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 2009

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

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

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.

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

BUSINESS REVIEW AND PROSPECTS

ThinSoft (Holdings) Inc ("ThinSoft" or the "Company") and its subsidiaries (the "Group") completed a challenging year in 2009.

The Group managed its operation throughout the year of 2009 with significant attention to expense containment in line with the revenue stream by tightening cost control. However, maintaining viable operations in today's economic environment is challenging for business of any size. The sale to the Group's target customer base, particularly small to medium sized enterprises which comprise the most significant portion, have softened compared to a year ago.

The challenges facing the Group's software business unit in 2009 paralleled those of many in the consumer technology arena, worldwide. Global PC shipments, for example, fell 12 percent during the year and reflected a distinct lack of consumer spending. In the United States, consumer confidence remained approximately 30 percent below pre-recession levels.

These factors depressed sales of the Group's software products. We note with some optimism that Microsoft, after reporting a decline in sales in the third quarter of the year, claimed that Windows 7 sales exploded in the fourth quarter with over 60 million copies. As the Group reported in its Third Quarter report, ThinSoft released of its new, Windows 7-ready software which again demonstrated the Group's market leadership in new-product development. The Group remains dedicated to improving its top line Turnover, Gross Profit and bottom line income with continued emphases on new software product development.

As discussed in the interim results of the Group for the six months ended 30th June 2009 and for the nine months ended 30th September 2009, the existing business has been under pressure in view of the general global economic downturn. While management of the Group has expressed its optimism about existing software business of the Group, customers of the Group tend to be discretionary when they allocate resources in IT development, in particular when the economic conditions turn adverse, thus bringing certain instability to the demand for the Group's products. The Group has therefore always been interested in looking for opportunity for the Group to diversify the existing business into a new line of business with significant growth potential in order to diversify the Group's revenue stream and to enhance share value.

The Directors considered that the acquisition of new line of oil related business in the People Republic of China ("PRC") will allow the Group to capture the persistent strong demand for oil energy in the PRC and would provide better growth to the Group's business. On 14th December 2009, the Company, as purchaser, entered into a non-legally binding memorandum of understanding in respect of possible acquisition (the "Possible Acquisition") of the entire equity interest in Smooth Joy International Limited (the "Smooth Joy"). Smooth Joy, after the completion of reorganization, will principally be engaged in trading, marketing and wholesaling of fuel oil and related products and equipped with oil depots and wharfs and its related facilities in the Southern and Eastern Region of PRC. On 26th January 2010, the Company entered into a formal sale and purchase agreement in relation to the Possible Acquisition. Please refer to the Company's announcement dated 14th December 2009, 27th January 2010 and 5th February 2010 for the details of the Possible Acquisition. Further details of the Possible Acquisition will be announced by the Company in due course.

Nevertheless, the Group shall keep continuing the development of its software solution that could improve the total cost of ownership of customers' investments. In addition, the Group will continue to focus on pursuing the above mentioned investment opportunity which should enhance the Group's performance and returns to shareholders.

CHAIRMAN'S STATEMENT

FINANCIAL HIGHLIGHTS

Turnover from the sales of software for the year ended 31st December 2009 decreased by approximately HK$6.91 million to approximately HK$7.46 million when compared to last year of approximately HK$14.37 million. Overall turnover for the year decreased approximately 42% from approximately HK$16.51 million to approximately HK$9.58 million. The significant downturn was mainly from the economic slowdown that most enterprises tightened up their operation budget and the delay of Windows 7 release.

2009 was a year that the economy fell into a deep end and rebound. An additional provision for impairment of HK$0.74 million of the Group's investment in Vietnam was made in the first quarter. Due to the economy gradually recovered in the second half of the year, the Vietnam investment was recorded an appreciation of value by HK$3.14 million which is credited to the reserve account.

The loan to Kiu Hung Energy Holdings Limited ("Kiu Hung") amounting HK$5.5 million has been fully repaid with interest on the due date. Pursuant to the announcement made on 14th December 2009 in relation to the "Memorandum of Understanding in respect of possible acquisition" ("MOU"), a deposit of HK$11.4 million has been made to an independent third party (the "Vendor") in relation to the acquisition.

Overall, the Group recorded an after-tax loss attributable to shareholders for the year to approximately HK$7.43 million compared to a loss of approximately HK$4.45 million in the prior year.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to our shareholders, customers and business partners for their continuing support, as well as the management team and all staff of the Group for their dedication and contribution in the past year.

Yu Won Kong Dennis
Chairman

Hong Kong
25th March 2010

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Yu Won Kong Dennis
Yue Wai Keung

NON-EXECUTIVE DIRECTORS
Chan Kwan Pak
Lam Kit Sun

INDEPENDENT NON-EXECUTIVE DIRECTORS
Chen Tzyh-Trong
Lee Chung Mong
Yeung Chi Hung

AUDIT COMMITTEE
Chen Tzyh-Trong
Lee Chung Mong
Yeung Chi Hung

REMUNERATION COMMITTEE
Chen Tzyh-Trong
Lee Chung Mong
Yeung Chi Hung

NOMINATION COMMITTEE
Chen Tzyh-Trong
Lee Chung Mong
Yeung Chi Hung

COMPLIANCE OFFICER/COMPANY SECRETARY
So Kin Wing

AUTHORISED REPRESENTATIVE
So Kin Wing

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
6/F, New Henry House
10 Ice House Street,
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

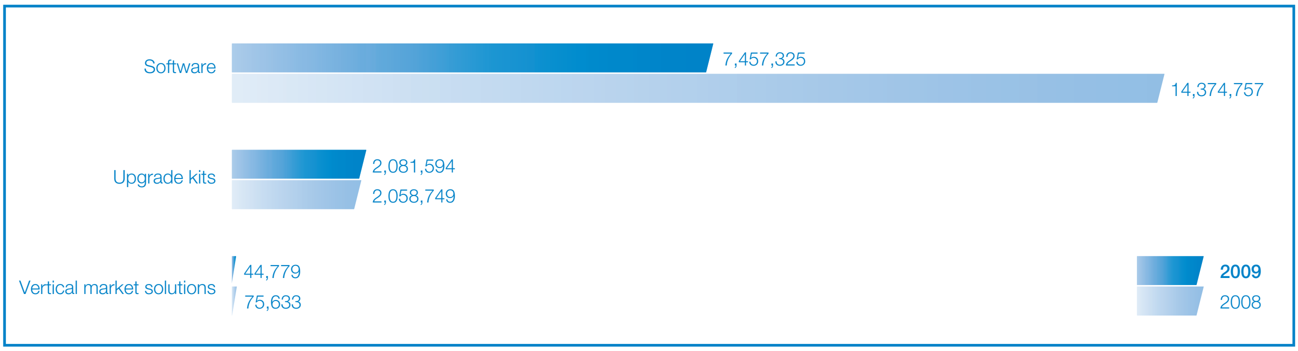
PRINCIPAL BANKERS
Citibank, N.A.
DBS Bank (Hong Kong) Limited

