ThinSoft

THINSOFT (HOLDINGS) INC

博軟(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8096)

ANNUAL REPORT 07

Characteristics of the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors of ThinSoft (Holdings) Inc collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to ThinSoft (Holdings) Inc. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief :– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CHAIRMAN'S STATEMENT

Ngiam Mia Hai Bernard
Chairman

The year 2007 brought new developments to ThinSoft (Holdings) Inc ("ThinSoft"). Chief among these was the successful addition of new Vista-based products to the Group's software suites. As a clear demonstration of our ability to maintain product leadership in today's highly competitive Information Technology arena, ThinSoft announced the release of its first-to-market WCS-VS in March and BeTwin-VS products in May that provide our customers with software operating environments compatible with Microsoft's new operating system, Vista.

Even though Microsoft's Vista deployment has not met our early expectations, the significance of these key engineering milestones augmented the Group's continued proactive movement toward more profitable sales of software-only products. This helped improved gross profit margins in 2007 and generated increased software sales over the prior year. Additionally, as an indication of the increasingly broader appeal of ThinSoft's suite of products, credit card sales transacted via various major merchant card services, increased by approximately fifteen percent and now represent approximately forty percent of total Group turnover.

Financial Highlights

The Group's revenue from the sale of its Thin Computing software suites was approximately HK$14.1 million, an increase of approximately 7% over the prior year. In 2007, the European countries became the Group's leading market, accounting for approximately 47.2% of the Group's revenue.

	Quarterly Results For the three months ended		Yearly Results	
	31st December	31st December		
	2007	2006	**2007**	2006
	HK$'m	HK$'m	**HK$'m**	HK$'m
Turnover	**4.5**	5.3	**17.2**	20.6
(Loss)/profit for the period/year	**(1.1)**	2.4	**0.4**	4.8

2007 was not without its financial challenges. General and administrative expenses were burdened significantly by foreign exchange differences that were realised during the year. Additionally, the Group's overall revenues decreased. However, the decrease came as a result of lower sales of products comprising hardware elements and it is important to note that these products are not as profitable as our software-only suite of products comprising our WinConnect, WinConnect Server and BeTwin offerings.

Business Review

Group management is encouraged by several very important accomplishments in its core business.

First: The agility of the ThinSoft engineering capabilities brought about the release of WCS-VS in March 2007 and BeTwin-VS products in May 2007. These were made available to the Group's customers, world-wide, very soon after Microsoft released its new Vista operating system and demonstrate the engineering strength of ThinSoft.

Second: Continued increases in software sales throughout the Group's global markets. While sales in the United States was lower compared to last year, sales in Europe strengthened. Most importantly, sales in Asia also increased significantly.

Third: Important negotiations involving the bundling of the Group's BeTwin software as an element of specialised retail points of service equipment with a major multinational company were concluded. This relationship has the potential to provide the deployment of the Group's BeTwin software into high-traffic commercial retail and government retail installations and thus boost ThinSoft's presence in the retail sector in the United States in the coming year.

Prospects

ThinSoft will continue to harness its engineering developments in 2008 and beyond. The benefits of retaining its product leadership will accrue to the Group's marketing messages as well as actual sales results in future periods. There is no doubt, in Group management's opinion, that while the initial adoption and deployment of Microsoft's Vista has been slow, sales momentum will accelerate and the Group's Vista-based products will ramp-up.

The effects of the United States presidential election process and prospects, which no one can predict accurately, may have a significant influence on consumer and corporate confidence levels in 2008. Further, beyond 2008, inflation is expected to continue in the United States and other major economies around the globe and may also depress consumer and corporate purchases.

Regardless, we believe the Group is in a very positive position from engineering, product, financial and infrastructural standpoints to continue its global market penetration.

Appreciation

I would like to acknowledge the dedication of our staff and the continued support of our business partners and shareholders over this period. I would like to express my personal appreciation to each of these groups for their contributions.

Ngiam Mia Hai Bernard
Chairman

Hong Kong
13th February 2008

CORPORATE INFORMATION

Executive directors
Ngiam Mia Hai Bernard *(Chairman)*
Ngiam Mia Hong Alfred

Independent non-executive directors
Chen Tzyh-Trong
Lee Chung Mong
Yeung Chi Hung

Audit committee
Chen Tzyh-Trong
Lee Chung Mong
Yeung Chi Hung

Compliance officer
Ngiam Mai Hai Bernard

Company secretary
Yau Lai Man *MBA, ACA, CPA (practising)*

Qualified accountant
Fan Kin Nang *MSc, FCPA (practising), FCCA, FCMA*

Authorised representatives
Ngiam Mai Hai Bernard
Yau Lai Man *MBA, ACA, CPA (practising)*

Registered office
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Auditor
PricewaterhouseCoopers

Head office and principal place of business
Room 2818
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Principal share registrar and transfer office
Bank of Bermuda (Cayman) Limited
P.O. Box 513 GT
Strathvale House
North Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

Hong Kong branch share registrar and transfer office
Hong Kong Registrars Limited
Rooms 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Website addresses
www.ThinSoftinc.com
www.Thincomputinginc.com
www.Austin.com.sg

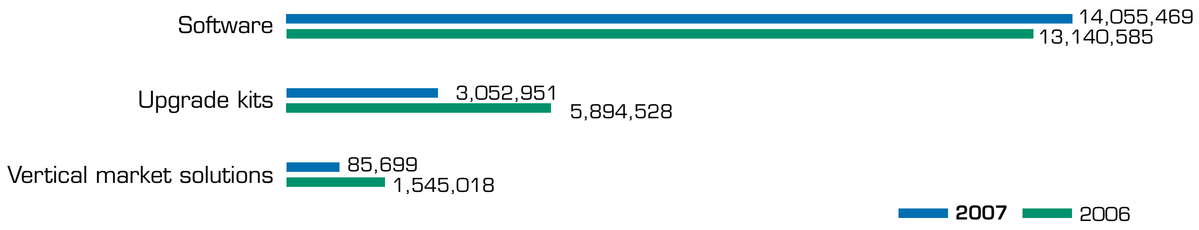
Principal bankers
Citibank, N.A.
Union De Banques Arabes Et Francaises
DBS Bank (Hong Kong) Limited
First Niagara Bank

Stock code
8096

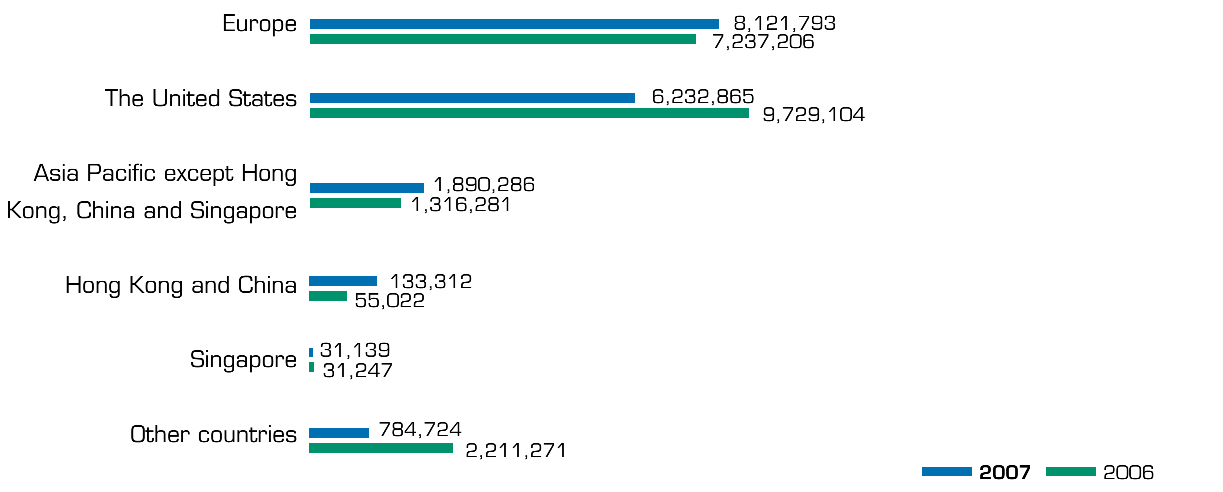
FINANCIAL HIGHLIGHTS

	Year ended 31st December 2007 HK$	2006 HK$
Results		
Turnover	**17,194,119**	20,580,131
Profit for the year	**370,624**	4,776,565
Assets and liabilities		
Total assets	**41,550,688**	41,286,040
Total liabilities	**2,794,651**	7,214,364
Shareholders' equity	**38,756,037**	34,071,676

Turnover by principal activities



Turnover by geographical



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The management of the Group recognised during 2007 that continued efforts on customer enrichment are essential to maintaining and expanding in the highly competitive global information technology market.

The management also recognised the importance of strong pre-sales and after-sales technical support is absolutely necessary.

Internal operational efficiencies, cost containment and strategic marketing investment continued as priorities within the Group.

During 2007, Group management supported improvements to its website, which reached more and more customers globally. Direct and live pre-sales contact with potential customers and end users were also supported and encouraged throughout the Group's operations.

The management of the Group believed that these infrastructural and operational philosophies as well as actions would bring long term benefits to the Group.

During 2007, the Group participated in several key exhibitions such as Cebit in Hannover, Germany which was one of the largest consumer products shows in the world. The Group also participated in trade-focused shows in Sydney, Australia and Shanghai, China. The management of the Group views these activities as investments in the future at a time when reaching global audiences about the introduction of our new Vista-based products is an essential marketing requirement.

Although attending these key events resulted in the increase of the Group's overall costs, these costs were far outweighed by the benefits to future sales and also showed our strong corporate support for our major distributors in these regions who also participated in these and other tradeshows and exhibitions.

Financial Review

Turnover from the sales of software for the year ended 31st December 2007 increased by approximately 7% to approximately HK$14.1 million when compared to last year of approximately HK$13.1 million.

Overall turnover for the year under review decreased from approximately HK$20.6 million to approximately HK$17.2 million as the Group continued to put more efforts on software-only sales. All of the reduction in total turnover was attributable to lower sales of upgrade kits and vertical market solutions which include both hardware and software and carried lower profit margins.

During the year under review, Europe became the largest single geographic market for the Group, where turnover amounted to approximately HK$8.1 million or 47.2% of total turnover. Sales in the United States amounted to approximately HK$6.2 million or approximately 36.2% of the Group's total sales.

