 29 years of experience in real estate and financial services industries. He hold 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 and was the first Chinese-American elected to the board of the San Francisco Association of Realtors. Mr. Yu worked in Pacific Union Real Estate Company in the United States from 1980–1995 and held senior positions in MetLife and New York Life Insurance Company in managing Asian customers in North America. Mr. Yu is currently serving as an executive director of Kong Sun Holdings Limited (stock code: 295) and an independent non-executive director of Kingston Financial Group Limited (stock code: 1031), Sam Woo Holdings Limited (stock code: 2322) and China Grand Forestry Green Resources Group Limited (stock code: 910), the issued shares of which are listed on the Main Board of the Stock Exchange.

Ms. Chan Hoi Ling, aged 38, joined the Company since July 2010. Ms. Chan has extensive experience in auditing and financial management. She obtained a Bachelor Degree in Accountancy from the University of South Australia, a Master in Business Administration from The Hong Kong Polytechnic University and is an associate member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. She is the independent non-executive director of Morning Star Resources Limited (stock code: 542) which is listed on the Main Board of the Stock Exchange.

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 Group for 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 24 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$250,000 (2010: HK$240,000).

SHARE CAPITAL

Details of the Company's share capital are set out in Note 28(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 29 of the Report and in note 28(a) to the consolidated financial statements respectively.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities 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 16 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 27%

— five largest customers combined 52%

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

Purchases

— the largest supplier 22%

— five largest suppliers combined 59%

None of Directors, their respective associates or any shareholders of the Company (which to the knowledge of the Directors interest in 5% or more of the Company's issued share capital) has any interest in any of the five largest customers and the five largest suppliers of the Group for the Year. Sales to the largest customer for the year was treated as Related Party Transactions and disclosed in note 37 to the consolidated financial statement.

EVENTS AFTER THE REPORTING PERIOD

Details of the Group's events after the reporting period are set out in note 38 to the consolidated financial statements.

FIVE YEARS FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 96 of the Report. This summary does not form part of audited financial statements.

CONTINUING CONNECTED TRANSACTIONS

The Group has maintained three Agreements for Continuing Connected Transactions during the Year. A company controlled by the Group's wholly owned subsidiary, 廣泰益昌（北京）科技有限公司 ("Guang Tai Yichang (Beijing) Technology Co., Ltd."), entered into a framework agreement with 鴻源控股有限公司 ("Greatsource Holding Co., Ltd."), a PRC company which is controlled by Ms. Li Fang Hong, a former Executive Director and former substantial shareholder of the Company, and her associate(s), 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 2009 and 9 March 2009 respectively. During the year, there was no purchase under this agreement. (2010: HK$3,393,000).

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 party to the Group. 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$626,000 (2010: 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$240,000 (2010: 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.

Annual Review of Continuing Connected Transactions

The auditor of the Company has reviewed the abovementioned Continuing Connected Transactions on an annual basis and they 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) have been approved by the company's board of directors;

(b) in accordance with the pricing policies of the group or on normal commercial terms;

(c) in accordance with the respective agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(d) have not exceeded the relevant maximum amount capped in accordance to the annual caps as set out in the relevant announcements.

The auditor has issued his unqualified letter containing his findings and conclusions in respect of the Continuing Connected Transactions in accordance with paragraph 20.38 of the GEM Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

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. Ng Kay Kwok	9 July 2010	31 May 2011
Mr. Chi Chi Hung, Kenneth	8 July 2010	
Mr. Takashi Togo	31 May 2011	
Independent Non-Executive Directors		
Mr. Billy B Ray Tam	18 June 2010	
Ms. Chan Hoi Ling	30 July 2010	
Mr. Yu Pak Yan, Peter	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.

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 2011, 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

The New share option scheme was adopted and approved by shareholders of the Company in an extraordinary general meeting held on 24 December 2007. 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 economic interest in attaining the long term business objective of the Group.

On 19 May 2011, the Company has granted 6,200,000* share options to a consultant of the Company under the Scheme at the exercise price of HK$0.116* per share.

* Adjusted for share consolidation dated 18 July 2011.

The details of share options granted are set out in notes 28(b)(vi) and 29 to the consolidated financial statements and the Company's announcements dated 19 April 2011 and 19 May 2011 respectively.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2011 no natural person or any entity had, or was 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 was 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 Group, nor there was any substantial shareholder whose detail was required to be kept by the Company under section 336 of the SFO.

CORPORATE GOVERNANCE

During the Year, the Company has complied with the code provisions set out in Appendix 15 of the GEM Listing Rules. The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 8 to 12 of the Report.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefit scheme in operation for the Year are set out in Note 30 to the consolidated financial statements.

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. Billy B Ray Tam, 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 2011. 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

23 March 2012

Independent Auditor's Report

BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
2nd Floor, 625 King's Road, North Point, Hong Kong

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 24 to 95, which comprise the consolidated and Company's statements of financial position as at 31 December 2011, 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 of the Company 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 these consolidated financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with 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 2011 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, 23 March 2012

Andrew David Ross
Practising certificate number P01183

Consolidated Income Statement

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	Note	**2011** **$'000**	2010 $'000
Turnover	4	**3,636**	3,800
Cost of sales		**(264)**	(2,542)
Gross profit		**3,372**	1,258
Other revenue	6	**1,660**	499
Other gains and losses	7	**614**	(4,298)
Selling and administrative expenses		**(11,455)**	(10,728)
Loss from operations		**(5,809)**	(13,269)
Finance costs	8(a)	**(120)**	(31)
Loss before taxation	8	**(5,929)**	(13,300)
Income tax (expense)/credit	9	**(217)**	151
Loss for the year attributable to equity shareholders of the Company		**(6,146)**	(13,149)
Loss per share	15		
Basic		**(HK0.55 cents)**	(HK7.19 cents)
Diluted		**N/A**	N/A

ANNUAL REPORT 2011

The notes on page 32 to 95 form part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Loss for the year		**(6,146)**	(13,149)
Other comprehensive income/(expense) for the year	*14*		
Exchange differences on translation of financial statements of overseas subsidiaries		**171**	214
Reclassification adjustments relating to disposal of foreign operations during the year		**—**	(25)
		171	189
Total comprehensive expense for the year attributable to equity shareholders of the Company		**(5,975)**	(12,960)