STOCK CODE
8096

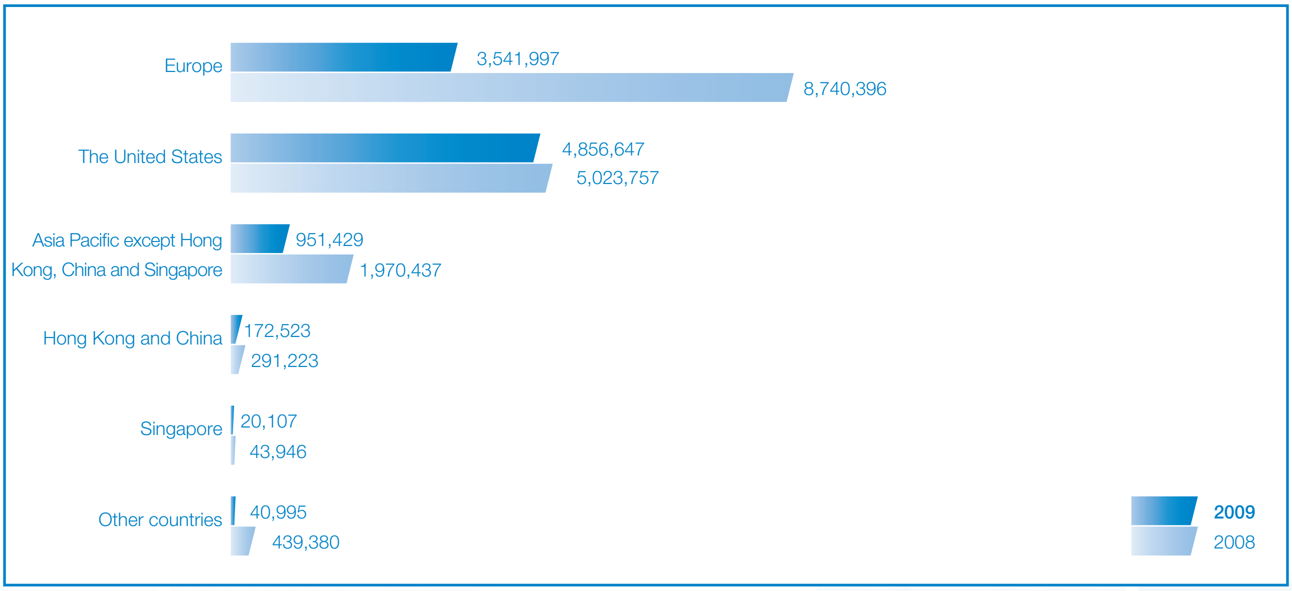
FINANCIAL HIGHLIGHTS

	Year ended 31st December 2009 HK$	2008 HK$
Results		
Turnover	**9,583,698**	16,509,139
Loss for the year	**(7,434,885)**	(4,446,880)
Assets and liabilities		
Total assets	**31,160,376**	36,927,757
Total liabilities	**1,346,063**	3,084,732
Shareholders' equity	**29,814,313**	33,843,025

TURNOVER BY PRINCIPAL ACTIVITIES



TURNOVER BY GEOGRAPHICAL



MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS AND BUSINESS REVIEW

The challenges facing the Group's software business unit in 2009 paralleled those of many in the consumer technology arena, worldwide. Global PC shipments, for example, fell 12 percent during the year and reflected a distinct lack of consumer spending. In the United States, consumer confidence remained approximately 30 percent below pre-recession levels.

These factors depressed sales of the Group's software products. Turnover for the year was down 42% to HK$9.6 million from the prior year's level of HK$16.5 million and gross profit was off 44% to HK$8.1 million from HK$14.4 million in the prior year. We note with some optimism that Microsoft, after reporting a decline in sales in the third quarter of the year, claimed that Windows 7 sales exploded in the fourth quarter with over 60 million copies. As the Group reported in its Third Quarter report, ThinSoft released its new Windows 7-ready software which again demonstrated the Group's market leadership in new-product development. The Group remains dedicated to improving its top line Turnover, Gross Profit and bottom line income with continued emphases on new product development.

On 1st December 2008, the Group entered into a loan agreement with Kiu Hung Energy Holdings Limited ("Kiu Hung"), pursuant to which the Group agreed to advance to Kiu Hung a loan of HK$5,500,000 for a period of 12 months. The loan has been fully repaid with interest by Kiu Hung on the due date.

Pursuant to the announcement made on 14th December 2009 in relation to the "Memorandum of Understanding in respect of possible acquisition", the Directors consider that the diversification will provide a reasonable source of income to the Group and also believe that this is an valuable opportunity for the Group to diversify into this new line of oil related business in the PRC by taking into account of the persistent strong demand for oil energy in the PRC, especially in the Southern and Eastern Regions.

FINANCIAL REVIEW

Turnover from the sales of software for the year ended 31st December 2009 decreased by approximately HK$6.91 million to approximately HK$7.46 million when compared to last year of approximately HK$14.37 million. Overall turnover for the year decreased approximately 42% from approximately HK$16.51 million to approximately HK$9.58 million. Most of the reduction in total turnover was attributable to decreased in software sales by 48% compared to last year.

During the year, Europe recorded as largest drop in revenue by geographic market, where turnover amounted to approximately HK$3.54 million compared to HK$8.74 million last year and represented 37% of the Group's total sales. Sales in the United States were steady, which amounted to approximately HK$4.86 million compared to HK$5.02 million last year and represented approximately 51% of the Group's total sales.

Gross profit margin for the year ended 31st December 2009 decreased to approximately 84.3% as compared with approximately 86.9% in the corresponding previous year. The lower margins were attributable to higher cost of sales in relation to the software segment.

Administrative expenses in the year increased by approximately 13.74% to approximately HK$14.69 million when compared to approximately HK$12.92 million incurred in the previous year. The increase was mainly due to rental for head office and the relevant expenses like traveling incurred for the exploration of diversification of business.

In addition, adjustments to the fair value of the Group's available-for-sale financial assets resulted in a net charge to impairment provisions of approximately HK$0.74 million in the current year.

The Group consequently registered a loss attributable to shareholders for the year of approximately HK$7.43 million compared to a loss of approximately HK$4.45 million in the prior year.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group continues to be in a healthy financial position. Cash and bank balances as at 31st December 2009 was approximately HK$11.45 million (2008: approximately HK$24.97 million). The reason for the decrease is due to a deposit of HK$11.4 million made pursuant to the announcement made on 14th December 2009 in relation to the "Memorandum of Understanding in respect of possible acquisition". The Company and the Group had no bank borrowings and long-term debts as at 31st December 2009 (2008: Nil).

CAPITAL STRUCTURE

Pursuant to the Extraordinary General Meeting held on 4th November 2009, it is resolved to subdivide the Company shares, each of the issued and unissued shares of HK$0.05 in the share capital of the Company be and is hereby subdivided into five shares of HK$0.01 each with effect from 5th November 2009. The capital of the Company comprises only ordinary shares.

SIGNIFICANT INVESTMENTS

The fair value of the 100,000 shares in Vietnam Emerging Market Fund Limited investment increased by HK$2.40 million as at 31st December 2009. A provision for impairment loss of HK$0.74 million of the Group's investment in Vietnam was made in the first quarter. Due to the economy gradually recovered in the second half of the year, the Vietnam investment was recorded an appreciation of value by HK$3.14 million which is credited to the reserve account.

On 1st December 2008, a wholly-owned subsidiary of the Company, ThinSoft Investment Holdings Limited, entered into a loan agreement with Kiu Hung Energy Holdings Ltd. ("Kiu Hung"), pursuant to which the Company agreed to advance to Kiu Hung a loan of HK$5.50 million for a period of 12 calender months. The effective interest rate of the loan is 11% per annum. The loan was repaid in full with the interest on due date.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES/FUTURE PLANS FOR MATERIAL INVESTMENT

On 14th December 2009, the Company entered into a non-legally binding MOU with the Vendor in relation to the possible acquisition of the entire equity interest in Smooth Joy International Limited. The estimated consideration will range between RMB1.2 billion and RMB1.5 billion (approximately HK$1,368 million and HK$1,710 million, respectively). Upon signing of the MOU, the Company paid an amount of RMB10 million (approximately HK$11,400,000) as deposit paid for the proposed acquisition.