Gross profit margin for the year ended 31st December 2007 increased to approximately 85.6% as compared with approximately 81.1% in the corresponding previous year. The richer margins were attributable to increased software sales during the year under review.

Exhibition: Futurecom 2007 in Brazil, 1st–4th October 2007

Exhibition: Thailand Animation Multimedia 2007 in Bangkok, 16th–20th November 2007

Selling and distribution costs in the year under review increased to approximately HK$1.2 million, when compared to approximately HK$0.7 million incurred in the previous year. The increase was due to marketing expenses which included participation in exhibitions at Cebit 2007 Hannover in Germany, Cebit 2007 Sydney in Australia, and Cebit 2007 Shanghai in China. Attendance at these events is viewed as investments in the future by the Group.

Administrative expenses in the year under review increased by approximately 6.7% to approximately HK$11.8 million when compared to approximately HK$11 million incurred in the previous year. The Group recorded approximately HK$0.9 million in foreign exchange losses in 2007.

In addition, adjustments to the fair value of one of the Group's available-for-sale financial assets resulted in a net charge to impairment provisions of approximately HK$0.6 million.

The Group consequently registered a profit attributable to shareholders for the year under review of approximately HK$0.4 million compared to a profit of approximately HK$4.8 million in the prior year.

The Group continues to be in a healthy financial position. Cash and bank balances as at 31st December 2007 was approximately HK$30.8 million (2006: approximately HK$36.1 million). There were no bank borrowings as at 31st December 2007 (2006: Nil).

Capital Structure

There has been no change in the capital structure of the Company during the year under review. The capital of the Company comprises only ordinary shares. The Company and the Group had no borrowing and long-term debts as at 31st December 2007.

Significant Investments

On 27th February 2007, ThinSoft Pte Ltd, a wholly owned subsidiary of the Company, entered into the subscription agreement for the subscription of 100,000 shares in Vietnam Emerging Market Fund Limited at a subscription price of US$10 per share at the consideration of US$1,000,000. The subscription constitutes a disclosable transaction of the Company for the purposes of the GEM Listing Rules. A circular containing details of the subscription was issued on 28th March 2007.

The fair value of the investment was increased by HK$438,569 as at 31st December 2007. The Directors consider the investment will continue to have positive performance in 2008.

Apart from the above, as at 31st December 2007, the Group did not have any significant investments.

Material Acquisitions and Disposals of Subsidiaries/Future Plans for Material Investment

There had been no material acquisitions and disposals during the year. At present, the Group has no plans for material investments or capital assets.

Gearing Ratio

As at 31st December 2007, the Group did not have any long-term debts and its shareholders' funds amounted to approximately HK$38.8 million. In this regard, the Group had a net cash position and its gearing ratio should be zero (net debt to shareholders' funds) as at 31st December 2007.

Liquidity and Financial Resources

The Group generally financed its operations with internally generated cash flows.

As at 31st December 2007, the Group had cash and cash equivalents of approximately HK$30.8 million as compared to approximately HK$36.1 million as at 31st December 2006.

Foreign Exchange Exposure

The functional currency of ThinSoft Pte Ltd, a subsidiary of the Group is Singapore dollar. It is exposed to foreign exchange risk in US dollar mainly arising from the US dollar deposits placed with a reputable bank and the unlisted investment fund in Vietnam which is denominated in US dollar held by ThinSoft Pte Ltd.

To manage the foreign exchange risk arising from recognised assets as mentioned above, the Group took steps to ensure that the US dollar deposits placed with banks and its unlisted investment fund in Vietnam are within the limit set by the Group.

Charges on Group Assets

As at 31st December 2007, the Group did not have any charges on its assets.

Contingent Liability

The Group did not have any significant contingent liabilities as at 31st December 2007.

Segmental Information

The segmental information of the Group's products is set out in the consolidated financial statements on pages 33 to 35.

Employees

As at 31st December 2007, the Group had 17 full-time employees. The aggregate remuneration of the Group's employees, including that of the directors, for the year under review and the previous year amounted to approximately HK$6.3 million and approximately HK$5.8 million respectively. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

Each of the executive Directors has entered into a service contract with the Company for the term of three years commencing from 27th February 2005 and expiring on 26th February 2008 unless terminated by either party giving not less than six month's prior written notice to the other. Subsequent to the date of this report, the term of the above service contracts was further extended for another 3 years, expiring on 26th February 2011. Under the service contracts, after each completed year of service, the remuneration payable to each of them may, subject to the discretion of the directors, be adjusted and each will be entitled to a discretionary bonus provided that the audited consolidated profit after taxation and minority interests (and after the payment of such bonus) but before extraordinary items (the "Profit") of the Group for the relevant year exceeds HK$10 million and further that the total amount of bonuses payable to all the directors for such year shall not exceed 5% of the Profit.

At the date of this report, all share options granted to the employees of the Group pursuant to the Pre-IPO share option scheme adopted by the Company on 2nd February 2002 were lapsed and no share options have been granted under the Post-IPO share option scheme adopted by the Company on 2nd February 2002.

Other remuneration and benefits, including retirement benefits scheme, remained at appropriate level. Particulars are detailed in the relevant section of this report.

Ngiam Mia Hai Bernard

Aged 47, is the executive director and chairman of the Company and is responsible for strategic business planning, overall group management and business development. He has been appointed as an executive director of the Company since 9th October 2001. He is also concurrently responsible for marketing. He is currently an executive director of IPC Corporation Ltd, a company listed on the Singapore Stock Exchange and the controlling shareholder of the Company ("IPC"). He is also a director of ThinSoft Investment Inc and ThinSoft Inc, all being subsidiaries of the Company. Mr. Ngiam received a Bachelor of Business Administration degree from the National University of Singapore in 1985. Mr. Ngiam is the brother of Mr. Ngiam Mia Hong Alfred.

Ngiam Mia Hong Alfred

Aged 44, is an executive director and chief executive officer of the Company and spearheads the Group's research and development programs, including initiating and overseeing all projects. He has been appointed as an executive director of the Company since 9th October 2001. He is currently an executive director of IPC. He is also a director of ThinSoft Investment Inc and ThinSoft Inc, all being subsidiaries of the Company, Mr. Ngiam graduated from the University of Waterloo, Canada with a Bachelor of Mathematics degree and was on the Deans Honours List. Mr. Ngiam is the brother of Mr. Ngiam Mia Hai Bernard.

Chen Tzyh-Trong

Aged 50, is an independent non-executive director of the Company. He has been appointed as an independent non-executive director of the Company since 31st October 2001. He is also the chairman of the audit committee and the remuneration committee and a member of the nomination committee of the Company. Mr. Chen holds a bachelor degree in Laws, from National Taiwan University in Taiwan and a degree of Doctor of Philosophy, from the Faculty of Laws, University of London in the United Kingdom. He was a researcher of a trade organisation in London. He served as a chairman's executive assistant of a public listed company in Hong Kong for several years. He had been working as a secretary general and an executive director of the Taiwan Business Association (Hong Kong) from 2000 to 2004. He was also a vice president of a financial advisory service company in Hong Kong, Currently, he is working as a city's general-affair advisor (part-time) for Taiwan's Taipei City government and a director (part-time) of the Taiwan Business Association (Hong Kong).

Lee Chung Mong

Aged 49, is an independent non-executive director of the Company. He has been appointed as an independent non-executive director of the Company since 31st October 2001. He is also a member of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Lee obtained Ph.D. Degree in Computer Science from the University of Minnesota, USA in 1989. In the same year, he was appointed as Associate, Research Staff in the Institute of Systems Science at National University of Singapore. He had also worked as Professor of Computer Science at The Hong Kong University of Science & Technology for 8 years. In 1999, he was awarded a Teaching Excellence Appreciation Award by the Dean of the School of Engineering of The Hong Kong University of Science and Technology and was elevated as a Senior Member of the Institute of Electrical and Electronics Engineers. He invented the "Method and Apparatus for Verifying a Container Code" and the "Method for Identifying a Sequence of Alphanumeric Characters", which were patented in the United Kingdom and the United States respectively. He is now the chairman and chief executive officer of Asia Vision Technology Ltd.

Yeung Chi Hung

Aged 46, is an independent non-executive director of the Company. He has been appointed as an independent non-excutive director of the Company since 30th September 2004. He is also a member of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. Yeung is a fellow of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales. Mr. Yeung has over 14 years of experience in accounting and auditing. Mr. Yeung is a certified public accountant (practising) in Hong Kong and the managing director of Yeung, Chan & Associates CPA Limited. Mr. Yeung is an independent non-executive director of GreaterChina Technology Group Limited, the shares of which are listed on GEM.

REPORT OF THE DIRECTORS

The directors submit their report together with the audited financial statements of ThinSoft (Holdings) Inc (the "Company") and of the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31st December 2007.

Principal activities and geographical analysis of operations

The principal activity of the Company is investment holding. The activities of the subsidiaries are set out in Note 8 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 5 to the consolidated financial statements.

Results and appropriations

The results of the Group for the year are set out in the consolidated income statement on page 21.

The directors do not recommend the payment of a dividend.

Reserves

Movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and Note 17 to the consolidated financial statements.

Property, plant and equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 7 to the consolidated financial statements.

Share capital

Details of the share capital of the Company are set out in Note 15 to the consolidated financial statements.

Distributable reserves

The Company had no reserves available for cash distribution and/or distribution in specie to shareholders of the Company as at 31st December 2007, as computed in accordance with the Companies Law of the Cayman Islands. The Company's share premium, with a balance of HK$24,054,063, may be distributed in the form of fully paid bonus shares.

Pre-emptive rights

There is no provision for pre-emptive rights under the Company's articles of association or under the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Five year financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 54.

Purchase, sale or redemption of securities

The Company had not redeemed any of its shares during the year under review. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's shares during the year under review.

Share options

Details of the Company's share option schemes are set out in Note 16 to the consolidated financial statements.