ANNUAL REPORT 2011

The notes on page 32 to 95 form part of the consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2011
(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Non-current assets			
Fixed assets	16	**167**	2,254
Intangible assets	17	**1,647**	—
Goodwill	19	**23,239**	23,239
		25,053	25,493
Current assets			
Inventories	20	**—**	1,300
Trade and other receivables	21	**13,470**	2,144
Loan receivables, unsecured	22	**5,019**	—
Cash and cash equivalents	23	**118,105**	12,878
		136,594	16,322
Current liabilities			
Trade and other payables	24	**2,917**	2,223
Amount due to a director	25	**190**	—
Obligations under finance leases	26	**—**	462
Current taxation	27	**150**	—
		3,257	2,685
Net current assets		**133,337**	13,637
Total assets less current liabilities		**158,390**	39,130
Non-current liabilities			
Obligations under finance leases	26	**—**	1,450
NET ASSETS		**158,390**	37,680

The notes on page 32 to 95 form part of the consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2011
(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
CAPITAL AND RESERVES	28		
Share capital		**124,889**	13,111
Reserves		**33,501**	24,569
Total equity attributable to equity shareholders of the Company		**158,390**	37,680

Approved and authorised for issue by the board of directors on 23 March 2012

Chi Chi Hung, Kenneth	**Takashi Togo**
Director	*Director*

The notes on page 32 to 95 form part of the consolidated financial statements.

Statement of Financial Position

At 31 December 2011
(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Non-current assets			
Fixed assets	16	**25**	—
Investments in subsidiaries	18	**4,200**	4,200
		4,225	4,200
Current assets			
Amounts due from subsidiaries	18	**10,846**	28,786
Prepayments, deposits and other receivables	21	**236**	690
Loan receivables, unsecured	22	**3,000**	—
Cash and cash equivalents	23	**111,952**	3,720
		126,034	33,196
Current liabilities			
Accrued expenses and other payables	24	**649**	609
Amount due to a director	25	**190**	—
		839	609
Net current assets		**125,195**	32,587
NET ASSETS		**129,420**	36,787
CAPITAL AND RESERVES	28		
Share capital		**124,889**	13,111
Reserves		**4,531**	23,676
TOTAL EQUITY		**129,420**	36,787

Approved and authorised for issue by the board of directors on 23 March 2012

Chi Chi Hung, Kenneth
Director

Takashi Togo
Director

The notes on page 32 to 95 form part of the consolidated financial statements.

ANNUAL REPORT 2011

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company						
	Share capital	Share premium	Contributed surplus	Share option reserve	Exchange reserve	Accumulated losses	Total equity
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 1 January 2010	10,931	173,039	6,426	—	(66)	(160,895)	29,435
Shares issued on placement of shares *(note 28(b)(iii))*	2,180	19,025	—	—	—	—	21,205
Total comprehensive income/(expense) for the year	—	—	—	—	189	(13,149)	(12,960)
Balance at 31 December 2010 and 1 January 2011	13,111	192,064	6,426	—	123	(174,044)	37,680
Shares issued upon open offer *(note 28(b)(iv))*	52,445	48,733	—	—	—	—	101,178
Shares issued on bonus issued *(note 28(b)(iv))*	39,333	(39,333)	—	—	—	—	—
Shares issued on placement of shares *(note 28(b)(v))*	20,000	5,197	—	—	—	—	25,197
Equity settled share-based transactions	—	—	—	310	—	—	310
Total comprehensive income/(expense) for the year	—	—	—	—	171	(6,146)	(5,975)
Balance at 31 December 2011	124,889	206,661	6,426	310	294	(180,190)	158,390

ANNUAL REPORT 2011

The notes on page 32 to 95 form part of the consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Operating activities			
Loss before taxation		**(5,929)**	(13,300)
Adjustments for:			
— Bank interest income	6	**(1,376)**	(69)
— Depreciation	8(c)	**238**	614
— Dividend income from investments held for trading	6	**—**	(390)
— Equity settled share-based payment	8(c)	**310**	—
— Finance costs	8(a)	**120**	31
— Foreign exchange (gain)/loss		**(24)**	144
— Gain on disposal of subsidiaries	7	**(1,278)**	(24)
— Gain on sale of investments held for trading	7	**—**	(20)
— Impairment loss on fixed assets	7	**—**	913
— Impairment loss on trade receivables	7	**—**	1,316
— Loan interest income	6	**(44)**	—
— Loss on disposal of an associate	7	**—**	5
— Loss on disposal of fixed assets	7	**118**	776
— Write-down of inventories	7	**1,328**	970
— Write-off of inventories	7	**—**	628
— Write-off of receipts in advance	7	**—**	(288)
Operating loss before changes in working capital		**(6,537)**	(8,694)
Increase in inventories		**—**	(820)
Decrease in trade and other receivables		**1,114**	2,155
Increase in trade and other payables		**1,476**	516
Increase in amount due to a director		**190**	—
Cash used in operations		**(3,757)**	(6,843)
Income tax paid		**(67)**	—
Net cash used in operating activities		**(3,824)**	(6,843)

The notes on page 32 to 95 form part of the consolidated financial statements.

ANNUAL REPORT 2011

Consolidated Cash Flow Statement

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	Note	2011 $'000	2010 $'000
Investing activities			
Bank interest income		**1,285**	69
Dividend income from investments held for trading		**—**	390
Expenditure on development projects		**(1,647)**	—
Loans advanced		**(5,019)**	—
Loan interest income		**44**	—
Net cash inflow on disposal of subsidiaries	*32*	**546**	13
Net cash outflow on acquisition of subsidiaries	*31*	**—**	(5,636)
Deposit paid for purchase of investment	*21(d)*	**(10,000)**	—
Payment for purchase of fixed assets (including deposits paid)		**(2,420)**	(574)
Payment for purchase of investments held for trading		**—**	(601)
Proceeds from disposal of an associate		**—**	79
Proceeds from disposal of fixed assets		**1,416**	363
Proceeds from sale of investments held for trading		**—**	621
Net cash used in investing activities		**(15,795)**	(5,276)
Financing activities			
Finance charges on obligations under finance leases		**(107)**	(31)
Interest paid		**(13)**	—
Proceeds from issue of shares upon open offer	*28(b)(iv)*	**101,178**	—
Proceeds from placement of shares	*28(b)(iii),(iv)*	**25,197**	21,205
Redemption of a promissory note	*36(b)*	**—**	(18,000)
Repayment of obligations under finance leases		**(1,574)**	(128)
Net cash generated from financing activities		**124,681**	3,046
Net increase/(decrease) in cash and cash equivalents		**105,062**	(9,073)
Cash and cash equivalents at 1 January		**12,878**	21,889
Effect of foreign exchange rate changes		**165**	62
Cash and cash equivalents at 31 December	*23*	**118,105**	12,878

The notes on page 32 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 Unit 2503, 25/F., Sino Plaza, 255–257 Gloucester Road, Causeway Bay, 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.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the consolidated financial statements *(Continued)*

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

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

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 39.