GEARING RATIO

As at 31st December 2009, the Group did not have any long-term debts and its shareholders' funds amounted to approximately HK$29.81 million. In this regard, the Group had a net cash position and its gearing ratio was zero (net debt to shareholders' funds) as at 31st December 2009.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 31st December 2009, the Group had cash and cash equivalents of approximately HK$11.45 million as compared to approximately HK$24.97 million as at 31st December 2008.

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.

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 are within the limit set by the Group.

CHARGES ON GROUP ASSETS

As at 31st December 2009, 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 2009.

SEGMENTAL INFORMATION

The segmental information of the Group's products is set out in Note 5 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES

As at 31st December 2009, the Group had 16 full-time employees. The aggregate remuneration of the Group's employees, including that of the directors, for the year and the previous year amounted to approximately HK$10.43 million and approximately HK$7.44 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 two years commencing from 11th August 2008 and expiring on 12th August 2010 unless terminated by either party giving not less than three months' prior written notice to the other. Under the service contracts, after each completed year of service, the remuneration payable to each of them will be reviewed and approved by the Remuneration Committee and the board of Directors.

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.

Remuneration of employees is generally in line with the market trend and commensurate with the salary level in the industry. Other benefits to the Group's employees include retirement schemes.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

YU WON KONG DENNIS

Aged 60, is the chairman of the Company, has over 20 years of experience in financial investment field. From 2003 to 2006, Mr. Yu was a director of Fortuna International Holdings Limited, a company listed on the Stock Exchange. During the period from 1995 to 2003, he acted as executive director respectively in several listed companies in Australia, Frankfurt and NASDAQ and was responsible for identifying acquisition targets, raising fund, and monitoring those companies' direct investment activities in the PRC. Mr. Yu is also the executive director and chief executive officer of Kiu Hung Energy Holdings Limited, a company listed on the Stock Exchange.

YUE WAI KEUNG

Aged 57, is an executive director of the Company, is a member of Shantou Committee of the Chinese People's Political Consultative Conference and a director of The Overseas Teo Chew Entrepreneurs Association. He is the chairman of Luen Fat Securities Company Limited as well as a director of a number of privately-held securities and financial service companies. Mr. Yue has over 30 years of experience in the securities and futures industry. He is the vice chairman of Hong Kong Securities Professionals Association, an honorary advisor of The Chamber of Hong Kong Listed Companies and an honorary advisor of Hong Kong Stockbrokers Association Limited. He has also been a member of the Election Committee of Financial Services Sector of Legislative Council of Hong Kong since 2000. He was a member of the Council of the Stock Exchange (from 1993 to 2000), the deputy chairman of Hong Kong Securities Clearing Company Limited (from 1997 to 2000) and a non-executive director of Hong Kong Exchanges and Clearing Limited (from 2000 to 2003), a company whose shares are listed on the Stock Exchange.

CHAN KWAN PAK

Aged 53, a non-executive director of the Company, is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators as well as the Hong Kong Institute of Chartered Secretaries. He holds a Master's degree in business administration. With extensive experience in corporate finance and corporate governance, Mr. Chan is the company secretary of two companies listed on the Main Board of the Stock Exchange. Mr. Chan is an Adjudicator of the Registration of Persons Tribunal of the Hong Kong SAR Government. He is also a Council Member and the Hon. Treasurer of the Internet Professional Association.

LAM KIT SUN

Aged 32, is a non-executive director of the Company, has over 10 years of experience in the field of financial reporting, financial management and audit experience in Greater China area and Hong Kong. Mr. Lam has worked in an international accountancy firm in Hong Kong for over 4 years and has been the company secretary and qualified accountant of China Leason Investment Group Co. Limited, a company listed on GEM. Mr. Lam is a practising member of the Hong Kong Institute of Certificate Public Accountants. Mr. Lam is also the executive director of Kiu Hung Energy Holdings Limited, a company listed on the Stock Exchange.

CHEN TZYH-TRONG

Aged 52, 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).

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

LEE CHUNG MONG

Aged 51, 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. Dr. Lee obtained his Ph.D. Degree in Computer Science from the University of Minnesota, USA. He was a researcher at National University of Singapore and a professor of Computer Science at the Hong Kong University of Science & Technology. 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. and an independent non-executive Director of China Post E-Commerce (Holdings) Limited.

YEUNG CHI HUNG

Aged 48, has been appointed as an independent non-executive 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 15 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.

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 2009.

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 6 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 22.

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 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 14 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 2009, as computed in accordance with the Companies Law of the Cayman Islands. The Company's share premium and other reserve as at 31st December 2009, 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 56.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

REPORT OF THE DIRECTORS

SHARE OPTIONS

Details of the Company's share option scheme are set out in Note 15 to the consolidated financial statements.

DIRECTORS

The directors during the year were:

Executive directors

Yu Won Kong, Dennis
Yue Wai Keung

Non-executive directors

Chan Kwan Pak
Lam Kit Sun

Independent non-executive directors

Chen Tzyh-Trong
Lee Chung Mong
Yeung Chi Hung

In accordance with Articles 86 and 87 of the Company's articles of association and as recommended by the nomination committee of the Company, Mr. Chen Tzyh-Trong, Mr. Yeung Chi Hung and Mr. Lam Kit Sun 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 and non-executive directors has entered into a service contract with the Company for term of two years commencing from 11th August 2008 and expiring on 12th August 2010 unless terminated by either party giving not less than three months' prior written notice to the other.

Each of the independent non-executive directors has entered into a service contract with the Company for one year commencing from 30th September 2009 and expiring on 1st October 2010 unless terminated by either party giving not less than one month's notice prior written notice to the other.

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

Save as disclosed in Note 21 to the consolidated financial statements, there were no other emoluments, pension and any compensation arrangements for the directors and past directors as is specified 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 contracts of significance to the Group's business to which the Company, its holding company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 31st December 2009, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

Name of Directors	Beneficial owner	No. of shares held by controlled corporation	Total	Percentage of the issued share capital of the Company
Mr. Yu Won Kong, Dennis *(Notes 1 & 2)*	3,150,000	1,875,000,000	1,878,150,000	74.94
Mr. Yue Wai Keung *(Notes 1 & 3)*	–	1,875,000,000	1,875,000,000	74.81

Notes:

1. Inno Smart Group Limited is beneficially owned 50% by Daylight Express Investments Limited and 50% by Billion Sky Resources Limited. For the purpose of Part XV of the SFO, each of Daylight Express Investments Limited and Billion Sky Resources Limited is deemed to be interested in the shares of the Company held by Inno Smart Group Limited.

2. Daylight Express Investments Limited is wholly owned by Strong Choice Investments (Holding) Limited, which is in turn wholly owned by Mr. Yu Won Kong Dennis, an executive Director. For the purpose of the Part XV of SFO, Daylight Express Investments Limited is deemed to be interested in the shares of the Company which Strong Choice Investments (Holdings) Ltd is interested in. Mr. Yu Won Kong Dennis is deemed to be interested in the shares of the Company which Daylight Express Investments Limited is interested in.

3. Billion Sky Resources Limited is wholly owned by Mr. Yue Wai Keung, an executive Director. For the purpose of Part XV of SFO, Mr. Yue Wai Keung is deemed to be interested in the shares of the Company which Billion Sky Resources Limited is interested in.

Save as disclosed above, as at 31st December 2009, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of GEM Listing Rules relating to securities transactions by Directors.