Directors

The directors during the year were:

Executive directors

Ngiam Mia Hai Bernard *(Chairman)*
Ngiam Mia Hong Alfred *(Chief executive officer)*

Independent non-executive directors

Chen Tzyh-Trong
Lee Chung Mong
Yeung Chi Hung

In accordance with Article 87 of the Company's articles of association and as recommended by the nomination committee of the Company, Mr. Yeung Chi Hung and Mr. Chen Tzyh-Trong will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Directors' service contracts

Each of the executive directors has entered into a service contract with the Company for term of three years commencing on 27th February 2005 and expiring on 26th February 2008 unless terminated by either party giving not less than six month's prior written notice to the other. Subsequent to the date of this report, the term of the above service contracts was further extended for another 3 years, expiring on 26th February 2011.

Details of the appointments of the independent non-executive directors are set out in the Corporate Governance Report.

Save as disclosed in Note 22 to the consolidated financial statements, there were no other emoluments, pension and any compensation arrangements for the directors and past directors as referred to in Sections 161 and 161A of the Hong Kong Companies Ordinance (Chapter 32 of the laws of Hong Kong).

The Company confirms that it has received from each of its independent non-executive directors a confirmation of his independence pursuant to Rule 5.09 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules") and the Company considers the independent non-executive directors to be independent.

None of the directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory obligations.

Directors' interests in contracts

Save for transactions as disclosed in Note 27 to the consolidated financial statements, no director of the Company is or was materially interested, either directly or indirectly in any contracts of significance to the Group's business which subsisted at the end of the year or at any time during the year.

Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation

As at 31st December 2007, none of the directors or chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Substantial shareholders' interests and/or short positions in the shares, underlying shares of the Company

As at 31st December 2007, the following person had interests and/or short positions in the shares and underlying shares of the Company which was recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long position in ordinary shares of the Company:

Name	Capacity and nature of interest	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
IPC Corporation Ltd ("IPC")	Directly beneficially owned	375,000,000	74.81

As at 31st December 2007, each of Ngiam Mia Hai Bernard and Ngiam Mia Hong Alfred directly held approximately 1.4% and 1.3%, respectively, in the issued share capital of IPC.

Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin are the brothers of Ngiam Mia Hai Bernard and Ngiam Mia Hong Alfred. As at 31st December 2007, Ngiam Mia Je Patrick, Ngiam Mia Kiat Benjamin and Essex Investment (Singapore) Pte Ltd (whose entire issued share capital is held by Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin in the proportion of 50:50) together beneficially owned approximately 12.2% of the issued share capital of IPC.

Save as disclosed above, as at 31st December 2007, no person had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

Major suppliers and customers

During the year, sales to the Group's five largest customers accounted for approximately 43% of the Group's total sales for the year and sales to the largest customer included therein accounted for approximately 21% of the Group's total sales.

Purchases from the Group's five largest suppliers accounted for approximately 96.5% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 72% of the Group's total purchases.

None of the directors, their associates or any shareholder (which to the best knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the Group's five largest suppliers or customers noted above.

Connected and related party transactions

Details of the related party transactions for the year are set out in Note 27 to the consolidated financial statements. Pursuant to rule 20.65(4) of the GEM Listing Rules, the transaction disclosed in note 27(i) to the financial statements constitutes financial assistance to the Company which is exempted from the reporting, announcement and independent shareholders' requirements of the Listing Rules. The transactions disclosed in of note 27(a)(i) to (a)(iii) constitute continuing connected transactions that are exempt under rule 20.33 of the GEM Listing Rules. Save as disclosed therein, there were no other transaction to be disclosed as connected and related party transactions in accordance with the requirements of the GEM Listing Rules and Hong Kong Financial Reporting Standards.

Competing business

None of the directors, the management shareholders (as defined in the GEM Listing Rules) of the Company or any of their respective associates (as defined in the GEM Listing Rules) has engaged in any businesses that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict of interests with the Group during the year.

Auditor

In April 2007, Ernst & Young resigned as auditor of the Company and PricewaterhouseCoopers were appointed as the auditor of the Company to fill the causal vacancy.

The consolidated financial statements have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Ngiam Mia Hai Bernard
Chairman

Hong Kong
13th February 2008

CORPORATE GOVERNANCE REPORT

Introduction

The Company has complied with all the code provisions on Corporate Governance Practices as set out in the GEM Listing Rules by establishing formal and transparent procedures to protect and maximise the interests of shareholders during the period under review.

Directors' securities transactions

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31st December 2007.

Board of Directors and board meeting

The board of Directors, which currently comprises five Directors, is responsible for corporate strategy, annual and interim results, succession planning, risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters. Major corporate matters that are specifically delegated by the board of Directors to the management include the preparation of annual and interim financial statements for board approval before public reporting, execution of business strategies and initiatives adopted by the board of Directors, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Details of backgrounds and qualifications of the chairman of the Company and the other Directors are set out in the Report of the Directors. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. Mr. Ngiam Mia Hai Bernard is the chairman of the board of Director and an executive Director and Mr. Ngiam Mia Hong Alfred is the chief executive officer of the Company and an executive Director. Mr. Ngiam Mia Hai Bernard is Mr. Ngiam Mia Hong Alfred's brother. Apart from this, there is no relationship among the members of the board of Directors.

To improve the transparency and independency of the corporate governance of the Company, the chairman and chief executive officer of the Company are segregated and are not exercised by the same individual since August 2005.

The Company appointed three independent non-executive Directors who have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of shareholders. Mr. Chen Tzyh-Trong, Mr. Lee Chung Mong and Mr. Yeung Chi Hung are the independent non-executive Directors. Their respective term of appointment is for a term of two years commencing from 30 September 2006, determinable by either party serving not less than one month's written notice on the other, unless both parties agree otherwise.

All directors of the Company are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's articles of association.

The Company arranged appropriate insurance cover in respect of legal actions against directors.

The board of Directors held a full board meeting for each quarter.

Details of the attendance of the board of Directors are as follows:–

Directors	Attendance
Mr. Ngiam Mia Hai Bernard	4/4
Mr. Ngiam Mia Hong Alfred	4/4
Mr. Chen Tzyh-Trong	4/4
Mr. Lee Chung Mong	4/4
Mr. Yeung Chi Hung	4/4

Apart from the above regular board meetings of the year, the board of Directors will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision and minutes of committee meetings in advance of each board meeting.

Remuneration of directors

The remuneration committee was established in August 2005. The chairman of the committee is Mr. Chen Tzyh-Trong, an independent non-executive Director, and other members include Mr. Lee Chung Mong, Mr. Yeung Chi Hung and Mr. Ngiam Mia Hai Bernard, the majority being independent non-executive Directors.

The role and function of the remuneration committee included the determination of the specific remuneration packages of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the board of the remuneration of non-executive Directors. The remuneration committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

During the year under review, a meeting of the remuneration committee was held on 30th October 2007. Details of the attendance of the remuneration committee meeting are as follows:–

Members	Attendance
Mr. Chen Tzyh-Trong	1/1
Mr. Lee Chung Mong	1/1
Mr. Yeung Chi Hung	1/1
Mr. Ngiam Mia Hai Bernard	1/1

The remuneration committee of the Company has considered and reviewed the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors. The remuneration committee of the Company considers that the existing terms of employment contracts of the executive Directors and appointment letters of the independent non-executive Directors are fair and reasonable.

Nomination of directors

The nomination committee was established in August 2005. The chairman of the committee is Mr. Ngiam Mia Hai Bernard, the chairman of the Company, and other members include Mr. Chen Tzyh-Trong, Mr. Lee Chung Mong and Mr. Yeung Chi Hung, all are independent non-executive Directors.

The role and function of the nomination committee included the recommendation on appointment and removal of Directors.

The nomination committee considered the past performance, qualification, general market conditions and the Company's articles of association in selecting and recommending candidates for directorship during the year under review.

During the year under review, a meeting of the nomination committee was held on 30th October 2007 for discussing and approving the nomination of Directors. Details of the attendance of the meeting are as follows:–

Members	Attendance
Mr. Ngiam Mia Hai Bernard	1/1
Mr. Chen Tzyh-Trong	1/1
Mr. Lee Chung Mong	1/1
Mr. Yeung Chi Hung	1/1

During the meeting, the members of the nomination committee considered and resolved that all the existing Directors shall be recommended to be retained by the Company. Further, in accordance with the Company's articles of association, Mr. Yeung Chi Hung and Mr. Chen Tzyh-Trong will retire, and being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company.

Auditor's remuneration

The audit committee of the Company is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year under review, the Group has paid an aggregate of HK$1,135,766 for audit services and HK$18,945 for non-audit services to the external auditor for their services including audit and taxation services.

Audit committee

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises three members, Mr. Chen Tzyh-Trong, Mr. Lee Chung Mong, and Mr. Yeung Chi Hung. All of them are independent non-executive Directors. The chairman of the audit committee is Mr. Chen Tzyh-Trong.

The audit committee held 4 meetings during the year under review. Details of the attendance of the audit committee meetings are as follows:–

Members	Attendance
Mr. Chen Tzyh-Trong	4/4
Mr. Lee Chung Mong	4/4
Mr. Yeung Chi Hung	4/4

Members of the audit committee considered the retirement of Ernst & Young as auditor of the Company, which took effect in April 2007, and discussed and approved the proposal of the appointment of PricewaterhouseCoopers as the auditor of the Company to fill the vacancy.

The Group's unaudited quarterly and interim results and annual audited results during the year ended 31st December 2007 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

Directors' and auditor's responsibilities for financial statements

The Directors' responsibilities for the financial statements and the responsibilities of the external auditor are set out on page 18 of this report.

Internal control

The Company has conducted a review of its system of internal control periodically to ensure the effective and adequate internal control system. The Company convened meetings periodically to discuss all material controls, including financial, operational and compliance controls and risk management functions.

Investors relations

The Company has disclosed all necessary information to the shareholders in compliance with GEM Listing Rules. Meetings are held with media and investors periodically. The Company also replied the enquiries from shareholders timely. The Directors host the annual general meeting each year to meet the shareholders and answer to their enquiries.