(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.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company. Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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)***

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 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 (see note 2(i)).

(d) Business combinations

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;

- 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Business combinations *(Continued)*

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) 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.

(f) 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 and its residual value, if any, 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)*

(g) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(t)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(i)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

—	Capitalised development costs	3 years

Both the period and method of amortisation are reviewed annually.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Leased assets *(Continued)*

(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(f). 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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets *(Continued)*

(i) Impairment of receivables (Continued)

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

— 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.

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 debtors 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 debtors 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;

— intangible assets;

— investments in subsidiaries; and

— goodwill.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— 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 impairment losses for bad and doubtful debts (see note 2(i)), except where the 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 receivables are stated at cost less impairment losses for 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 retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution 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) Share options granted to consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share option reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

(p) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Income tax *(Continued)*

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.

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)*

(p) 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.

(q) 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)*

(r) 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.

(s) Translation of foreign currencies

The financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Translation of foreign currencies *(Continued)*

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 Company'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 (i.e. Hong Kong dollars ("HK$")) 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.

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Related parties

(i) A person, or a close member of that person's family, is related to the Group if that person:

(1) has control or joint control over the Group;

(2) has significant influence over the Group; or

(3) is a member of the key management personnel of the Group or the Group's parent.

(ii) An entity is related to the Group if any of the following conditions applies:

(1) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(2) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(5) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(6) The entity is controlled or jointly controlled by a person identified in (i).

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

2 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 a number of amendments to HKFRSs and one new Interpretation 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:

- HKAS 24 (revised 2009), Related party disclosures

- Improvements to HKFRSs (2010)

The impacts of the developments are discussed below:

- HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

- Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, Financial instruments: Disclosures. The disclosures about the Group's financial instruments in note 33 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

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

4 TURNOVER

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

	2011	2010
	$'000	*$'000*
Provision of website development, electronic learning products and services	**3,636**	1,026
Sales of optical display equipment, components and related technology	**—**	2,774
	3,636	3,800

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 two reportable segments.

— Optical display equipment, components and related technology

— Website development, electronic learning products and services

(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 loan receivables and other corporate assets.

— Segment liabilities include all current and non-current liabilities with the exception of accrued central administration cost and amount due to a director.

Segment revenue reported below represents revenue generated from external customers. There were no inter-segment sales in the current year (2010: 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 2011 and 2010 is set out below.

	Optical display equipment, components and related technology		Website development, electronic learning products and services		Unallocated		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	$'000	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*	***$'000***	*$'000*
Turnover								
Revenue from external customers	**—**	2,774	**3,636**	1,026	**—**	—	**3,636**	3,800
Results								
Segment result	**(1,509)**	(4,843)	**2,338**	173	**—**	—	**829**	(4,670)
Interest income							**1,420**	69
Unallocated income							**1,488**	430
Unallocated expenses							**(9,546)**	(9,098)
Loss from operations							**(5,809)**	(13,269)
Finance costs							**(120)**	(31)
Loss before income tax							**(5,929)**	(13,300)
Income tax							**(217)**	151
Loss for the year							**(6,146)**	(13,149)
Assets								
Segment assets	**2,834**	4,183	**28,676**	29,003	**—**	—	**31,510**	33,186
Unallocated assets	**—**	—	**—**	—	**130,137**	8,629	**130,137**	8,629
Total assets							**161,647**	41,815
Liabilities								
Segment liabilities	**654**	628	**1,718**	800	**—**	—	**2,372**	1,428
Unallocated liabilities	**—**	—	**—**	—	**885**	2,707	**885**	2,707
Total liabilities							**3,257**	4,135
Other information								
Capital expenditure	**—**	(353)	**(40)**	—	**(30)**	(1,481)	**(70)**	(1,834)
Depreciation	**(14)**	(221)	**(3)**	—	**(221)**	(393)	**(238)**	(614)
Development costs capitalised	**—**	—	**(1,647)**	—	**—**	—	**(1,647)**	—
Gain on disposal of subsidiaries	**—**	—	**—**	—	**1,278**	24	**1,278**	24
Impairment loss on fixed assets	**—**	—	**—**	—	**—**	(913)	**—**	(913)
Impairment loss on trade receivables	**—**	(1,316)	**—**	—	**—**	—	**—**	(1,316)
Loss on disposal of an associate	**—**	—	**—**	—	**—**	(5)	**—**	(5)
Loss on disposal of fixed assets	**—**	(606)	**—**	—	**(118)**	(170)	**(118)**	(776)
Recovery from impairment loss on trade receivables	**428**	—	**—**	—	**—**	—	**428**	—
Write-down of inventories	**(1,328)**	(970)	**—**	—	**—**	—	**(1,328)**	(970)
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, intangible 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 the operation to which they are allocated, in the case of intangible assets and goodwill.

	Revenues from external customers		**Specified non-current assets**	
	2011	2010	**2011**	2010
	$'000	*$'000*	***$'000***	*$'000*
Hong Kong (place of domicile)	**2,640**	1,026	**24,999**	25,448
Mainland China	**996**	2,774	**54**	45
	3,636	3,800	**25,053**	25,493

(c) Information about major customers

For the year ended 31 December 2011, there were two (2010: five) customers who individually accounted for over 10% of total revenue of the Group and their aggregate revenue was HK$1,623,000 (2010: HK$2,671,000) related to the website development, electronic learning products and services segment (2010: optical display equipment, components and related technology segment).