SUBSTANTIAL SHAREHOLDERS

As at 31st December 2009, so far as was known to any Directors or chief executive of the Company, the following persons had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, directly or indirectly, interested in five per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital:

Long position in ordinary shares of the Company

Name	Capacity	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Inno Smart Group Limited *(Note 1)*	Beneficial interest	1,875,000,000	74.81%
Strong Choice Investments (Holdings) Limited *(Notes 1 & 2)*	Interest of controlled corporation	1,875,000,000	74.81%
Yu Won Kong, Dennis *(Notes 1 & 2)*	Beneficial interest	3,150,000	0.13%
	Interest of a controlled corporation	1,875,000,000	74.81%
Ho Siu Lan Sandy *(Notes 1 & 2)*	Family interest	1,878,150,000	74.94%
Billion Sky Resources Limited *(Notes 1 & 3)*	Interest of a controlled corporation	1,875,000,000	74.81%
Yue Wai Keung *(Notes 1 & 3)*	Interest of a controlled corporation	1,875,000,000	74.81%
Man Wing Tuen *(Notes 1 & 3)*	Family interest	1,875,000,000	74.81%

Notes:

1. Inno Smart Group Limited is owned as to 50% by Daylight Express Investments Limited and 50% by Billion Sky Resources Limited. For the purpose of Part XV of the SFO, each of Daylight Express Investments Limited and Billion Sky Resources Limited is deemed to be interested in the shares of the Company held by Inno Smart Group Limited.

2. Daylight Express Investments Limited is wholly owned by Strong Choice Investments (Holdings) Limited which is in turn wholly owned by Mr. Yu Won Kong Dennis. Ms. Ho Siu Lan Sandy is the spouse of Mr. Yu Won Kong Dennis. For the purpose of Part XV of the SFO, Daylight Express Investments Limited is deemed to be interested in the shares of the Company which Strong Choice Investments (Holdings) Limited is interested in. Mr. Yu Won Kong Dennis is deemed to be interested in the shares of the Company which Daylight Express Investments Limited is interested in and Ms. Ho Siu Lan Sandy is deemed to be interested in the shares of the Company which Mr. Yu Won Kong Dennis is interested in.

3. Billion Sky Resources Limited is wholly owned by Mr. Yue Wai Keung. Ms. Man Wing Tuen is the spouse of Mr. Yue Wai Keung. For the purpose of Part XV, Mr. Yue Wai Keung is deemed to be interested in the shares of the Company which Billion Sky Resources Limited is interested in and Ms. Man Wing Tuen is deemed to be interested in the shares of the Company which Mr. Yue Wai Keung is interested in.

REPORT OF THE DIRECTORS

Save as disclosed above, there is no person (not being a Director or chief executive of the Company) known to the Directors or chief executive of the Company, who, as at the date of this report, had or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in five per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or had any options in respect of such capital.

Save as disclosed above, as at 31st December 2009, 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 35.49% of the Group's total sales for the year and sales to the largest customer included therein accounted for approximately 13.60% of the Group's total sales.

Purchases from the Group's five largest suppliers accounted for approximately 100% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 71.11% 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

The related party transactions as disclosed in Note 27 to the consolidated financial statements also constitute continuing connected transactions that are exempt under rule 20.33 of GEM Listing Rules prior to the transfer of control to InnoSmart Group Limited in August 2008.

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 substantial shareholders of the Company or any of their respective associates has engaged in any businesses that competes or may compete, either directly or indirectly, with the business of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the year.

AUDITORS

The consolidated financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Yu Won Kong, Dennis
Chairman

Hong Kong
25th March 2010

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.

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 2009.

BOARD OF DIRECTORS AND BOARD MEETING

The board of Directors, which currently comprises seven 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 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 Profiles of Directors and Senior Management. 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. Yu Won Kong Dennis is the chairman of the board of Directors and Mr. Yue Wai Keung is the executive Director of the Company. The Chairman is responsible for providing leadership to the board of Directors and ensuring that the board of Directors works effectively. The executive Director is responsible for the Group's business development and management.

The Company appointed two non-executive Directors and 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. Chan Kwan Pak and Mr. Lam Kit Sun are the non-executive directors and 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 and one year respectively commencing from 11th August 2008 and 30th September 2009, 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. Yu Won Kong Dennis	7/7
Mr. Yue Wai Keung	7/7
Mr. Chan Kwan Pak	6/7
Mr. Lam Kit Sun	7/7
Mr. Chen Tzyh-Trong	6/7
Mr. Lee Chung Mong	4/7
Mr. Yeung Chi Hung	7/7

Apart from the quarterly 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.

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 and Mr. Yeung Chi Hung, all are 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, no meeting of the remuneration committee was held.

NOMINATION OF DIRECTORS

The nomination committee was established in August 2005. The chairman of the committee is Mr. Chen Tzyh-Trong, and other members include 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 considers the past performance, qualification, general market conditions and the Company's articles of association in selecting and recommending candidates for directorship during the year.

During the year, no meeting of the nomination committee was held.

AUDITORS' REMUNERATION

The audit committee of the Company is responsible for considering the appointment of the external auditors and reviewing any non-audit functions performed by the external auditors, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year, the Group has paid an aggregate of HK$498,740 for audit services and HK$15,500 for non-audit services to the external auditors for their services including audit and taxation services.

AUDIT COMMITTEE

The Company has 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. Details of the attendance of the audit committee meetings are as follows:–

Members	Attendance
Mr. Chen Tzyh-Trong	4/4
Mr. Lee Chung Mong	1/4
Mr. Yeung Chi Hung	4/4

The Group's unaudited quarterly results, interim results and annual audited results during the year ended 31st December 2009 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 19 of this report.

INTERNAL CONTROL

The board, through the Audit Committee, has conducted a review of the adequacy and the effectiveness of the Group's internal control systems for the year ended 31st December 2009, covering financial, operational and compliance controls, together with risk management functions.

INVESTORS RELATIONS

The Company has disclosed all necessary information to the shareholders in compliance with GEM Listing Rules. 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.

INDEPENDENT AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong
Telephone (852) 2289 8888
Facsimile (852) 2810 9888
www.pwchk.com

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 20 to 55, which comprise the consolidated and company balance sheets as at 31st December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory 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 judgment, 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 2009 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25th March 2010

CONSOLIDATED BALANCE SHEET

As at 31st December 2009

	Note	2009 HK$	2008 HK$
Non-current assets			
Available-for-sale financial assets	*8*	**7,438,812**	5,035,825
Deferred income tax assets	*18*	**67,676**	–
		7,506,488	5,035,825
Current assets			
Inventories	*9*	**441,497**	457,110
Trade receivables	*10*	**177,724**	479,653
Loan receivable	*11*	**–**	5,550,417
Prepayments and deposits		**186,488**	434,127
Deposit paid for a proposed acquisition	*12*	**11,400,000**	–
Cash and cash equivalents	*13*	**11,448,179**	24,970,625
		23,653,888	31,891,932
Total assets		**31,160,376**	36,927,757
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*14*	**25,062,750**	25,062,750
Share premium	*16(a)*	**11,347,425**	11,347,425
Other reserves	*16(a)*	**13,870,510**	10,464,337
Accumulated losses		**(20,466,372)**	(13,031,487)
Total equity		**29,814,313**	33,843,025
Current liabilities			
Trade payables	*17*	**328,149**	378,132
Accruals and other payables		**1,017,914**	1,504,115
Tax payable		**–**	1,202,485
Total current liabilities		**1,346,063**	3,084,732
Total equity and liabilities		**31,160,376**	36,927,757
Net current assets		**22,307,825**	28,807,200
Total assets less current liabilities		**29,814,313**	33,843,025