羅兵咸永道會計師事務所

PricewaterhouseCoopers
33/F., Cheung Kong Center
2 Queen's Road Central
Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888

To the shareholders of ThinSoft (Holdings) Inc
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of ThinSoft (Holdings) Inc (the "Company") and its subsidiaries (together, the "Group") set out on pages 19 to 53, which comprise the consolidated and company balance sheets as at 31st December 2007, and the consolidated income statement, 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 notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2007 and of the Group's profit 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 13th February 2008

CONSOLIDATED BALANCE SHEET

As at 31st December 2007

	Note	2007 HK$	2006 HK$
Non-current assets			
Deferred development expenditure	6	–	–
Property, plant and equipment	7	–	–
Available-for-sale financial assets	11	9,056,816	817,521
Deferred income tax assets	19	628,490	2,649,270
		9,685,306	3,466,791
Current assets			
Inventories	12	315,970	332,291
Trade receivables	13	398,076	416,084
Prepayments, deposits and other receivables		321,144	1,012,109
Cash and cash equivalents	14	30,830,192	36,058,765
		31,865,382	37,819,249
Total assets		41,550,688	41,286,040
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	15	25,062,750	25,062,750
Share premium		11,347,425	8,634,598
Other reserves	17(a)	10,930,469	9,329,559
Accumulated losses		(8,584,607)	(8,955,231)
Total equity		38,756,037	34,071,676
Current liabilities			
Trade payables	18	357,084	392,915
Accruals for legal and professional fee		1,171,935	3,831,927
Other accrued liabilities and other payables		1,151,411	1,485,331
Amount due to the ultimate holding company	27	–	703,174
Tax payable		114,221	801,017
Total current liabilities		2,794,651	7,214,364
Total equity and liabilities		41,550,688	41,286,040
Net current assets		29,070,731	30,604,885
Total assets less current liabilities		38,756,037	34,071,676

Director
Ngiam Mia Hai Bernard

Director
Ngiam Mia Hong Alfred

The Notes on pages 24 to 53 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31st December 2007

	Note	2007 HK$	2006 HK$
Non-current assets			
Investments in subsidiaries	*8*	**22,122,527**	20,075,886
Current assets			
Prepayments, deposits and other receivables		**312,949**	308,935
Amounts due from subsidiaries	*27*	**42,246**	–
Cash and cash equivalents	*14*	**7,353,078**	3,104,293
		7,708,273	3,413,228
Total assets		**29,830,800**	23,489,114
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*15*	**25,062,750**	25,062,750
Share premium	*17(b)*	**24,054,063**	21,341,236
Accumulated losses	*17(b)*	**(20,008,543)**	(26,522,486)
Total equity		**29,108,270**	19,881,500
Current liabilities			
Accrued liabilities and other payables		**722,530**	3,607,614
Total equity and liabilities		**29,830,800**	23,489,114
Net current assets/(liabilities)		**6,985,743**	(194,386)
Total assets less current liabilities		**29,108,270**	19,881,500

Director
Ngiam Mia Hai Bernard

Director
Ngiam Mia Hong Alfred

The Notes on pages 24 to 53 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2007

	Note	2007 HK$	2006 HK$
Revenue	20	**17,194,119**	20,580,131
Cost of sales	21	**(2,481,538)**	(3,891,040)
Gross profit		**14,712,581**	16,689,091
Other income	20	**1,404,505**	1,256,948
Selling and distribution costs	21	**(1,236,076)**	(650,603)
Administrative expenses	21	**(11,759,141)**	(11,018,061)
Provision for impairment loss of an available-for-sale financial asset	11,21	**(591,966)**	–
Profit before income tax		**2,529,903**	6,277,375
Income tax expense	23	**(2,159,279)**	(1,500,810)
Profit for the year and attributable to equity holders of the Company	24	**370,624**	4,776,565
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in Hong Kong cent per share)			
Basic	25	**0.07**	0.95
Diluted	25	**0.07**	0.92

The Notes on pages 24 to 53 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2007

	Attributable to equity holders of the Company						
	Share capital HK$	Share premium HK$	Capital reserve HK$	Currency translation reserve HK$	Available-for-sale financial assts HK$	Accumulated losses HK$	Total HK$
Balance at 1st January 2006	25,062,750	8,634,598	6,840,000	1,225,684	–	(13,731,796)	28,031,236
Currency translation differences	–	–	–	1,263,875	–	–	1,263,875
Profit for the year	–	–	–	–	–	4,776,565	4,776,565
Balance at 31st December 2006	25,062,750	8,634,598	6,840,000	2,489,559	–	(8,955,231)	34,071,676
Balance at 1st January 2007	25,062,750	8,634,598	6,840,000	2,489,559	–	(8,955,231)	34,071,676
Currency translation differences	–	–	–	1,162,341	–	–	1,162,341
Revaluation *(Note 11)*	–	–	–	–	438,569	–	438,569
Profit for the year	–	–	–	–	–	370,624	370,624
Total recognised income for the year	–	–	–	1,162,341	438,569	370,624	1,971,534
Reversal of over-provision of share issuance costs *(Note)*	–	2,712,827	–	–	–	–	2,712,827
Balance at 31st December 2007	**25,062,750**	**11,347,425**	**6,840,000**	**3,651,900**	**438,569**	**(8,584,607)**	**38,756,037**

Note: The Group incurred share issuance costs of approximately HK$16.9 million upon its listing on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2002, which were charged against the share premium account at the time of listing. During the year ended 31st December 2007, the Directors made a reversal to reverse the over-provided share issuance costs of HK$2,712,827. This reversal has been credited to the share premium account.

The Notes on pages 24 to 53 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2007

	Note	2007 HK$	2006 HK$
Cash flows from operating activities			
Cash generated from operations	26	1,474,381	6,106,749
Income tax paid		(875,947)	(206,298)
Net cash generated from operating activities		598,434	5,900,451
Cash flows from investing activities			
Purchase of available-for-sale financial asset	11	(8,027,710)	–
Interest received	20	1,352,692	1,256,948
Net cash (used in)/generated from investing activities		(6,675,018)	1,256,948
Net (decrease)/increase in cash and cash equivalents		(6,076,584)	7,157,399
Cash and cash equivalents at beginning of year		36,058,765	27,655,280
Exchange differences		848,011	1,246,086
Cash and cash equivalents at end of year	14	30,830,192	36,058,765

The Notes on pages 24 to 53 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December 2007

1. General information

ThinSoft (Holdings) Inc (the "Company") is an investment holding company. The principal activities of the Company and its subsidiaries (together the "Group") are the development and distribution of Thin Computing solutions and related products.

ThinSoft (Holdings) Inc is a limited liability company incorporated in the Cayman Islands. The principal place of business of the Company is located at Room 2818, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong and the address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in units of Hong Kong dollars, unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 13th February 2008.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of ThinSoft (Holdings) Inc have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

New/revised standard, amendment and interpretations that are relevant to the Group's operations and effective for the year ended 31st December 2007

Amendment to HKAS 1, Presentation of Financial Statements – Capital Disclosures (effective for annual periods beginning on or after 1st January 2007). The amendment introduces new disclosures for managing capital. This amendment does not have any material impact on the classification of the Group's consolidated financial statements.

HKFRS 7, Financial Instruments: Disclosures (effective for annual periods beginning on or after 1st January 2007). HKFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any material impact on the classification and valuation of the Group's financial instruments.

HK(IFRIC) – Int 8, Scope of HKFRS 2 (effective for annual periods beginning on or after 1st May 2006). HK(IFRIC) – Int 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of HKFRS 2. HK(IFRIC) – Int 8 does not have any impact on the Group's consolidated financial statements.

HK(IFRIC) – Int 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1st June 2006). HK(IFRIC) – Int 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. As the Group's entities have not changed the terms of their contracts, HK(IFRIC) – Int 9 does not have any material impact on the Group's consolidated financial statements.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

New/revised standard, amendment and interpretations that are relevant to the Group's operations and effective for the year ended 31st December 2007 (continued)

HK(IFRIC) – Int 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1st November 2006). HK(IFRIC) – Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. HK(IFRIC) – Int 10 does not have any significant impact on the Group's consolidated financial statements.

New/revised standards and interpretation relevant to the Group's operation that have been issued but not yet effective for 2007 and have not been early adopted by the Group

HKAS 1 (Revised), Presentation of Financial Statements (effective for annual periods beginning on or later 1st January 2009). HKAS 1 (Revised) sets out new changes from previous requirements for disclosure and presentation of financial statements. It requires an entity to present three statements of financial position in a complete set of financial statements if an entity has made a prior year adjustment. It also requires all changes in equity arising from transactions with owners in their capacity as owners and related current and deferred tax should be presented separately from non-owner changes in equity; and recognised income and expenses shall be presented in a single statement (a statement of comprehensive income) or in two statements (a statement of profit or loss and a statement of comprehensive income) separately from owner changes in equity. The expected impact is still being assessed in detail by management.

HKAS 23 (Revised), Borrowing Costs (effective for annual periods beginning on or after 1st January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. This amendment does not have any material impact on the Group's consolidated financial statements.

HKFRS 8, Operating Segments (effective for annual periods beginning on or after 1st January 2009). HKFRS 8 sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates and its major customers. The new standard requires "management approach", under which segment information is presented on the same basis as that used for internal reporting purpose. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

HK(IFRIC) – Int 11, HKFRS 2: Group and Treasury Share Transactions (effective for annual periods beginning on or after 1st March 2007). HK(IFRIC) – Int 11 provides guidance on whether share-based payment arrangements, in which suppliers of goods or services of an entity are provided with equity instruments of the entity's parent, should be accounted for as cash-settled or equity-settled in the entity's financial statements. HK(IFRIC) – Int 11 is not expected to have a material impact on the Group's consolidated financial statements.

New interpretation that is effective for the year ended 31st December 2007 but not relevant to the Group's operations

HK(IFRIC) – Int 7, Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1st March 2006). HK(IFRIC) – Int 7 provides guidance on how to apply the requirements of HKAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when that economy was not hyperinflationary in the prior period, and the entity therefore restates its financial statements in accordance with HKAS 29. Since the Group does not operate in a hyperinflationary economy of its functional currency, HK(IFRIC) – Int 7 does not have any impact on the Group's consolidated financial statements.

2. Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

New interpretations that is not effective for the year ended 31st December 2007 and not relevant to the Group's operations

HK(IFRIC) – Int 12, Service Concession Arrangements (effective for annual periods beginning 1st January 2008). This interpretation applies to public-to-private service concession arrangements if the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and the grantor controls-through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement; and infrastructure used in a public-to-private service. This interpretation has no impact on the Group's consolidated financial statements.