6 OTHER REVENUE

	2011	2010
	$'000	*$'000*
Bank interest income	**1,376**	69
Dividend income from investments held for trading	**—**	390
Income from provision of business centre services	**240**	40
Loan interest income	**44**	—
	1,660	499

7 OTHER GAINS AND LOSSES

	2011 $'000	2010 $'000
Foreign exchange gain/(loss)	**24**	(22)
Gain on disposal of subsidiaries	**1,278**	24
Gain on sale of investments held for trading	**—**	20
Impairment loss on fixed assets	**—**	(913)
Impairment loss on trade receivables	**—**	(1,316)
Loss on disposal of an associate	**—**	(5)
Loss on disposal of fixed assets	**(118)**	(776)
Net sundry income	**330**	—
Recovery from impairment loss on trade receivables	**428**	—
Write-down of inventories	**(1,328)**	(970)
Write-off of inventories	**—**	(628)
Write-off of receipts in advance	**—**	288
	614	(4,298)

8 LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2011 $'000	2010 $'000
(a) Finance costs:		
Bank loan interest	**13**	—
Finance charges on obligations under finance leases	**107**	31
	120	31
(b) Staff costs (including directors' remuneration):		
Salaries, wages and other benefits	**3,139**	3,423
Retirement scheme contributions	**98**	138
	3,237	3,561
(c) Other items:		
Depreciation	**238**	614
Auditor's remuneration	**380**	380
Operating lease charges: minimum lease payments		
— hire of office premises	**1,727**	1,849
— hire of other assets	**177**	129
Cost of inventories sold	**—**	2,464
Equity settled share-based payment *(note 29(a))*	**310**	—

9 INCOME TAX

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

	2011 $'000	2010 $'000
Current tax		
Provision for the year	**217**	—
Deferred tax		
Reversal of temporary difference	**—**	(151)
	217	(151)

The provision for Hong Kong Profits Tax for 2011 is calculated at 16.5% of the estimated assessable profits for the year.

In 2010, 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 previous year.

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 (2010: HK$nil).

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

	2011 $'000	2010 $'000
Loss before taxation	**(5,929)**	(13,300)
Notional tax credit on loss before taxation, calculated at the rate of 16.5% (2010: 16.5%)	**(978)**	(2,194)
Tax effect of different taxation rates in other tax jurisdictions	**(43)**	(437)
Tax effect of non-deductible expenses	**1,919**	1,438
Tax effect of non-taxable income	**(588)**	(61)
Tax effect of unused tax losses not recognised	**176**	1,239
Utilisation of tax losses previously not recognised	**(4)**	(46)
Tax effect of temporary differences not recognised	**(265)**	(90)
Income tax expense/(credit)	**217**	(151)

10 DIRECTORS' REMUNERATION

Directors' remuneration 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	2011 Total $'000
Executive Directors					
Mr. Ng Kay Kwok	**150**	**—**	**—**	**—**	**150**
Mr. Chi Chi Hung, Kenneth	**100**	**—**	**—**	**—**	**100**
Mr. Takashi Togo	**300**	**—**	**—**	**—**	**300**
Independent Non-executive Directors					
Mr. Billy B Ray Tam	**60**	**—**	**—**	**—**	**60**
Ms. Chan Ho Ling	**60**	**—**	**—**	**—**	**60**
Mr. Yu Pak Yan, Peter	**60**	**—**	**—**	**—**	**60**
	730	**—**	**—**	**—**	**730**

	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. Billy B Ray Tam	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

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, one (2010: none) is a director whose emoluments are disclosed in note 10. The aggregate of the emoluments in respect of the other four (2010: five) individuals are as follows:

	2011	2010
	$'000	*$'000*
Salaries and other emoluments	**1,150**	1,461
Retirement scheme contributions	**42**	37
	1,192	1,498

The emoluments of the four (2010: five) individuals with the highest emoluments are within the following bands:

	2011	2010
	Number of individuals	Number of individuals
HK$nil–HK$1,000,000	**4**	5

12 DIVIDENDS

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2011 (2010: HK$nil).

13 LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to equity shareholders of the Company includes a loss of HK$34,052,000 (2010: HK$7,281,000) which has been dealt with in the financial statements of the Company.

14 OTHER COMPREHENSIVE INCOME/(EXPENSE)

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

	2011			2010		
	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	**171**	**—**	**171**	214	—	214
Reclassification adjustments relating to disposal of foreign operations during the year	**—**	**—**	**—**	(25)	—	(25)
	171	**—**	**171**	189	—	189

15 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of HK$6,146,000 (2010: HK$13,149,000) and the weighted average of 1,108,752,000 ordinary shares (2010: 182,797,000 ordinary shares) in issue during the year.

The weighted average number of ordinary shares for the purposes of calculating basic loss per share for the year ended 31 December 2010 has been adjusted to reflect the open offer and its associated bonus issue take place in January 2011 and the consolidation of shares in July 2011 on the basis of two shares consolidated into one share.

(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 2011 and 2010.

16 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 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 31(b))*	—	—	—	—	1,353	1,353
Disposal of subsidiaries *(note 32(d))*	—	—	—	(11)	—	(11)
At 31 December 2010 and 1 January 2011	181	226	82	—	3,161	3,650
Exchange adjustments	—	3	—	—	—	3
Additions	—	2	—	68	—	70
Disposals	—	(12)	(48)	—	(1,793)	(1,853)
Disposal of subsidiaries *(note 32(b))*	—	—	—	—	(1,368)	(1,368)
At 31 December 2011	181	219	34	68	—	502
Accumulated depreciation and impairment:						
At 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 32(d))*	—	—	—	(8)	—	(8)
At 31 December 2010 and 1 January 2011	181	83	46	—	1,086	1,396
Exchange adjustments	—	1	—	—	—	1
Charge for the year	—	44	14	7	173	238
Written back on disposals	—	(8)	(33)	—	(278)	(319)
Written back on disposal of subsidiaries *(note 32(b))*	—	—	—	—	(981)	(981)
At 31 December 2011	181	120	27	7	—	335
Net book value:						
At 31 December 2011	—	99	7	61	—	167
At 31 December 2010	—	143	36	—	2,075	2,254

16 FIXED ASSETS *(Continued)*

The Company

	Computer hardware and software $'000	Total $'000
Cost:		
At 1 January 2010, 31 December 2010 and 1 January 2011	—	—
Additions	30	30
At 31 December 2011	30	30
Accumulated depreciation:		
At 1 January 2010, 31 December 2010 and 1 January 2011	—	—
Charge for the year	5	5
At 31 December 2011	5	5
Net book value:		
At 31 December 2011	25	25
At 31 December 2010	—	—

During the year, additions to motor vehicles of the Group financed by new finance leases were HK$nil (2010: HK$1,260,000) (note 36(a)). At the end of the reporting period, the net book value of motor vehicles held under finance leases of the Group was HK$nil (2010: HK$2,075,000).

17 INTANGIBLE ASSETS

The Group

	Development costs $'000
Cost:	
At 1 January 2010, 31 December 2010 and 1 January 2011	—
Addition through internal development	1,647
At 31 December 2011	1,647
Accumulated amortisation:	
At 1 January 2010, 31 December 2010, 1 January 2011 and 31 December 2011	—
Net book value:	
At 31 December 2011	1,647
At 31 December 2010	—

The development costs represent the expenditure incurred for developing electronic learning products that has been recognised in accordance with the accounting policy set out in note 2(g).