Director
Yu Won Kong, Dennis

Director
Yue Wai Keung

The notes on pages 26 to 55 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31st December 2009

	Note	2009 HK$	2008 HK$
Non-current assets			
Investments in subsidiaries	*6*	**12,856,654**	12,856,654
Current assets			
Prepayments and deposits		**176,878**	425,988
Deposit paid for a proposed acquisition	*12*	**11,400,000**	–
Amounts due from subsidiaries	*27*	**87,737**	9,281,874
Cash and cash equivalents	*13*	**3,109,862**	11,099,968
		14,774,477	20,807,830
Total assets		**27,631,131**	33,664,484
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*14*	**25,062,750**	25,062,750
Share premium and other reserve	*16(b)*	**24,054,063**	24,054,063
Accumulated losses	*16(b)*	**(28,406,834)**	(21,986,747)
Total equity		**20,709,979**	27,130,066
Current liabilities			
Accruals and other payables		**423,060**	600,860
Amount due to a subsidiary	*27*	**6,498,092**	5,933,558
		6,921,152	6,534,418
Total equity and liabilities		**27,631,131**	33,664,484
Net current assets		**7,853,325**	14,273,412
Total assets less current liabilities		**20,709,979**	27,130,066

Director	*Director*
Yu Won Kong, Dennis	**Yue Wai Keung**

The notes on pages 26 to 55 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2009

	Note	2009 HK$	2008 HK$
Revenue	19	**9,583,698**	16,509,139
Cost of sales	20	**(1,501,755)**	(2,156,498)
Gross profit		**8,081,943**	14,352,641
Other income	19	**582,330**	595,500
Selling and distribution expenses	20	**(647,058)**	(808,419)
Administrative expenses	20	**(14,692,016)**	(12,916,708)
Provision for impairment loss of available-for-sale financial assets	8	**(736,424)**	(3,497,940)
Loss before income tax		**(7,411,225)**	(2,274,926)
Income tax expense	22	**(23,660)**	(2,171,954)
Loss for the year attributable to equity holders of the Company		**(7,434,885)**	(4,446,880)
Loss per share for loss attributable to the equity holders of the Company during the year (expressed in Hong Kong cent per share)			
Basic	24	**(0.30)**	(0.18)
Diluted	24	**(0.30)**	(0.18)

The notes on pages 26 to 55 are an integral part of these consolidated financial statements.

Dividend		**–**	–

CONSOLIDATE STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2009

	2009 HK$	2008 HK$
Loss for the year	**(7,434,885)**	(4,446,880)
Other comprehensive income/(loss):		
Exchange translation differences	**270,647**	(27,563)
Revaluation surplus/(impairment loss) on available-for-sale financial assets	**3,135,526**	(438,569)
Total other comprehensive income/(loss) for the year, net of tax	**3,406,173**	(466,132)
Total comprehensive loss for the year attributable to equity holders of the Company	**(4,028,712)**	(4,913,012)

The notes on pages 26 to 55 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2009

	Attributable to the equity holders of the Company						
	Share capital HK$	Share premium HK$	Capital reserve HK$	Currency translation reserve HK$	Available-for-sale financial assets HK$	Accumulated losses HK$	Total equity HK$
Balance at 1st January 2008	25,062,750	11,347,425	6,840,000	3,651,900	438,569	(8,584,607)	38,756,037
Comprehensive income							
Loss for the year	–	–	–	–	–	(4,446,880)	(4,446,880)
Other comprehensive income							
Currency translation differences	–	–	–	(27,563)	–	–	(27,563)
Impairment loss of available-for- sale financial assets *(Note 8)*	–	–	–	–	(438,569)	–	(438,569)
Total other comprehensive loss	–	–	–	(27,563)	(438,569)	–	(466,132)
Total comprehensive loss	–	–	–	(27,563)	(438,569)	(4,446,880)	(4,913,012)
Balance at 31st December 2008	25,062,750	11,347,425	6,840,000	3,624,337	–	(13,031,487)	33,843,025
Balance at 1st January 2009	25,062,750	11,347,425	6,840,000	3,624,337	–	(13,031,487)	33,843,025
Comprehensive income							
Loss for the year	–	–	–	–	–	(7,434,885)	(7,434,885)
Other comprehensive income							
Currency translation differences	–	–	–	270,647	–	–	270,647
Revaluation surplus on available-for-sale financial assets *(Note 8)*	–	–	–	–	3,135,526	–	3,135,526
Total other comprehensive income	–	–	–	270,647	3,135,526	–	3,406,173
Total comprehensive income/(loss)	–	–	–	270,647	3,135,526	(7,434,885)	(4,028,712)
Balance at 31st December 2009	**25,062,750**	**11,347,425**	**6,840,000**	**3,894,984**	**3,135,526**	**(20,466,372)**	**29,814,313**

The notes on pages 26 to 55 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December 2009

	Note	2009 HK$	2008 HK$
Cash flows from operating activities			
Cash used in operations	*25*	**(7,228,134)**	(506,369)
Income tax paid		**(1,302,748)**	(444,827)
Net cash used in operating activities		**(8,530,882)**	(951,196)
Cash flows from investing activities			
Loan repayment received/(loan granted)		**5,500,000**	(5,500,000)
Payment of deposit for a proposed acquisition	*12*	**(11,400,000)**	–
Interest received	*19*	**632,747**	545,083
Net cash used in investing activities		**(5,267,253)**	(4,954,917)
Net decrease in cash and cash equivalents		**(13,798,135)**	(5,906,113)
Cash and cash equivalents at beginning of year		**24,970,625**	30,830,192
Exchange differences		**275,689**	46,546
Cash and cash equivalents at end of year	*13*	**11,448,179**	24,970,625

The notes on pages 26 to 55 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

As at 31st December 2009

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.

The Company is a limited liability company incorporated in the Cayman Islands. The principal place of business of the Company is located at 6th Floor, New Henry House, No. 10 Ice House Street, 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 25th March 2010.

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.

Changes in accounting policy and disclosures

New/revised standards, amendments and interpretations effective from 1st January 2009 adopted by the Group, but have no significant impact on the Group's financial statements.

- Amendment to HKFRS 7, "Financial instruments: disclosures". The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on total equity and loss per share.

- HKAS 1 (revised), "Presentation of financial statements". The revised standard prohibits the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on total equity and loss per share.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

- HKFRS 2 (amendment), 'Share-based payment' deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group and Company has adopted HKFRS 2 (amendment) from 1st January 2009. The amendment does not have a material impact on the Group's or Company's financial statements.

- HKAS 23, "Borrowing costs". In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1st January 2009, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalised as part of the cost of that asset. The Group and the Company have no borrowing costs for the financial years ended 31st December 2009 and 2008. The standard does not have a material impact on the Group's or Company's financial statements.

- HKFRS 8, "Operating segments". HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. The financial information has been prepared under the new requirement. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the executive directors of the Company who make strategic decisions. The standard does not have a material impact to the Group as the adoption of the standard has not resulted in any changes in the Group's segment reporting.