HK(IFRIC) – Int 13, Customer Loyalty Programmes (effective for annual periods beginning 1st July 2008). This Interpretation applies to customer loyalty award credits that an entity grants to its customers as part of a sales transaction, i.e. a sale of goods, rendering of services or use by a customer of entity assets and subject to meeting any further qualifying conditions, the customers can redeem in the future for free or discounted goods or services. This interpretation has no impact on the Group's consolidated financial statements.

HK(IFRIC) – Int 14, HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning 1st January 2008). HK(IFRIC) – Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. As the Group does not have any defined benefit plan, this interpretation has no impact on the Group's consolidated financial statements.

2.2 Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31st December.

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the merger accounting method as follows:

Business combination under common control

The consolidated financial statements incorporate the financial statements of the combining entities in which the common control combination occurs as if they had been consolidated from the date when they first came under the control of the controlling party. They are de-consolidated from the date that control ceases.

The net assets of those combining entities are consolidated using the existing book values from the controlling parties perspective. No amount is recognised in respect of goodwill or excess of acquirers interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination to the extent of the contribution of the controlling party's interest. All differences between the aggregate nominal value of share capital of the subsidiaries acquired over the nominal value of share capital of the Company issued as consideration in exchange have been recognised directly in equity as capital reserve.

The consolidated income statement includes the results of each of the consolidated entities since the date when, the consolidated entities first came under common control regardless of the date of the common control combination.

2. Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses (Note 2.7). The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those segments operating in other economic environments.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Group's presentation currency. In prior years, the Company regarded Hong Kong dollar as its functional currency. During the year ended 31st December 2007, the Directors reassessed the Company's functional currency based on the guidance contained in Hong Kong Accounting Standard 21 "The Effects of Changes in Foreign Exchange Rates", and concluded that the functional currency of the Company to be US dollar. However, as the effect of this change is not material to the Company's financial statements for the current and prior years, the Directors are of the opinion that no retrospective adjustment is necessary to be made to the financial statements.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

– all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

2. Summary of significant accounting policies (continued)

2.5 Deferred development expenditure

All research costs are charged to the income statement as incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the expected economic useful lives of the underlying products, subject to a maximum period of five years commencing in the year when the products are put into commercial production. The software development expenditure is amortised over a period of three years whereas the website development expenditure is amortised over a period of five years.

Useful lives and amortisation method are reviewed and adjusted if appropriate, at each balance sheet date.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives of five years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated income statement.

2.7 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified as "trade receivables" and "cash and cash equivalents" in the balance sheet (Notes 2.10 and 2.11).

2. Summary of significant accounting policies (continued)

2.8 Financial assets (continued)

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

All financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 2.10.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling and distribution costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and distribution costs in the income statement.

2. Summary of significant accounting policies (continued)

2.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

2.12 Share capital

Ordinary shares are classified as equity.

2.13 Trade payables

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

2.14 Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.15 Employee benefits

(a) Pension obligations

Group companies operate various defined contribution pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds. A defined contribution plan is a pension plan under which the Group pays contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. Contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Bonus plans

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2. Summary of significant accounting policies (continued)

2.16 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of the Group's activities. Revenue is shown net of allowance for return and trade discounts, and applicable goods and services taxes and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and the title has passed.

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.17 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk, cash flow and fair value interest rate risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by the finance department which identifies and evaluates financial risks in close co-operation within the Group.

(a) Market risk

(i) Foreign exchange risk

ThinSoft Pte Ltd, a subsidiary of the Group which the functional currency is Singapore dollar, is exposed to foreign exchange risk in US dollar. Foreign exchange risk of this subsidiary mainly arises from the US dollar deposits placed with a reputable bank and the unlisted investment fund in Vietnam which is denominated in US dollar held by ThinSoft Pte Ltd.

To manage the foreign exchange risk arising from recognised assets as mentioned above, the Group ensures that the US dollar deposits placed with banks and its unlisted investment fund in Vietnam are within the limit set by the Group.

At 31st December 2007, if US dollar had weakened/strengthened by 10% against the Singapore dollar with all other variables held constant, post-tax profit for the year would have been HK$1,619,955 (2006:HK$2,359,413) lower/higher, mainly as a result of foreign exchange gains/losses on translation of bank deposits and trade receivables which are denominated in US dollars held by ThinSoft Pte Ltd, Available-for-sales financial assets reserve as at 31st December 2007 would have been HK$880,357 lower/higher, mainly arising from the investment in a Vietnam fund which is denominated in US dollars held by ThinSoft Pte Ltd.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet as available-for-sale. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

(iii) Cash flow and fair value interest rate risk

The Group's exposure to changes in interest rates is mainly attributable to its cash and cash equivalents. In view of the short maturity of its bank deposits, impact from changes in interest rates is considered to be minimal. Available-for-sale financial assets and other financial assets and liabilities do not have material interest rate risk.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. For banks and financial institutions, deposits are only placed with reputable banks. For credit exposures to customers, Group management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

As at 31st December 2006 and 2007, no customers are rated independently.

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and cash equivalents and available-for-sale financial assets. The Group maintains its liquidity mainly through funding generated from the daily operation of its subsidiaries.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated balance sheet.

During 2007, the Group's strategy, which was unchanged from 2006, was to maintain a gearing ratio of zero. The gearing ratios at 31st December 2007 and 2006 were zero as the Group has no borrowing or debt.

3.3 Fair value estimation

The fair value of the unlisted investment fund in Vietnam is determined with reference to the market price of the equity investments comprising the portfolio of the fund. The Group adopted the quotation provided by the issuer as its best estimate.

The fair value of the unlisted equity investment in Hong Kong is determined with reference to its share of the net tangible assets of the unlisted equity company as at the year ended 31st December 2007. The Group considered the net tangible asset value of the unlisted equity investment would be equal to the fair value of the unlisted equity investment.

The carrying value less impairment provision of trade receivables and payables are a reasonable approximation of their fair values.

4. Critical 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 amounts of assets and liabilities within the next financial year are discussed below.

(a) Impairment of available-for-sale financial assets

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset is impaired. The determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. The fair value of an unlisted equity investment in Hong Kong as at 31st December 2007 is below its cost by HK$591,966. Such decline in value is considered to be significant and prolonged and therefore it is recognised as an impairment loss of an available-for-sale financial asset for the year ended 31st December 2007.

5. Segment information

(a) Primary reporting format – business segments

At 31st December 2007, the Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(i) the software segment is a supplier of the Group's software solutions;

(ii) the engineering segment engages in the provision of engineering services;

(iii) the upgrade kits segment comprises the sale of the Group's Thin client solutions related to hardware peripherals and accessories; and

(iv) the vertical market solutions segment provides the Group's Thin client solutions for several vertical market applications such as call centres, kiosks, point-of-sale and industrial applications.

The segment results for year ended 31st December 2007 are as follows:

	Software HK$	Engineering HK$	Upgrade kits HK$	Vertical market solutions HK$	Unallocated HK$	Group HK$
Total segment revenue	14,055,469	975,319	3,320,261	85,699	–	18,436,748
Inter-segment revenue	–	(975,319)	(267,310)	–	–	(1,242,629)
Revenue	14,055,469	–	3,052,951	85,699	–	17,194,119
Operating profit/(loss)	5,814,781	–	1,219,112	(12,198)	(5,304,331)	1,717,364
Other income						1,404,505
Provision for impairment loss of an available-for-sale financial asset *(Note 11)*						(591,966)
Profit before income tax						2,529,903
Income tax expense *(Note 23)*						(2,159,279)
Profit for the year						370,624

5. Segment information (continued)

(a) Primary reporting format – business segments (continued)

The segment results for year ended 31st December 2006 are as follows:

	Software HK$	Engineering HK$	Upgrade kits HK$	Vertical market solutions HK$	Unallocated HK$	Group HK$
Total segment revenue	13,140,585	1,989,000	6,416,326	1,545,018	–	23,090,929
Inter-segment revenue	–	(1,989,000)	(521,798)	–	–	(2,510,798)
Revenue	13,140,585	–	5,894,528	1,545,018	–	20,580,131
Operating profit/(loss)	7,383,745	–	2,632,847	(162,753)	(4,833,412)	5,020,427
Other income						1,256,948
Profit before income tax						6,277,375
Income tax expense *(Note 23)*						(1,500,810)
Profit for the year						4,776,565

Inter-segment revenues are charged at prices mutually agreed among relevant parties.

Segment assets consist primarily of inventories, trade receivables, prepayments, deposits and other receivables. Unallocated assets mainly comprise deferred income tax, available-for-sale financial assets and cash and cash equivalents.

Segment liabilities comprise trade payables. Unallocated liabilities comprise items such as tax payable and accrued liabilities and other payables.

The segment assets and liabilities at 31st December 2007 are as follows:

	Business segment					
	Software HK$	**Engineering HK$**	**Upgrade kits HK$**	**Vertical market solutions HK$**	**Unallocated HK$**	**Group HK$**
Assets	**406,271**	**–**	**315,970**	**–**	**40,828,447**	**41,550,688**
Liabilities	**–**	**–**	**519,869**	**13,553**	**2,261,229**	**2,794,651**

Segment assets and liabilities are reconciled to consolidated assets and liabilities as follows:

	Assets HK$	**Liabilities HK$**
Segment assets/liabilities	**722,241**	**533,422**
Unallocated:		
Deferred tax	**628,490**	**–**
Current tax	**–**	**114,221**
Available-for-sale financial assets	**9,056,816**	**–**
Cash and cash equivalents	**30,830,192**	**–**
Others	**312,949**	**2,147,008**
Total	**41,550,688**	**2,794,651**

5. Segment information (continued)

(a) Primary reporting format – business segments (continued)

The segment assets and liabilities at 31st December 2006 are as follows:

	Business segment					
	Software HK$	Engineering HK$	Upgrade kits HK$	Vertical market solutions HK$	Unallocated HK$	Group HK$
Assets	1,119,258	–	332,291	–	39,834,491	41,286,040
Liabilities	–	–	967,514	15,227	6,231,623	7,214,364

Segment assets and liabilities are reconciled to consolidated assets and liabilities as follows:

	Assets HK$	Liabilities HK$
Segment assets/liabilities	1,451,549	982,741
Unallocated:		
Deferred tax	2,649,270	–
Current tax	–	801,017
Available-for-sale financial asset	817,521	–
Cash and cash equivalents	36,058,765	–
Others	308,935	5,430,606
Total	41,286,040	7,214,364

(b) Secondary reporting format – geographical segments

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

The Group's revenue is mainly generated within Europe and the United States ("US").