18 INVESTMENTS IN AND AMOUNTS DUE FROM SUBSIDIARIES

	The Company	
	2011	2010
	$'000	*$'000*
Unlisted shares, at cost	**11,985**	11,985
Less: Impairment loss	**(7,785)**	(7,785)
	4,200	4,200
Amounts due from subsidiaries	**10,846**	47,735
Less: Impairment loss	**—**	(18,949)
	10,846	28,786

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 2011 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
Elite Ford Limited	Hong Kong	Ordinary HK$1	100%	—	100%	Investment holding
Elipva International Limited	British Virgin Islands ("BVI")	Ordinary United State dollars ("US$") US$1,000	100%	100%	—	Investment holding
Elipva (Greater China) Holdings Limited	Hong Kong	Ordinary HK$1	100%	—	100%	Investment holding

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(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
KanHan Educational Services Limited ("KanHan EDU")	Hong Kong	Ordinary HK$5,010,000	100%	—	100%	Provision of website development, electronic learning products and services
Refine Skill Limited	BVI	Ordinary US$1	100%	100%	—	Investment holding
Upway (Hong Kong) Limited	Hong Kong	Ordinary HK$1	100%	—	100%	Inactive
Lucky Famous Limited	BVI	Ordinary US$1	100%	100%	—	Investment holding
廣泰益昌(北京)科技有限公司 ("廣泰") *(note 1)*	People's Republic of China ("PRC")	Registered capital HK$10,000,000	100%	—	100%	Inactive
廣州看普軟件科技有限公司 ("看普") *(note 2)*	PRC	Registered capital Renminbi ("RMB")1,000,000	100%	—	100%	To support the immediate holding company's business plan in launching the development products

Notes:

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

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

19 GOODWILL

	The Group
	$'000
Cost:	
At 1 January 2010	—
Acquisition of subsidiaries *(note 31(a))*	23,239
At 31 December 2010, 1 January 2011 and 31 December 2011	23,239
Accumulated impairment losses:	
At 1 January 2010, 31 December 2010, 1 January 2011 and 31 December 2011	—
Carrying value:	
At 31 December 2011	23,239
At 31 December 2010	23,239

Impairment tests for cash-generating units containing goodwill

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

	2011	2010
	$'000	*$'000*
Website development, electronic learning products and services	**23,239**	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.

19 GOODWILL *(Continued)*

Key assumptions used for value in use calculations:

	2011	2010
Gross margin	**82%–91%**	83%–91%
Growth rate	**-6%–145%**	0–4.5%
Discount rate	**4.5%**	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 reflects specific risks relating to the relevant segment.

During the year ended 31 December 2011 and 2010, management of the Group determined that there are no impairments of any its CGU containing goodwill.

20 INVENTORIES

	The Group	
	2011	2010
	$'000	*$'000*
Trading goods	**—**	1,300

21 TRADE AND OTHER RECEIVABLES

	The Group		**The Company**	
	2011	2010	**2011**	2010
	$'000	*$'000*	***$'000***	*$'000*
Trade receivables	**1,234**	1,887	**—**	—
Less: Impairment loss *(note 21(b))*	**(971)**	(1,316)	**—**	—
	263	571	**—**	—
Deposits paid for purchase of fixed assets	**2,350**	—	**—**	—
Deposit paid for investment *(note 21(d))*	**10,000**	—	**—**	—
Prepayments and deposits	**321**	1,099	**150**	690
Other receivables	**536**	474	**86**	—
	13,470	2,144	**236**	690

21 TRADE AND OTHER RECEIVABLES *(Continued)*

All of the trade and other receivables, apart from deposits paid for purchase of fixed assets of HK$2,350,000 (2010: HK$nil) and rental deposits of HK$117,000 (2010: HK$116,000), are expected to be recovered or recognised as expenses within one year.

Included in trade receivables is an amount of HK$59,000 (2010: HK$433,000) due from a related company, KanHan Technologies Limited ("KanHan Technologies") (note 37(b)(ii)).

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.

(a) Ageing analysis

According to the credit rating of different customers, the Group allows credit periods of 30 days (2010: ranging from 30 days to 90 days) to its trade customers. Further details on the Group's credit policy are set out in note 33(a).

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

	The Group	
	2011	2010
	$'000	*$'000*
Current	**140**	514
Less than 1 month past due	**62**	—
1 to 3 months past due	**41**	7
More than 3 months but less than 12 months past due	**20**	50
Amounts past due	**123**	57
	263	571

(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)).

21 TRADE AND OTHER RECEIVABLES *(Continued)*

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

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

	The Group	
	2011	2010
	$'000	*$'000*
At 1 January	**1,316**	—
Impairment loss recognised	**—**	1,316
Amounts received	**(428)**	—
Exchange adjustments	**83**	—
At 31 December	**971**	1,316

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 2011, the ageing analysis of the Group's trade receivables that are past due but not impaired is as follows:

	The Group	
	2011	2010
	$'000	*$'000*
Less than 1 month past due	**62**	—
1 to 3 months past due	**41**	7
More than 3 months but less than 12 months past due	**20**	50
	123	57

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.

21 TRADE AND OTHER RECEIVABLES *(Continued)*

(d) Deposit paid for investment

The Group made a deposit of HK$10,000,000 on 3 June 2011 pursuant to the sale and purchase agreement in relation to the acquisition of 10% of the issued share capital of Green Global Bioenergy Limited (the "S&P Agreement"). Details of the transaction are set out in the Company's announcement dated 3 June 2011. As of 31 December 2011, the vendor has failed to comply fully with the obligations under the S&P Agreement. On 21 March 2012, the Group and the vendor mutually agreed to terminate the S&P Agreement and the deposit paid to the vendor was refunded to the Group. Neither the Group nor the vendor shall have any claims against the other party. Details of the transaction are set out in the Company's announcement dated 21 March 2012.

22 LOAN RECEIVABLES, UNSECURED

The unsecured loans bear interest at fixed rates ranging from 2% to 5% per annum and are repayable within one year.

23 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	*$'000*	***$'000***	*$'000*
Cash and bank balances	**8,328**	9,675	**2,791**	2,017
Short-term bank deposits	**109,777**	3,203	**109,161**	1,703
	118,105	12,878	**111,952**	3,720

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for terms of one to three months (2010: seven days to three months) depending on the immediate cash requirements of the Group.