New/revised standards, amendments and interpretations that have been issued but are not yet effective for 2009 and have not been early adopted by the Group:

HKFRS 1 (Revised)	"First-time adoption of HKFRS", effective for annual periods beginning on or after 1st July 2009
HKFRS 3 (Revised)	"Business combinations", effective for annual periods beginning on or after 1st July 2009
HKFRS 9	"Financial Instruments", effective for annual periods beginning on or after 1st January 2013
HKAS 24 (revised)	"Related Party Disclosures", effective for annual periods beginning on or after 1st January 2011
HKAS 27 (revised)	"Consolidated and separate financial statements", effective for annual periods beginning on or after 1st July 2009
Amendment to HKAS 32	"Clarification of Right Issue", effective for annual periods beginning on or after 1st February 2010
Amendment to HKAS 39	"Financial instruments: Recognition and measurement" on eligible hedged items, effective for annual periods beginning on or after 1st July 2009
Amendment to HK(IFRIC) 14	"Prepayment of a Minimum Funding Requirement", effective for annual periods beginning on or after 1st January 2011
HK(IFRIC) 17	"Distributions of non-cash assets to owners", effective for annual periods beginning on or after 1st July 2009
HK(IFRIC) 18	"Transfers of assets from customers", effective for annual periods beginning on or after 1st July 2009

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

New/revised standards, amendments and interpretations that have been issued but are not yet effective for 2009 and have not been early adopted by the Group: (Continued)

HK(IFRIC) 19	'Extinguishing financial liabilities with equity instruments', effective for annual periods beginning on or after 1st July 2010
Amendment to HKFRS 1	'Additional Exemptions for First-time Adopters', effective for annual periods beginning on or after 1st January 2010
Amendment to HKFRS 2	'Group Cash-settled Share-based Payment Transactions', effective for annual periods beginning on or after 1st January 2010

Improvements to HKFRS:

Amendment to HKFRS 2	'Share-based Payment', effective for annual periods beginning on or after 1st July 2009
Amendment to HKFRS 5	'Non-current assets held for sale and discontinued operations', first and second amendments to be effective for annual periods beginning on or after 1st July 2009 and 1st January 2010, respectively
Amendment to HKFRS 8	'Operating segments', effective for annual periods beginning on or after 1st January 2010
Amendment to HKAS 1	'Presentation of financial statements', effective for annual periods beginning on or after 1st January 2010
Amendment to HKAS 7	'Statement of cash flows', effective for annual periods beginning on or after 1st January 2010
Amendment to HKAS 17	'Leases', effective for annual periods beginning on or after 1st January 2010
Amendment to HKAS 18	'Revenue', effective for annual periods beginning on or after 1st January 2010
Amendment to HKAS 36	'Impairment of assets', effective for annual periods beginning on or after 1st January 2010
Amendment to HKAS 38	'Intangible assets', effective for annual periods beginning on or after 1st July 2009
Amendment to HKAS 39	'Financial instruments: recognition and measurement', effective for annual periods beginning on or after 1st January 2010
Amendment to HK(IFRIC) 9	'Reassessment of embedded derivatives', effective for annual periods beginning on or after 1st July 2009
Amendment to HK(IFRIC) 16	'Hedges of a net investment in a foreign operation', effective for annual periods beginning on or after 1st July 2009

The Group has already commenced an assessment of the impact of these new HKFRS but is not yet in a position to state whether these new HKFRS would have a significant impact on its results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(b) Subsidiaries acquired by the Company pursuant to the Group reorganisation prior to the listing of the Company are consolidated using the merger accounting method as follows:

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 acquirer's 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.

(c) Subsidiaries acquired by the Group after the listing of the Company are consolidated using the purchase method of accounting as follows:

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

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 2.5)*. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company who make strategic decisions.

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 different from the Company's functional currency of US dollar. As the Company is listed on The Growth Enterprise Market of The Hong Kong Stock Exchange Limited, the directors have adopted Hong Kong dollar as the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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:

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

(ii) 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

(iii) 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 Impairment of investments in subsidiaries and non-financial assets

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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.6 Financial assets

2.6.1 Classification

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 "loan receivable", "trade receivables" and "cash and cash equivalents" in the balance sheet *(Notes 2.8 and 2.9)*.

(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 from the balance sheet date.

2.6.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. 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 subsequently 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial assets (Continued)

2.6.3 Impairment of financial assets

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.

2.7 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.

2.8 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

2.9 Cash and cash equivalents

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

2.10 Share capital

Ordinary shares are classified as equity.

2.11 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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 and its subsidiaries and associates 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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, 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 substantively 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 only 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.

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 assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.13 Employee benefits

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 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 value-added tax 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 when specific criteria have been met for each of the Group's activities as described below. 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 using the effective interest method. When a loan and 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 loan and receivables are recognised using the original effective interest rate.

2.15 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. Management periodically analyses and reviews measures to manage its exposure to these financial risks. Generally, the Group adopts a conservative strategy regarding its risk management and has not used any derivatives or other instruments for hedging purposes.

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

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Singapore dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage the foreign exchange risk arising from recognised assets as mentioned above, the Group ensures that the US dollar deposits placed with banks are within the limit set by the Group. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

At 31st December 2009, if the US dollar had weakened/strengthened by 5% against the Singapore dollar with all other variables held constant, post-tax loss for the year would have been HK$381,316 higher/lower (2008: HK$474,343 higher/lower), mainly as a result of foreign exchange losses/gains on translation of bank deposits and trade receivables and payables which were denominated in US dollar held by ThinSoft Pte Ltd. Since Hong Kong dollar is pegged to US dollar, management considers that there is no significant foreign currency risk between these two currencies to the Group.

(ii) Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and 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 trade receivables and loan receivable. For banks and financial institutions, deposits are only placed with reputable banks.

For credit exposures to customers sales to customers are settled in cash or using major credit cards.

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

Trade receivables	**Group**	
	2009	2008
	HK$	HK$
Counterparties without external credit rating		
Existing customers (more than 6 months) with no defaults in the past	**177,724**	479,653
Total trade receivables	**177,724**	479,653

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(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 and by keeping sufficient cash and cash equivalents. As at 31st December 2009, the cash and cash equivalents maintained by the Group totaled HK$11,448,179 (2008: HK$24,970,625) and the Group had no borrowing or debt.

As at 31st December 2009 and 2008, the Group and the Company's financial liabilities were current in nature and repayable on demand. Therefore the contractual undiscounted cash flows of the Group's and the Company's financial liabilities were less than one year at the year end.

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 plus net debt.

During 2009, the Group's strategy, which was unchanged from 2008, was to maintain a gearing ratio of zero. The gearing ratios at 31st December 2009 and 2008 were zero as the Group has no borrowing or debt.

3.3 Fair value estimation

Effective 1st January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31st December 2009.

Assets	Level 1 HK$	Level 2 HK$	Level 3 HK$	Total HK$
Available-for-sale financial assets	7,289,794	–	149,018	7,438,812

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity investments which are listed either on Hochiminh Stock Exchange or Hanoi Stock Exchange, composing the portfolio as at 31st December 2009 and 2008 and are classified as available-for-sale.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 addressed 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. The fair value is determined by reference to the quote or input from financial institutions. The fair value of the available-for-sale financial assets at 31st March 2009 was below its carrying amount by HK$736,424. Such decline in value is considered to be significant and therefore it is recognised as an impairment loss of an available-for-sale financial asset for the three months ended 31st March 2009. This impairment loss was not reversed through the income statement during the year ended 31st December 2009 although the fair value of the available-for-sale financial assets as at 31st December 2009 was above its carrying value as at 31st March 2009 by HK$3,135,526.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions.

For the year ended 31st December 2009, 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. Details of the business segments are as follows:

(i) the software segment – provision of software solutions;

(ii) the engineering segment – provision of engineering services;

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

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

Although the Group's products and services are sold to/rendered in Europe, US, Hong Kong and China, Singapore, other Asia Pacific markets and other overseas markets, the chief operating decision maker of the Group regularly reviews the consolidated financial statements by business segment to assess performance and make resources allocation decisions.