Revenue	**2007 HK$**	2006 HK$
Europe	**8,121,793**	7,237,206
US	**6,232,865**	9,729,104
Asia Pacific except Hong Kong, China and Singapore	**1,890,286**	1,316,281
Hong Kong and China	**133,312**	55,022
Singapore	**31,139**	31,247
Other countries	**784,724**	2,211,271
	17,194,119	20,580,131

Revenue is allocated based on the country in which the customer is located.

Total assets	**2007 HK$**	2006 HK$
Singapore	**16,687,592**	24,857,605
Vietnam	**8,803,077**	–
US	**8,035,132**	12,094,858
Hong Kong and China	**8,024,887**	4,333,577
	41,550,688	41,286,040

Total assets are allocated based on where the assets are located.

6. Deferred development expenditure

Group

	Software development expenditure HK$	Website development expenditure HK$	Total HK$
Cost:			
At 1st January 2006, 31st December 2006 and 31st December 2007	20,573,121	1,761,427	22,334,548
Accumulated amortisation:			
At 1st January 2006, 31st December 2006 and 31st December 2007	(20,573,121)	(1,761,427)	(22,334,548)
Net book value:			
At 31st December 2007 and 2006	–	–	–

7. Property, plant and equipment

Group

	Office equipment HK$	Plant and machinery HK$	Furniture and fittings HK$	Total HK$
At 1st January 2006				
Cost	103,362	222,000	23,400	348,762
Accumulated depreciation	(101,999)	(222,000)	(23,400)	(347,399)
Net book amount	1,363	–	–	1,363
Year ended 31st December 2006				
Opening net book amount	1,363	–	–	1,363
Exchange differences	51	–	–	51
Depreciation *(Note 21)*	(1,414)	–	–	(1,414)
Closing net book amount	–	–	–	–
At 31st December 2006				
Cost	108,014	239,472	23,400	370,886
Accumulated depreciation	(108,014)	(239,472)	(23,400)	(370,886)
Net book amount	–	–	–	–
Year ended 31st December 2007				
Opening net book amount	–	–	–	–
Depreciation *(Note 21)*	–	–	–	–
Closing net book amount	–	–	–	–
At 31st December 2007				
Cost	108,014	239,472	23,400	370,886
Accumulated depreciation	(108,014)	(239,472)	(23,400)	(370,886)
Net book amount	–	–	–	–

Depreciation expense of Nil (2006: HK$1,414) has been charged in administrative expenses in the consolidated income statement for the year ended 31st December 2007.

8. Investments in subsidiaries

	Company 2007 HK$	2006 HK$
Unlisted shares, at cost *(Note (a))*	**12,856,638**	12,856,638
Amounts due from subsidiaries *(Note (b))*	**12,565,889**	20,009,248
	25,422,527	32,865,886
Impairment for an amount due from a subsidiary	**(3,300,000)**	(12,790,000)
	22,122,527	20,075,886

Movements on the provision for impairment of an amount due from a subsidiary are as follows:

	2007 HK$	2006 HK$
At 1st January	**12,790,000**	13,000,000
Provision for receivable impairment	**–**	445,000
Reversal of provision for receivable impairment	**(8,770,000)**	–
Unwind of discount	**(720,000)**	(655,000)
At 31st December	**3,300,000**	12,790,000

The provision for impairment of an amount due from a subsidiary was concluded from the assessment of the cash flow position of that subsidiary, which takes into consideration of the forecast of the performance and business development of that subsidiary, performed by management.

The maximum exposure to credit risk at the reporting date is the fair value of the amounts due from subsidiaries mentioned above.

(a) The following is a list of subsidiaries as at 31st December 2007:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital	Interest held
ThinSoft Investment Inc ("ThinSoft BVI")	British Virgin Islands ("BVI"), limited liability company	Investment holding in Hong Kong	100 ordinary shares of 1 US dollar each	100%[1]
ThinSoft Inc	BVI, limited liability company	Holding of intellectual properties in Hong Kong	1 ordinary shares of 1 US dollar each	100%
ThinSoft Pte Ltd	Singapore, limited liability company	Development and distribution of Thin Computing solutions and related products in Singapore	1,500,000 ordinary shares of 1 Singapore dollar each	100%
ThinSoft (USA) Inc	United States of America ("US"), limited liability company	Development and distribution of Thin Computing solutions and related products in the US	1 ordinary shares of 0.01 US dollar each	100%

[1] Shares held directly by the Company.

(b) The amounts due from subsidiaries are interest-free, unsecured and with no fixed term of repayment (2006: Same).

9. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

Group

	Loans and receivables HK$	**Available-for-sale financial assets** HK$	**Total** HK$
Assets as per consolidated balance sheet			
31st December 2007			
Available-for-sale financial assets *(Note 11)*	–	9,056,816	9,056,816
Trade receivables *(Note 13)*	398,076	–	398,076
Cash and cash equivalents *(Note 14)*	30,830,192	–	30,830,192
Total	31,228,268	9,056,816	40,285,084
31st December 2006			
Available-for-sale financial asset *(Note 11)*	–	817,521	817,521
Trade receivables *(Note 13)*	416,084	–	416,084
Cash and cash equivalents *(Note 14)*	36,058,765	–	36,058,765
Total	36,474,849	817,521	37,292,370

	Other financial liabilities HK$
Liabilities as per consolidated balance sheet	
31st December 2007	
Trade payables *(Note 18)*	357,084
31st December 2006	
Trade payables *(Note 18)*	392,915
Amount due to the ultimate holding company *(Note 27)*	703,174
Total	1,096,089

Company

	Loans and receivables HK$
Assets as per company balance sheet	
31st December 2007	
Amounts due from subsidiaries *(Note 8 and 27)*	9,308,135
Cash and cash equivalents *(Note 14)*	7,353,078
Total	16,661,213
31st December 2006	
Amounts due from subsidiaries *(Note 8)*	7,219,248
Cash and cash equivalents *(Note 14)*	3,104,293
Total	10,323,541

10. Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

Trade receivables

	2007	2006
	HK$	HK$
Counterparties without external credit rating		
Group 1	**–**	–
Group 2	**398,076**	416,084
Total trade receivables	**398,076**	416,084

Group 1 – new customers (less than 6 months).
Group 2 – existing customers (more than 6 months) with no defaults in the past.

11. Available-for-sale financial assets

Group

	2007	2006
	HK$	HK$
Beginning of the year	**817,521**	757,875
Net gains transfer to equity	**438,569**	–
Exchange differences	**364,982**	59,646
Provision for impairment loss	**(591,966)**	–
Addition	**8,027,710**	–
End of the year	**9,056,816**	817,521

Available-for-sale financial assets include the following:

	2007	2006
	HK$	HK$
Unlisted equity investment in Hong Kong	**253,739**	817,521
Unlisted investment fund in Vietnam	**8,803,077**	–
	9,056,816	817,521

There were no disposals of available-for-sale financial assets in 2007 or 2006. An impairment loss of HK$591,966 on the unlisted equity investment in Hong Kong is recognised in the consolidated income statement for the year ended 31st December 2007 (2006: Nil).

The unlisted equity investments in Hong Kong and Vietnam are denominated in Hong Kong and US dollars respectively.

The unlisted investment fund in Vietnam is stated at fair value which is based on the market value of the equity investments, which are listed either on Hochiminh Stock Exchange and Ha Noi Stock Exchange, composing the portfolio as at 31st December 2007.

The unlisted equity investment in Hong Kong, which is engaged in the software development business in China, is stated at fair value which is based on its share of the total net tangible assets of the unlisted equity company as at 31st December 2007.

The maximum exposure to credit risk of the available-for-sale financial assets at the reporting date is the carrying value of the unlisted equity investment in Hong Kong and the fair value of the unlisted investment fund in Vietnam.

12. Inventories

Group

	2007 HK$	2006 HK$
Raw materials	**315,970**	328,560
Finished goods	**–**	3,731
	315,970	332,291

The cost of inventories recognised as an expense and included in cost of sales amounted to HK$527,826 (2006: HK$2,022,086).

13. Trade receivables

Group

	2007 HK$	2006 HK$
Trade receivables	**398,076**	416,084
Less: provision for impairment of receivables	**–**	–
Trade receivables – net	**398,076**	416,084

The majority of the Group's sales are on-line sales through the Internet paid by credit cards. The remaining amounts are with credit terms of 60 days.

	Group	
	2007 HK$	2006 HK$
0 – 30 days	**380,352**	403,566
31 to 60 days	**3,930**	8,817
61 to 90 days	**13,794**	3,701
	398,076	416,084

Trade receivables that are less than three months past due are not considered impaired. They belong to the age group of 61 to 90 days of the above aging analysis.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2007 HK$	2006 HK$
US dollar	**377,291**	401,011
Other currencies	**20,785**	15,073
	398,076	416,084

The maximum exposure to credit risk at the reporting date is the fair value of trade receivables mentioned above. The Group does not hold any collateral as security.