At 31 December 2011, the cash and bank balances of the Group denominated in RMB amounted to HK$3,516,000 (2010: HK$3,826,000). 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 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	*$'000*	***$'000***	*$'000*
Trade payables	**251**	240	**—**	—
Deferred income	**1,487**	767	**—**	—
Receipts in advance	**395**	539	**—**	—
Accrued expenses and other payables	**784**	677	**649**	609
	2,917	2,223	**649**	609

All of the trade and other payables, apart from certain deferred income and receipts in advance of HK$661,000 (2010: HK$167,000), 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	
	2011	2010
	$'000	*$'000*
Less than 3 months	**251**	240

25 AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and has no fixed terms of repayment.

26 OBLIGATIONS UNDER FINANCE LEASES

At 31 December 2011, the Group had obligations under finance leases repayable as follows:

	The Group			
	2011		2010	
	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
After 1 year but within 2 years	—	—	488	564
After 2 years but within 5 years	—	—	962	1,029
	—	—	1,450	1,593
	—	—	1,912	2,157
Less: Total future interest expenses		—		(245)
Present value of lease obligations		—		1,912

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	The Group	
	2011	2010
	$'000	*$'000*
Provision for Hong Kong Profits Tax for the year	**217**	—
Provisional Hong Kong Profits Tax paid	**(67)**	—
	150	—

27 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 on fixed assets
	$'000
At 1 January 2010	—
Acquisition of subsidiary *(note 31(b))*	151
Credited to income statement	(151)
At 31 December 2010, 1 January 2011 and 31 December 2011	—

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 (2010: HK$nil).

(c) Deferred tax assets

The Group has not recognised any deferred tax assets in respect of tax losses carried forward of HK$26,737,000 (2010: HK$33,735,000) 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	
	2011	2010
	$'000	*$'000*
2013	**565**	542
2014	**1,147**	1,099
2015	**1,874**	5,084
2016	**720**	—
No expiry date	**22,431**	27,010
	26,737	33,735

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28 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	Share option reserve	Accumulated losses	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 1 January 2010	10,931	173,039	2,985	—	(164,092)	22,863
Shares issued on placement of shares *(note 28(b)(iii))*	2,180	19,025	—	—	—	21,205
Total comprehensive expenses for the year	—	—	—	—	(7,281)	(7,281)
Balance at 31 December 2010 and at 1 January 2011	13,111	192,064	2,985	—	(171,373)	36,787
Shares issued upon open offer *(note 28(b)(iv))*	52,445	48,733	—	—	—	101,178
Share issued on bonus issue *(note 28(b)(iv))*	39,333	(39,333)	—	—	—	—
Shares issued on placement of shares *(note 28(b)(v))*	20,000	5,197	—	—	—	25,197
Equity settled share-based transactions	—	—	—	310	—	310
Total comprehensive expenses for the year	—	—	—	—	(34,052)	(34,052)
Balance at 31 December 2011	124,889	206,661	2,985	310	(205,425)	129,420

28 CAPITAL AND RESERVES *(Continued)*

(b) Share capital

	Note	Nominal value per share HK$	Number of shares '000	Amount $'000
Authorised:				
At 1 January 2010		0.01	6,000,000	60,000
Share consolidation	*(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 and 1 January 2011		0.05	8,000,000	400,000
Share consolidation	*(ii)*		(4,000,000)	—
At 31 December 2011		0.10	4,000,000	400,000
Issued and fully paid:				
At 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
Share consolidation	*(i)*		(1,048,896)	—
At 31 December 2010 and 1 January 2011		0.05	262,220	13,111
Shares issued upon open offer	*(iv)*	0.05	1,048,894	52,445
Shares issued on bonus issue	*(iv)*	0.05	786,671	39,333
Shares issued on placement of shares	*(v)*	0.05	400,000	20,000
		0.05	2,497,785	124,889
Share consolidation	*(ii)*		(1,248,892)	—
At 31 December 2011		0.10	1,248,893	124,889

28 CAPITAL AND RESERVES *(Continued)*

(b) Share capital *(Continued)*

Notes:

(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) As announced by the Company on 15 June 2011, the Company proposed to implement a share consolidation on the basis that every two exiting issued and unissued ordinary shares of HK$0.05 each in the share capital of the Company be consolidated into one consolidated share of HK$0.10 each. The share consolidation was approved in the extraordinary general meeting on 15 July 2011. The share consolidation became effective on 18 July 2011.

(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.

(iv) Pursuant to the ordinary resolutions passed on 15 October 2010, the Company made an open offer of 1,048,894,324 ordinary shares of HK$0.05 each at a subscription price of HK$0.1 per offer share on the basis of four offer shares for every one share, together with the bonus issue of 786,670,743 bonus shares on the basis of three bonus shares for every four offer shares taken up. The open offer was completed on 17 January 2011 and the excess of the subscription consideration received over the nominal values issued, amounting to approximately HK$9,400,000, net of share issuance expenses, was credited to the Company's share premium account.

28 CAPITAL AND RESERVES *(Continued)*

(b) Share capital *(Continued)*

Notes: (Continued)

(v) On 10 June 2011, the Company entered into a conditional placing agreement with the placing agent in respect of the placement of 400,000,000 ordinary shares of HK$0.05 each to independent third parties at a subscription price of HK$0.065 per share. The placement of shares was completed on 21 June 2011 and the excess of the subscription consideration received over the nominal values issued, amounting to approximately HK$5,197,000, net of share issuance expenses, was credited to the Company's share premium account.

(vi) Terms of unexpired and unexercised share options at the end of the reporting period

Exercise period	Exercise price *HK$*	**2011** **Number of instruments** ***'000***	2010 Number of instruments *'000*
20 May 2011 to 19 May 2014	0.116*	**6,200***	—

* Adjusted for share consolidation (note 28(b)(ii))

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 29 to the consolidated financial statements.

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.

(c) Nature and purpose of reserves

(i) Share premium reserve

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.

28 CAPITAL AND RESERVES *(Continued)*

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

(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) Share option reserve

The share option reserve comprises the portion of the grant date fair value of unexercised share options granted to a consultant of the Group that has been recognised in accordance with the accounting policy adopted for share options granted to consultants in note 2(o).

(iv) Exchange reserve

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

(v) Distributability of reserves

At 31 December 2011, the aggregate amount of reserves available for distribution to equity shareholders of the Company was approximately HK$4,221,000 (2010: HK$23,676,000).

28 CAPITAL AND RESERVES *(Continued)*

(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 the 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 shareholder returns 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, amount due to a director, obligations under finance leases and current taxation, which is applicable). Equity comprises share capital and reserves.