5 SEGMENT INFORMATION (Continued)

The segment results for year ended 31st December 2009 are as follows:

	Software HK$	Engineering HK$	Upgrade kits HK$	Vertical market solutions HK$	Unallocated HK$	Group HK$
Total segment revenue and revenue from external customers	7,457,325	–	2,081,594	44,779	–	9,583,698
Cost of sales	(1,390,863)	–	(87,048)	(23,844)	–	(1,501,755)
Segment gross profit	6,066,462	–	1,994,546	20,935	–	8,081,943
Other income						582,330
Unallocated operating costs						(15,339,074)
Provision for impairment loss of available-for-sale financial assets *(Note 8)*						(736,424)
Loss before income tax						(7,411,225)
Income tax expense *(Note 22)*						(23,660)
Loss for the year						(7,434,885)

The segment results for year ended 31st December 2008 are as follows:

	Software HK$	Engineering HK$	Upgrade kits HK$	Vertical market solutions HK$	Unallocated HK$	Group HK$
Total segment revenue	14,374,757	6,206,690	2,112,012	75,633	–	22,769,092
Inter-segment revenue	–	(6,206,690)	(53,263)	–	–	(6,259,953)
Revenue from external customers	14,374,757	–	2,058,749	75,633	–	16,509,139
Cost of sales	(1,766,761)	–	(350,512)	(39,225)	–	(2,156,498)
Segment gross profit	12,607,996	–	1,708,237	36,408	–	14,352,641
Other income						595,500
Unallocated operating costs						(13,725,127)
Provision for impairment loss of available-for-sale financial assets *(Note 8)*						(3,497,940)
Loss before income tax						(2,274,926)
Income tax expense *(Note 22)*						(2,171,954)
Loss for the year						(4,446,880)

Sales between segments are carried out at arm's length. The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the consolidated income statement.

5 SEGMENT INFORMATION (Continued)

The segment assets and liabilities at 31st December 2009 are as follows:

	Software HK$	Engineering HK$	Upgrade kits HK$	Vertical market solutions HK$	Unallocated HK$	Group HK$
Assets	177,724	–	441,497	–	30,541,155	31,160,376
Liabilities	–	–	474,188	16,408	855,467	1,346,063

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

	Assets HK$	Liabilities HK$
Segment assets/liabilities	619,221	490,596
Unallocated:		
Deferred tax	67,676	–
Available-for-sale financial assets	7,438,812	–
Cash and cash equivalents	11,448,179	–
Deposit paid for a proposed acquisition	11,400,000	–
Others	186,488	855,467
Total	31,160,376	1,346,063

The segment assets and liabilities at 31st December 2008 are as follows:

	Software HK$	Engineering HK$	Upgrade kits HK$	Vertical market solutions HK$	Unallocated HK$	Group HK$
Assets	487,791	–	457,110	–	35,982,856	36,927,757
Liabilities	–	–	518,771	17,572	2,548,389	3,084,732

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

	Assets HK$	Liabilities HK$
Segment assets/liabilities	944,901	536,343
Unallocated:		
Current tax	–	1,202,485
Available-for-sale financial assets	5,035,825	–
Cash and cash equivalents	24,970,625	–
Loan receivable	5,550,417	–
Others	425,989	1,345,904
Total	36,927,757	3,084,732

5 SEGMENT INFORMATION (Continued)

Segment assets consist primarily of inventories, trade receivables, prepayments and deposits. Unallocated assets mainly comprise deferred income tax, available-for-sale financial assets, loan receivable, cash and cash equivalents and deposit paid for a proposed acquisition. Investment in shares (classified as available-for-sale financial assets) held by the Group are not considered to be segment assets but rather are managed by the treasury function.

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

The Group's revenues by geographical location are based on the location of the customers.

	2009	2008
	HK$	HK$
Revenue:		
Europe	**3,541,997**	8,740,396
US	**4,856,647**	5,023,757
Asia Pacific except Hong Kong, China and Singapore	**951,429**	1,970,437
Hong Kong and China	**172,523**	291,223
Singapore	**20,107**	43,946
Other countries	**40,995**	439,380
	9,583,698	16,509,139

During the years ended 31st December 2009 and 2008, there was no single external customer whose sales accounted for 10% or more of total revenue.

The Group's total assets by geographical location, which is determined by the country in which the assets are located, is as follows:

	2009	2008
	HK$	HK$
Total assets:		
Hong Kong and China	**13,307,217**	17,076,575
Singapore	**9,183,678**	10,619,013
Vietnam	**7,289,794**	4,890,692
US	**1,379,687**	4,341,477
	31,160,376	36,927,757

6 INVESTMENTS IN SUBSIDIARIES – COMPANY

	Company 2009 HK$	2008 HK$
Unlisted shares, at cost *(Note)*	**12,856,654**	12,856,654

Note: The following is a list of subsidiaries as at 31st December 2009:

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")	The 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 Investment Holdings Ltd	BVI, limited liability company	Investment holding in Hong Kong	1 ordinary shares of 1 US dollar each	100%[1]
ThinSoft Management Ltd	BVI, limited liability company	Provision of management services in Hong Kong	1 ordinary shares of 1 US dollar each	100%[1]

[1] *Shares held directly by the Company.*

On 16th December 2008, the Company passed a resolution to wind-up ThinSoft (USA) Inc, a wholly-owned subsidiary of ThinSoft BVI. The operation of ThinSoft (USA) Inc was transferred to ThinSoft Pte Ltd. after its winding-up. On 16th September 2009, ThinSoft (USA) Inc was liquidated.

7 FINANCIAL INSTRUMENTS BY CATEGORY – GROUP AND COMPANY

Group

	Loans and receivables HK$	Available-for-sale financial assets HK$	Total HK$
Assets as per consolidated balance sheet			
31st December 2009			
Available-for-sale financial assets	**–**	**7,438,812**	**7,438,812**
Trade receivables	**177,724**	**–**	**177,724**
Cash and cash equivalents	**11,448,179**	**–**	**11,448,179**
Total	**11,625,903**	**7,438,812**	**19,064,715**
31st December 2008			
Available-for-sale financial assets	–	5,035,825	5,035,825
Trade receivables	479,653	–	479,653
Cash and cash equivalents	24,970,625	–	24,970,625
Loan receivable	5,550,417	–	5,550,417
Total	31,000,695	5,035,825	36,036,520

Group

	Other financial liabilities	
	2009 HK$	2008 HK$
Liabilities as per consolidated balance sheet		
Trade payables	**328,149**	378,132
Accruals and other payables	**1,017,914**	1,504,115
	1,346,063	1,882,247

Company

	Loans and receivables	
	2009 HK$	2008 HK$
Assets as per Company balance sheet		
Amounts due from subsidiaries	**87,737**	9,281,874
Cash and cash equivalents	**3,109,862**	11,099,968
Total	**3,197,599**	20,381,842

	Other financial liabilities	
	2009 HK$	2008 HK$
Liabilities as per Company balance sheet		
Amount due to a subsidiary	**6,498,092**	5,933,558
Accruals and other payables	**423,060**	600,860
Total	**6,921,152**	6,534,418

8 AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2009 HK$	2008 HK$
Beginning of the year	5,035,825	9,056,816
Net gains transferred to equity/(impairment loss transferred from equity)	3,135,526	(438,569)
Exchange differences	3,885	(84,482)
Impairment loss	(736,424)	(3,497,940)
End of the year	7,438,812	5,035,825

Available-for-sale financial assets include the following:

	2009 HK$	2008 HK$
Unlisted equity investment in Hong Kong	149,018	145,133
Unlisted equity investment in Vietnam	7,289,794	4,890,692
	7,438,812	5,035,825

During the year ended 31st December 2009, impairment loss of HK$736,424 was recognised in the consolidated income statement on the unlisted equity investment in Vietnam (2008: HK$110,223 and HK$3,387,717 on the unlisted equity investment in Hong Kong and Vietnam, respectively).