14. Cash and cash equivalents

Cash and cash equivalents include the following for the purposes of the cash flow statement:

	Group		Company	
	2007	2006	**2007**	2006
	HK$	HK$	**HK$**	HK$
Cash at bank and in hand	**15,210,088**	1,188,809	**7,353,078**	352,613
Short-term bank deposits	**15,620,104**	34,869,956	**–**	2,751,680
	30,830,192	36,058,765	**7,353,078**	3,104,293
Maximum exposure to credit risk	**30,830,192**	36,058,765	**7,353,078**	3,104,293

The effective interest rate on short-term bank deposits was 4.04% (2006: 3.95%); these deposits have maturity ranged from 1 day to 30 days.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2007	2006	**2007**	2006
	HK$	HK$	**HK$**	HK$
US dollar	**28,682,677**	32,638,232	**5,466,574**	–
Hong Kong dollar	**1,991,625**	3,207,122	**1,886,504**	3,104,293
Singapore dollar	**155,890**	213,411	**–**	–
	30,830,192	36,058,765	**7,353,078**	3,104,293

15. Share capital

	Number of ordinary shares of HK$0.05 each	**Nominal value** HK$
Authorised:		
At 1st January 2006, 31st December 2006 and 31st December 2007	2,000,000,000	100,000,000
Issued and fully paid:		
At 1st January 2006, 31st December 2006 and 31st December 2007	501,255,000	25,062,750

16. Share option schemes

(a) Pre-IPO share option scheme

The Company has a pre-IPO share option scheme (the "Pre-Scheme"). On 2nd February 2002, the Pre-Scheme was approved pursuant to a written resolution of the sole shareholder of the Company. The purpose of the Pre-Scheme is to recognise the contribution of certain directors, employees, consultants and advisers of the Group to the growth of the Group and/or the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM"). The Company had granted pre-IPO share options to 26 employees (including four executive directors of the Company) of the Group to subscribe for a total of 52,600,000 shares, representing in aggregate approximately 10.52% of the then issued share capital of the Company immediately following the completion of the placing and the capitalisation issue, at a subscription price ranging from 20% to 70% of the issue price of HK$0.40 per placing share. Factors taken into consideration for the discount are based on the seniority, contributions and as part of the remuneration package to the relevant grantee. No further share options had been granted under the Pre-Scheme after listing of the Company's shares on the GEM. All these share options were granted on 2nd February 2002 and may be exercised in the following manner:

16. Share option schemes (continued)

(a) Pre-IPO share option scheme (continued)

(i) 50% of the share options so granted to him/her (rounded down to the nearest whole number) after the expiry of 12 months from 27th February 2002, the date on which the Company's shares are first listed on the GEM;

(ii) 25% of the share options so granted to him/her (rounded down to the nearest whole number) after the expiry of 24 months from 27th February 2002; and

(iii) the remaining 25% of the share options so granted to him/her (rounded down to the nearest whole number) after the expiry of 36 months from 27th February 2002,

and in each case, not later than five years from 2nd February 2002 (date of acceptance of the share options).

Each grantee has paid HK$1 to the Company as the consideration for such grant.

The Pre-Scheme contains no provision on the maximum entitlement of a grantee under the Pre-Scheme. The following share options were outstanding under the Pre-Scheme during the year:

	Number of share options					
Name of participant	At 1st January 2007	Exercised during the year	Lapsed during the year	At 31st December 2007	Exercise period of share options	Exercise price of share options HK$
Directors						
Ngiam Mia Hai Bernard	3,800,000	–	(3,800,000)	–	27th February 2003 to 1st February 2007	0.08
	1,900,000	–	(1,900,000)	–	27th February 2004 to 1st February 2007	0.08
	1,900,000	–	(1,900,000)	–	27th February 2005 to 1st February 2007	0.08
	7,600,000	–	(7,600,000)	–		
Ngiam Mia Hong Alfred	3,600,000	–	(3,600,000)	–	27th February 2003 to 1st February 2007	0.08
	1,800,000	–	(1,800,000)	–	27th February 2004 to 1st February 2007	0.08
	1,800,000	–	(1,800,000)	–	27th February 2005 to 1st February 2007	0.08
	7,200,000	–	(7,200,000)	–		
Former director						
William Michael Driscoll	1,800,000	–	(1,800,000)	–	27th February 2003 to 1st February 2007	0.08
	900,000	–	(900,000)	–	27th February 2004 to 1st February 2007	0.08
	900,000	–	(900,000)	–	27th February 2005 to 1st February 2007	0.08
	3,600,000	–	(3,600,000)	–		

16. Share option schemes (continued)

(a) Pre-IPO share option scheme (continued)

Name of participant	Number of share options: At 1st January 2007	Exercised during the year	Lapsed during the year	At 31st December 2007	Exercise period of share options	Exercise price of share options HK$
Directors of subsidiaries						
Ngiam Mia Je Patrick	1,800,000	–	(1,800,000)	–	27th February 2003 to 1st February 2007	0.08
	900,000	–	(900,000)	–	27th February 2004 to 1st February 2007	0.08
	900,000	–	(900,000)	–	27th February 2005 to 1st February 2007	0.08
	3,600,000	–	(3,600,000)	–		
Ngiam Mia Kiat Benjamin	1,800,000	–	(1,800,000)	–	27th February 2003 to 1st February 2007	0.08
	900,000	–	(900,000)	–	27th February 2004 to 1st February 2007	0.08
	900,000	–	(900,000)	–	27th February 2005 to 1st February 2007	0.08
	3,600,000	–	(3,600,000)	–		
Lauw Hui Kian	1,800,000	–	(1,800,000)	–	27th February 2003 to 1st February 2007	0.08
	900,000	–	(900,000)	–	27th February 2004 to 1st February 2007	0.08
	900,000	–	(900,000)	–	27th February 2005 to 1st February 2007	0.08
	3,600,000	–	(3,600,000)	–		
Other employees						
In aggregate	8,095,000	–	(8,095,000)	–	27th February 2003 to 1st February 2007	0.08
	4,275,000	–	(4,275,000)	–	27th February 2004 to 1st February 2007	0.08
	4,275,000	–	(4,275,000)	–	27th February 2005 to 1st February 2007	0.08
	16,645,000	–	(16,645,000)	–		
	500,000	–	(500,000)	–	27th February 2003 to 1st February 2007	0.20
	650,000	–	(650,000)	–	27th February 2004 to 1st February 2007	0.20
	650,000	–	(650,000)	–	27th February 2005 to 1st February 2007	0.20
	1,800,000	–	(1,800,000)	–		
	47,645,000	–	(47,645,000)	–		

16. Share option schemes (continued)

(a) Pre-IPO share option scheme (continued)

Note: The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

As at the balance sheet date, all the share options granted under the Pre-Scheme had lapsed upon expiration.

(b) Post-IPO share option scheme

On 2nd February 2002, a further share option scheme (the "Post-Scheme") was approved pursuant to a written resolution of the Company. The purpose of the Post-Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Post-Scheme include directors of the Company or any of its subsidiaries, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, or minority shareholder in the Company's subsidiaries.

The maximum number of shares of the Company which may be issued upon exercise of the options which may be granted under the Post-Scheme is 50,000,000, representing approximately 9.97% of the issued share capital of the Company as at the balance sheet date.

The total number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Post-Scheme and other schemes (including the Pre-Scheme) of the Company must not exceed 30% of the Company's shares in issue at any time. A nominal consideration of HK$1 is payable by the grantee upon acceptance of a grant.

The subscription price for shares under the Post-Scheme may be determined by the board of directors at its absolute discretion but in any event will not be less than the higher of: (i) the nominal value of the shares; (ii) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a business day; and (iii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the relevant share option.

Any grant of share options to a director, chief executive, substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive directors (excluding the independent non-executive director who is the grantee). Any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting. In addition, any share options granted to any one person in excess of 1% of the shares of the Company in issue at any time within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The share options granted may be exercised at any time during the period commencing immediately after the date on which the option is deemed to be granted and accepted and expiring on a date to be determined and notified by the board of directors which shall not be more than 10 years from the date on which the share option is deemed to be granted and accepted. The Post-Scheme remains in force for a period of 10 years with effect from 2nd February 2002. No share options were granted by the Company under the Post-Scheme as at 31st December 2007 and up to the date of approval of these financial statements.

The Group elected not to apply HKFRS 2 Share-based Payments to equity instruments that were granted on or before 7th November 2002.

17. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 22 of the consolidated financial statements.

The share premium account of the Group represents the excess of proceeds received over the nominal value of the Company's shares issued, less amounts attributable to the capitalisation issue and share issue expenses.

The capital reserve of the Group represents the difference between the aggregate nominal value of share capital of the subsidiaries acquired by the Company pursuant to the Group reorganisation prior to the listing of the Company's shares over the nominal value of share capital of the Company issued as consideration in exchange thereof.

(b) Company

	Share premium HK$ *(Note)*	**Accumulated losses** HK$	**Total** HK$
At 1st January 2006	21,341,236	(24,026,868)	(2,685,632)
Loss for the year *(Note 24)*	–	(2,495,618)	(2,495,618)
At 31st December 2006	21,341,236	(26,522,486)	(5,181,250)
Reversal of over-provision of share issuance costs	2,712,827	–	2,712,827
Profit for the year *(Note 24)*	–	6,513,943	6,513,943
At 31st December 2007	**24,054,063**	**(20,008,543)**	**4,045,520**

Note: The share premium account of the Company includes: (i) the shares of the Company issued at a premium; and (ii) the excess of the then consolidated net assets of the subsidiaries acquired pursuant to the Group reorganisation over the nominal value of the Company's shares issued in exchange thereof. Under the Companies Law of the Cayman Islands, the share premium account is distributable to the 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 and when they fall due in the ordinary course of business.

18. Trade payables

Group

At 31st December 2007 and 2006, the aging analysis of the trade payables, based on the invoice date, were as follows:

	2007 **HK$**	2006 HK$
0 – 30 days	**18,256**	17,808
31 to 60 days	–	1,658
61 to 90 days	–	1,612
91 to 180 days	**338,828**	371,837
	357,084	392,915

19. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The details are as follows:

	Group	
	2007	2006
	HK$	HK$
Deferred tax assets to be recovered after more than 12 months	**628,490**	2,649,270

The gross movement on the deferred income tax account is as follows:

	Group	
	2007	2006
	HK$	HK$
Beginning of the year	**2,649,270**	3,377,400
Exchange difference	**1,056**	–
Income statement charge *(Note 23)*	**(2,021,836)**	(728,130)
End of the year	**628,490**	2,649,270

Deferred tax asset:

	Group		
	Accelerated tax depreciation	**Tax losses**	**Total**
	HK$	HK$	HK$
At 1st January 2006	122,126	3,255,274	3,377,400
Income statement charge	(63,821)	(664,309)	(728,130)
At 31st December 2006	58,305	2,590,965	2,649,270
Exchange difference	19	1,037	1,056
Income statement charge	(58,324)	(1,963,512)	(2,021,836)
At 31st December 2007	–	628,490	628,490

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$1,780,281 (2006: HK$1,260,411) in respect of losses amounting to HK$10,173,032 (2006: HK$7,202,347) that can be carried forward against future taxable income. The tax losses do not have expiry dates.