During 2011, 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 shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

	The Group		The Company	
	2011	2010	**2011**	2010
	$'000	*$'000*	***$'000***	*$'000*
Debts *(Note 1)*	**3,257**	4,135	**839**	609
Equity *(Note 2)*	**158,390**	37,680	**129,420**	36,787
Debt-to-equity ratio	**2%**	11%	**1%**	2%

Notes:

(1) Debts comprise trade and other payables, amount due to a director, obligations under finance leases and current taxation as details in notes 24, 25, 26 and 27.

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

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

29 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.

(a) *The terms and conditions of the grants are as follows:*

	Number of instruments *'000*	**Vesting conditions**	**Contractual life of options**
Options granted to a consultant — on 19 May 2011	12,400#	0 year	3 years

After share consolidation (note 28(b)(ii)), the number of share options was reduced to 6,200,000.

(b) *The number and weighted average exercise prices of share options are as follows:*

	2011		2010	
	Weighted average exercise price *HK$*	**Number of options** *'000*	Weighted average exercise price *HK$*	Number of options *'000*
Outstanding at the beginning of the year	**—**	**—**	—	—
Granted during the year	**0.058**	**12,400**	—	—
Share consolidation *(note 28(b)(ii))*		**(6,200)**		**—**
Outstanding at the end of the year	**0.116**	**6,200**	—	—
Exercisable at the end of the year	**0.116**	**6,200**	—	—

The options outstanding at 31 December 2011 had an exercise price of HK$0.116 and a weighted average remaining contractual life of 2.6 years.

(Expressed in Hong Kong dollars)

29 EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

2007 New Share Option Scheme *(Continued)*

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Black Scholes model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the Black Scholes model.

Fair value of share options and assumptions

	Date of grant 19 May 2011	
	Before share consolidation	**After share consolidation** *(note 28(b)(ii))*
Fair value at measurement date	HK$0.025	HK$0.05
Share price	HK$0.057	HK$0.114
Exercise price	HK$0.058	HK$0.116
Expected volatility (expressed as weighted average volatility used in the modelling under Black Scholes model)	94.62%	94.62%
Option life (expressed as weighted average life used in the modelling under Black Scholes model)	1.5 years	1.5 years
Expected dividends	Nil	Nil
Risk-free interest rate	0.37%	0.37%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

30 DEFINED/RETIREMENT BENEFIT 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 2011 in respect of the retirement of its employees.

31 BUSINESS COMBINATIONS

Acquisition of subsidiaries

(a) On 19 July 2010, the Group acquired the entire issued share capital of KanHan EDU at a 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	Fair value recognised on acquisition
	$'000	*$'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 notes *(note 36(b))*	18,000
Assignment of a shareholder's loan from the vendor, KanHan Technology Inc.	(36)
Total consideration transferred	22,964

31 BUSINESS COMBINATIONS *(Continued)*

Acquisition of subsidiaries *(Continued)*

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

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 and 2011 was HK$592,000 and HK$2,356,000 respectively; and, (2) the directors of the Company do not consider that KanHan EDU will not able to meet the Guaranteed Profits for the year ending 31 December 2012.

	$'000
Goodwill arising on acquisition:	
Consideration	22,964
Net liabilities assumed	275
Goodwill arising on acquisition *(note 19)*	23,239
Net cash outflow arising on acquisition:	
Consideration paid in cash	5,000
Shareholders' 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 2010 respectively for the period between the date of acquisition and 31 December 2010.

31 BUSINESS COMBINATIONS *(Continued)*

Acquisition of subsidiaries *(Continued)*

(b) On 15 December 2010, the Group acquired the entire issued share capital of Hong Kong Plastic Trading and Manufacturing Company Limited ("HK Plastic") at a 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 16)*	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 27(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 2010 was a loss of HK$36,000 attributable to the operation expense incurred by HK Plastic.

32 DISPOSALS OF SUBSIDIARIES

(a) On 25 July 2011, the Group disposed of its entire equity interest in Billion Harvest Development Limited at a cash consideration of HK$229,000.

Details of assets and liabilities over which control was lost:

	2011
	$'000
Prepayments	**1**
Other payables	**(324)**
Net liabilities disposed of	**(323)**
Gain on disposal of a subsidiary	
Consideration	**229**
Net liabilities disposed of	**323**
Gain on disposal	**552**
Net cash inflow on disposal of a subsidiary:	
Cash consideration received	**229**

32 DISPOSALS OF SUBSIDIARIES *(Continued)*

(b) On 31 August 2011, the Group disposed of its entire equity interest in HK Plastic at a cash consideration of HK$378,000.

Details of assets and liabilities over which control was lost:

	2011
	$'000
Fixed assets *(note 16)*	387
Cash and cash equivalents	61
Other payables	(458)
Obligations under finance leases	(338)
Net liabilities disposed of	(348)
Gain on disposal of a subsidiary	
Consideration	378
Net liabilities disposed of	348
Gain on disposal	726
Net cash inflow on disposal of a subsidiary:	
Cash consideration received	378
Cash and cash equivalents disposed of	(61)
	317

32 DISPOSALS OF SUBSIDIARIES *(Continued)*

(c) On 25 May 2010, the Group disposed of its entire equity interest in Elipva (Hong Kong) Limited at 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

32 DISPOSALS OF SUBSIDIARIES *(Continued)*

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

Details of assets and liabilities over which control was lost:

	2010
	$'000
Fixed assets *(note 16)*	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 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

33 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 business.

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, loan 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 consolidated 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 21.

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

(b) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements 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:

(i) The Group

	2011 Contractual undiscounted cash outflow					2010 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	**1,035**	**—**	**—**	**1,035**	**1,035**	917	—	—	917	917
Amount due to a director	**190**	**—**	**—**	**190**	**190**	—	—	—	—	—
Obligations under finance leases	**—**	**—**	**—**	**—**	**—**	564	564	1,029	2,157	1,912
	1,225	**—**	**—**	**1,225**	**1,225**	1,481	564	1,029	3,074	2,829

(ii) The Company

	2011 Contractual undiscounted cash outflow			2010 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	**649**	**649**	**649**	609	609	609
Amount due to a director	**190**	**190**	**190**	—	—	—
	839	**839**	**839**	609	609	609

33 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:

	2011		2010	
	Effective interest rate		Effective interest rate	
	%	***$'000***	*%*	*$'000*
Obligations under finance leases	—	—	5.50 – 7.04	1,912

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.

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

(d) Foreign currency risk *(Continued)*

The Group

	Exposure to foreign currencies (expressed in HK$)			
	2011		2010	
	HK$	***RMB***	*HK$*	*RMB*
	$'000	***$'000***	*$'000*	*$'000*
Total assets, net exposure arising from recognised assets and liabilities	**—**	**15**	1,227	1,501

A reasonably possible change of 1% in exchange rates between RMB 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 2011 and 2010.