20. Revenue and other income

An analysis of the Group's turnover, which represents revenue from the sales of goods, and other income is as follows:

	2007 HK$	2006 HK$
Revenue:		
Sale of goods	**17,194,119**	20,580,131
Bank interest income	**1,352,692**	1,256,948
Sundries	**51,813**	–
	1,404,505	1,256,948
Total	**18,598,624**	21,837,079

21. Expenses by nature

	2007 HK$	2006 HK$
Costs of raw materials sold	**527,826**	2,022,086
Auditor's remuneration	**976,261**	667,329
Depreciation *(Note 7)*	**–**	1,414
Employee benefits expenses (including directors' remuneration) *(Note 22)*	**6,293,429**	5,800,420
Operating lease payments	**401,144**	379,796
Provision for impairment loss of an available-for-sale financial asset *(Note 11)*	**591,966**	–
Net foreign exchange loss	**928,512**	1,400,958
Others	**6,349,583**	5,287,701
Total cost of sales, selling and distribution costs, administrative expenses and provision for impairment loss of an available-for-sale financial asset	**16,068,721**	15,559,704

22. Employee benefit expenses (including directors' emoluments)

	2007	2006
	HK$	HK$
Wages and salaries	**6,016,917**	5,556,303
Pension costs – defined contribution plans *(Note a)*	**276,512**	244,117
	6,293,429	5,800,420

(a) Pensions – defined contribution plans

At 31st December 2007, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2006: Nil).

(b) Directors' and senior management's emoluments

The remuneration of each Director for the year ended 31st December 2007 is set out below:

Name of Director	**Fees**	**Salaries, allowances, and benefits in kind**	**Pension scheme contributions**	**Total**
	HK$	**HK$**	**HK$**	**HK$**
Ngiam Mia Hai Bernard	–	**1,098,440**	**38,487**	**1,136,927**
Ngiam Mia Hong Alfred	–	**1,098,440**	**38,487**	**1,136,927**

The remuneration of each Director for the year ended 31st December 2006 is set out below:

Name of Director	Fees	Salaries, allowances, and benefits in kind	Pension scheme contributions	Total
	HK$	HK$	HK$	HK$
Ngiam Mia Hai Bernard	–	1,036,934	34,336	1,071,270
Ngiam Mia Hong Alfred	–	1,036,934	34,336	1,071,270

There was no arrangement under which a director waived or agreed to waive any emoluments during the current and prior years.

22. Employee benefit expenses (including directors' emoluments) (continued)

(c) Independent non-executive directors' emoluments

The remuneration of each independent non-executive Director for the year ended 31st December 2007 is set out below:

Name of independent non-executive Director	Fees HK$	Salaries, allowances, and benefits in kind HK$	Pension scheme contributions HK$	Total HK$
Chen Tzyh-Trong	**150,000**	–	–	**150,000**
Lee Chung Mong	**150,000**	–	–	**150,000**
Yeung Chi Hung	**150,000**	–	–	**150,000**

The remuneration of each independent non-executive Director for the year ended 31st December 2006 is set out below:

Name of independent non-executive Director	Fees HK$	Salaries, allowances, and benefits in kind HK$	Pension scheme contributions HK$	Total HK$
Chen Tzyh-Trong	150,000	–	–	150,000
Lee Chung Mong	150,000	–	–	150,000
Yeung Chi Hung	150,000	–	–	150,000

(d) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2006: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2006: three) non-directors during the year are as follows:

	2007 HK$	2006 HK$
Basic salaries, other allowances and benefits in kind	**1,342,271**	1,195,344

The emoluments fell within the following bands:

	Number of individuals 2007	2006
Emolument bands		
Nil – HK$1,000,000	**3**	3

23. Income tax expense

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising in Hong Kong during the year (2006: Nil).

ThinSoft Pte Ltd, a wholly-owned subsidiary incorporated in Singapore, is subject to Singapore income tax. Singapore income tax has been provided at the rate of 18% (2006: 20%) on the estimated assessable profit arising in Singapore for the year.

ThinSoft (USA) Inc is a wholly-owned subsidiary incorporated in the State of Delaware in the United States of America. During the year ended 31st December 2007, it has been operating in the states of New York and California in the United States of America and is subject to United States federal income tax at progressive rates ranging from 15% to 39%, New York state corporate tax at a rate of 7.5% and California state corporate tax at a rate of 8.84%, on its estimated assessable profits arising on a worldwide basis.

	2007 HK$	2006 HK$
Current income tax		
– Hong Kong	**–**	–
– Overseas taxation	**137,443**	772,680
Deferred income tax *(Note 19)*	**2,021,836**	728,130
	2,159,279	1,500,810

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit of the consolidated entities as follows:

	2007 HK$	2006 HK$
Profit before income tax	**2,529,903**	6,277,375
Tax calculated at domestic tax rates applicable to profits in the respective countries	**1,407,010**	1,724,840
Income not subject to tax	**(132,543)**	(183,223)
Expenses not deductible for tax	**364,942**	623,602
Utilisation of previously unrecognised tax losses	**–**	(664,409)
Tax loss not recognised	**519,870**	–
Tax charge	**2,159,279**	1,500,810

The weighted average applicable tax rate is 55.6% (2006: 35.2%).

24. Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$6,513,943 (2006: loss of HK$2,495,618).

25. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007 **HK$**	2006 HK$
Profit attributable to equity holders of the Company	**370,624**	4,776,565
Weighted average number of ordinary shares in issue (thousands)	**501,255**	501,255
Basic earnings per share (HK cents per share)	**0.07**	0.95

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2007 **HK$**	2006 HK$
Profit attributable to equity holders of the Company	**370,624**	4,776,565
Weighted average number of ordinary shares in issue (thousands)	**501,255**	501,255
Adjustments for: – share options (thousands)	**1,732**	20,225
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**502,987**	521,480
Diluted earnings per share (HK cents per share)	**0.07**	0.92

26. Cash generated from operations

	2007 HK$	2006 HK$
Profit before income tax	**2,529,903**	6,277,375
Adjustments for:		
– Interest income *(Note 20)*	**(1,352,692)**	(1,256,948)
– Depreciation *(Note 7)*	**–**	1,414
– Provision for impairment loss of an available-for-sale financial asset *(Note 11)*	**591,966**	–
	1,769,177	5,021,841
Changes in working capital:		
Inventories	**16,321**	184,549
Trade receivables	**18,008**	78,573
Prepayments, deposits and other receivables	**690,965**	(690,664)
Trade payables	**(35,831)**	135,193
Accruals for legal and professional fee	**52,835**	242,959
Other accrued liabilities and other payables	**(333,920)**	431,124
Amount due to the ultimate holding company	**(703,174)**	703,174
Net cash generated from operating activities	**1,474,381**	6,106,749

27. Related party transactions

The Group is controlled by IPC Corporation Ltd ("IPC") (incorporated and listed in Singapore) which owns approximately 74.81% of the Company's shares as at 31st December 2007. The directors regard IPC as the Group's ultimate parent.

The following transactions were carried out with related parties:

(a) Purchases of goods and services

	Note	2007 HK$	2006 HK$
Purchases of goods from the ultimate holding company	*(i)*	**–**	3,018
Provision of management services from the ultimate holding company	*(ii)*	**186,528**	176,083
Rental expenses paid to the ultimate holding company	*(iii)*	**373,055**	352,166
		559,583	531,267

Notes:

(i) Purchases of goods from the ultimate holding company were charged at prices mutually agreed between both parties.

(ii) The management fees were paid at S$3,000 (approximately equivalent to HK$15,544) (2006: HK$14,674) per month. It is charged with reference to the costs incurred in respect of, inter alia, the provision of office space and equipment and other overheads.

(iii) The rental expenses were charged by the ultimate holding company at prices mutually agreed between both parties.

In the opinion of the directors of the Company, the above related party transactions were entered into by the Group in the ordinary course of business.

27. Related party transactions (continued)

(b) Key management compensation

	2007 HK$	2006 HK$
Salaries and other short-term employee benefits	**2,646,880**	2,523,868
Post-employment benefits	**76,974**	68,672
	2,723,854	2,592,540

(c) Year-end balances with the related parties

(i) Amount due from the ultimate holding company

As at 31st December 2006, the amount due to the ultimate holding company, which was denominated in Singapore dollars, was interest-free, unsecured and repayable on demand. The amount was fully repaid during the year.

(ii) Amounts due from subsidiaries

The amounts due from subsidiaries are interest-free, unsecured and repayable on demand.

FIVE YEAR FINANCIAL SUMMARY

The following is a summary of the consolidated results and the consolidated assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements.

Results

	Year ended 31st December				
	2007	2006	2005	2004	2003
	HK$	HK$	HK$	HK$	HK$
				(Restated)	
Revenue	**17,194,119**	20,580,131	17,405,935	17,972,049	19,215,548
Cost of sales	**(2,481,538)**	(3,891,040)	(3,648,676)	(15,435,204)	(18,334,948)
Gross profit	**14,712,581**	16,689,091	13,757,259	2,536,845	880,600
Other income	**1,404,505**	1,256,948	539,959	292,062	286,533
Selling and distribution costs	**(1,236,076)**	(650,603)	(415,879)	(123,245)	(282,116)
Administrative expenses	**(11,759,141)**	(11,018,061)	(8,715,654)	(10,261,072)	(12,680,828)
Provision for impairment loss of an available-for-sale financial asset	**(591,966)**	–	–	–	–
Other operating expenses	**–**	–	(16,741)	(247,855)	–
Profit/(loss) before income tax	**2,529,903**	6,277,375	5,148,944	(7,803,265)	(11,795,811)
Income tax (expense)/credit	**(2,159,279)**	(1,500,810)	3,173,876	112,321	231,447
Profit/(loss) for the year	**370,624**	4,776,565	8,322,820	(7,690,944)	(11,564,364)

Assets and liabilities

	As at 31st December				
	2007	2006	2005	2004	2003
	HK$	HK$	HK$	HK$	HK$
				(Restated)	
Non-current assets	**9,685,306**	3,466,791	4,136,638	4,959	8,508,996
Current assets	**31,865,382**	37,819,249	28,932,146	23,990,639	23,185,932
Current liabilities	**(2,794,651)**	(7,214,364)	(5,037,548)	(4,287,182)	(4,915,548)
	38,756,037	34,071,676	28,031,236	19,708,416	26,779,380

Note: The figures for the year ended 31st December 2004 had been restated pursuant to the adoption of Hong Kong Financial Reporting Standards. Figures for the year ended 31st December 2003 have not been restated as it would involve delay and expenses out of proportion to the benefit to equity holders.