(e) Categories of financial instruments

	2011	2010
	$'000	*$'000*
The Group		
Financial assets		
Loan and receivables (including cash and cash equivalents)	**123,923**	14,978
Financial liabilities		
Financial liabilities at amortised cost	**1,225**	2,829
The Company		
Financial assets		
Loan and receivables (including cash and cash equivalents)	**125,884**	33,196
Financial liabilities		
Financial liabilities at amortised cost	**839**	609

33 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 value

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2011 and 2010.

34 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2011 not provided for in the consolidated financial statements were as follows:

	The Group	
	2011	2010
	$'000	*$'000*
Contracted for:		
— land and buildings *(note 38)*	**4,550**	—
— leasehold improvements	**77**	—
	4,627	—
Authorised for:		
— development costs for intangible assets	**3,700**	—
	8,327	—

34 COMMITMENTS *(Continued)*

(b) At 31 December 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group			
	2011		2010	
	Properties	**Others**	Properties	Others
	$'000	***$'000***	*$'000*	*$'000*
Within 1 year	**449**	**178**	1,166	16
After 1 year but within 5 years	**241**	**1**	873	17
	690	**179**	2,039	33

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.

35 CONTINGENT LIABILITIES

At 31 December 2011 and 2010, the Group and the Company had no significant contingent liabilities.

36 NON-CASH TRANSACTIONS

(a) During the year, the Group acquired HK$nil (2010: HK$1,260,000) of motor vehicles under finance leases (note 16).

(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 31(a)). The promissory note carried no interest and was redeemable on 14 July 2015. On 23 August 2010, the Group early redeemed the promissory note with principal amount of HK$20,000,000 at the redemption price of HK$18,000,000.

37 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.

37 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transactions with other related parties

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

	Note	**2011** **$'000**	2010 $'000
Purchase of display equipment, components and related technology from a related companies	*(i)*	**—**	2,127
Sales of website development, electronic learning products and services	*(ii)*	**626**	367
Income from provision of business centre services	*(ii)*	**240**	40

(i) Purchases of display equipment, components and related technology from a subsidiary of 鴻源控股有限公司 ("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$nil (2010: HK$2,127,000).

(ii) Sales of website development, electronic learning product and services, and income from provision of business centre services are made with KanHan Technologies, a HK company which was previously the shareholder of the entire equity interests of KanHan EDU. The ultimate sole shareholder, Mr. Mo Wai Ming, Lawrence, of KanHan Technologies is also a common director for both KanHan Technologies and KanHan EDU.

The Group's wholly owned subsidiary, KanHan EDU, entered into a supply agreement and a business centre service agreement with KanHan Technologies on 19 November 2010 for the sales of website development, electronic learning product and service, and provide business centre services respectively for the term of 3 years. The annual sales cap and service charge during the term of the supply agreement and business centre service agreement shall not exceed HK$1,000,000 and HK$300,000 respectively. Details of the transaction are set out in the Company's announcements dated 19 November 2010.

(c) Balances with related parties are disclosed in the consolidated statement of financial position and statement of financial position and in notes 18, 21 and 25.

38 EVENTS AFTER THE REPORTING PERIOD

Other than those disclosed elsewhere in the consolidated financial statements, the following significant event took place subsequent to the reporting period:

On 13 February 2012, the Group's wholly owned subsidiary purchased land and buildings in Hong Kong at a consideration of HK$6,500,000 and took out a bank loan of HK$3,250,000 which is guaranteed by the Company.

39 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) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Details of the impairment loss calculation are set out in note 19.

(ii) Recoverability of internally generated intangible assets

At the end of each reporting period, the directors reconsidered the recoverability of the Group's internally generated intangible asset arising from its electronic learning products development. The recoverable amount is the greater of its fair value less costs to sell and value in use. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

39 ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(iii) 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 provisions for impairment losses 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 receivable to the income statement. Changes in the collectability of trade and other receivables for which provision are not made could affect the results of operations.

(iv) 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.

(v) 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.

(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 2011

Up to the date of issue of the consolidated financial statements, the HKICPA has issued a number of amendments and five new standards which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these consolidated financial statements. These included the following which may be relevant to the Group.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 7	Disclosures — Transfers of financial assets	1 July 2011
	Disclosures — Offsetting financial assets and financial liabilities	1 January 2013
	Mandatory effective date of HKFRS 9 and transaction disclosures	1 January 2015
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 12	Disclosure of interest in other entities	1 January 2013
HKFRS 13	Fair value measurement	1 January 2013
Amendments to HKAS 1	Presentation of items of other comprehensive income	1 July 2012
Amendments to HKAS 12	Deferred tax — recovery of underlying assets	1 January 2012
HKAS 19 (as revised in 2011)	Employee benefits	1 January 2013
HKAS 27 (as revised in 2011)	Separate financial statements	1 January 2013
Amendments to HKAS 32	Offsetting financial assets and financial liabilities	1 January 2014

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 2007, 2008, 2009, 2010 and 2011.

RESULTS

	Year ended				
	31 December 2011	31 December 2010	31 December 2009	31 December 2008	31 December 2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	**3,636**	3,800	5,555	15,233	15,112
(Loss)/profit from operations	**(5,809)**	(13,269)	(13,272)	(8,047)	10,755
Finance costs	**(120)**	(31)	(15)	(40)	(174)
(Loss)/profit before taxation	**(5,929)**	(13,300)	(13,287)	(8,087)	10,581
Taxation	**(217)**	151	—	7	(18)
(Loss)/profit after taxation from continuing operations	**(6,146)**	(13,149)	(13,287)	(8,080)	10,563
(Loss)/profit after taxation from discontinued operations	**—**	—	(1,486)	—	—
(Loss)/profit for the year	**(6,146)**	(13,149)	(14,773)	(8,080)	10,563
(Loss)/profit attributable to					
— Equity shareholders of the Company	**(6,146)**	(13,149)	(14,166)	(8,358)	10,563
— Non-controlling interest	**—**	—	(607)	278	—
	(6,146)	(13,149)	(14,773)	(8,080)	10,563

ASSETS AND LIABILITIES

	As at 31 December				
	2011	2010	2009	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total asset	**161,647**	41,815	31,027	37,175	58,947
Total liabilities	**(3,257)**	(4,135)	(1,592)	(4,064)	(24,129)
Non-controlling interests	**—**	—	—	(450)	—
Total equity attributable to equity shareholders of the Company	**158,390**	37,680	29,435	32,661	34,818