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 or Hanoi Stock Exchange, composing the portfolio as at 31st December 2009 and 2008.

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 net assets of the unlisted company as at 31st December 2009 and 2008.

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.

9 INVENTORIES – GROUP

	2009 HK$	2008 HK$
Finished goods	441,497	457,110

The cost of inventories recognised as an expense and included in cost of sales amounted to HK$82,650 (2008: HK$335,887).

10 TRADE RECEIVABLES – GROUP

	2009 HK$	2008 HK$
Trade receivables	**177,724**	479,653

The majority of the Group's sales are on-line sales through internet payment by credit cards. The remaining amounts are with credit period of 60 days. At 31st December 2009 and 2008, the ageing analysis of trade receivables based on invoice date was as follows:

	2009 HK$	2008 HK$
0 – 30 days	**177,724**	479,653

As at 31st December 2009 and 2008, trade receivables were neither past due nor impaired. As at 31st December 2009, trade receivables of HK$177,724 (2008: HK$479,653) were fully performing.

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

	2009 HK$	2008 HK$
US dollar	**12,148**	453,814
Singapore dollar	**165,576**	25,839
	177,724	479,653

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

11 LOAN RECEIVABLE – GROUP

On 1st December 2008, the Group entered into a loan agreement with Kiu Hung Energy Holdings Limited ("Kiu Hung"), pursuant to which the Group agreed to advance to Kiu Hung a loan of HK$5,500,000 for a period of 12 months. The loan was interest bearing at 11% per annum, unsecured, and repayable on 4th December 2009. On 3rd December 2009, the loan was repaid in full by Kiu Hung.

12 DEPOSIT PAID FOR A PROPOSED ACQUISITION – GROUP AND COMPANY

On 14th December 2009, the Company entered into a non-legally binding Memorandum of Understanding ("MOU") with an independent third party (the "Vendor") in relation to the possible acquisition of the entire equity interest in Smooth Joy International Limited ("Smooth Joy") which, after Smooth Joy's reorganisation prior to the completion of the proposed acquisition, will be principally engaged in trading, marketing and wholesaling of fuel oil and related products in the Southern and Eastern Regions of the People's Republic of China. The estimated consideration will range between RMB1.2 billion and RMB1.5 billion (approximately HK$1,368 million and HK$1,710 million, respectively). Upon signing of the MOU, the Company paid an amount of RMB10 million (approximately HK$11,400,000) as deposit paid for the proposed acquisition.

In accordance with the terms of the MOU, if the formal sale and purchase agreement is not entered into on or before the date falling 30 days from the date of the MOU, or such later date as the Vendor and the Company may agree, the MOU shall cease and terminate and the Vendor shall forthwith refund the above deposit (without interest) to the Company, and neither party shall have any obligations and liabilities to each other (save and except for any antecedent breach of the terms of the MOU).

On 26th January 2010, the Company entered into an agreement (the "Agreement") with the Vendor pursuant to which the Company agreed to acquire the entire equity interest in Smooth Joy at a consideration of RMB1.4 billion (approximately HK$1.6 billion) *(Note 28(ii))*.

13 CASH AND CASH EQUIVALENTS – GROUP AND COMPANY

	Group		Company	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
Cash on hand	**7,824**	6,787	**7,824**	6,787
Cash at bank	**4,197,354**	15,781,772	**3,102,038**	11,093,181
Short-term bank deposits	**7,243,001**	9,182,066	**–**	–
Total cash and cash equivalents	**11,448,179**	24,970,625	**3,109,862**	11,099,968
Maximum exposure to credit risk	**11,440,355**	24,963,838	**3,102,038**	11,093,181

Short-term bank deposits at the balance sheet date have an average maturity of 20 days (2008: 24 days) and earning interests at rates ranging from 0.1% to 0.2% (2008: 0.1% to 1.4%) per annum.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2009	2008	**2009**	2008
	HK$	HK$	**HK$**	HK$
US dollar	**7,940,878**	13,709,516	**–**	830
Hong Kong dollar	**3,107,693**	11,099,339	**3,107,537**	11,099,138
Singapore dollar	**398,778**	161,770	**1,495**	–
Others	**830**	–	**830**	–
	11,448,179	24,970,625	**3,109,862**	11,099,968

14 SHARE CAPITAL

	Ordinary shares of HK$0.05 each		Ordinary shares of HK$0.01 each	
	No. of shares	HK$	No. of shares	HK$
Authorised:				
At 1st January 2008 and 31st December 2008	2,000,000,000	100,000,000	–	–
Share subdivision *(Note a)*	(2,000,000,000)	(100,000,000)	10,000,000,000	100,000,000
At 31st December 2009	**–**	**–**	**10,000,000,000**	**100,000,000**
Issued and fully paid:				
At 1st January 2008 and 31st December 2008	501,255,000	25,062,750	–	–
Reduction of par value of ordinary shares due to share subdivision *(Note a)*	(501,255,000)	(25,062,750)	2,506,275,000	25,062,750
At 31st December 2009	**–**	**–**	**2,506,275,000**	**25,062,750**

Note a:

Pursuant to an ordinary resolution passed on 4th November 2009, each of the existing issued and unissued ordinary shares of HK$0.05 each in the share capital of the Company was subdivided into five ordinary shares of HK$0.01 each (the "Share Subdivision"), which was approved by the shareholders of the Company and became effective on 5th November 2009.

15 SHARE OPTION SCHEMES – GROUP AND COMPANY

(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 "Stock Exchange"). 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 would be granted under the Pre-Scheme after listing of the Company's shares on the GEM. The Pre-Scheme contains no provision on the maximum entitlement of a grantee under the Pre-Scheme. All these share options were granted on 2nd February 2002 and may be exercised in the following manner:

(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. All share options granted under the Pre-scheme lapsed during the year ended 31st December 2007.

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

(b) Post-IPO share option scheme

On 2nd February 2002, a 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 Share Subdivision has led to an adjustment to the number of shares to be issued by the Company upon exercise of the options. 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 has been increased from 50,000,000 shares to 250,000,000 shares, representing approximately 9.97% of the issued share capital of the Company as at 31st December 2009 (2008: 9.97%).

15 SHARE OPTION SCHEMES – GROUP AND COMPANY (Continued)

(b) Post-IPO share option scheme (Continued)

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 2009 and up to the date of approval of these financial statements.

16 RESERVES – GROUP AND COMPANY

(a) Group

The Group's reserves movements for the years ended 31st December 2009 and 2008 are presented in the consolidated statement of changes in equity on page 24 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.

16 RESERVES – GROUP AND COMPANY (Continued)

(b) Company

	Share premium and other reserve HK$ *(Note)*	Accumulated losses HK$	Total HK$
At 1st January 2008	24,054,063	(20,008,543)	4,045,520
Loss for the year *(Note 23)*	–	(1,978,204)	(1,978,204)
At 31st December 2008	24,054,063	(21,986,747)	2,067,316
Loss for the year *(Note 23)*	–	(6,420,087)	(6,420,087)
At 31st December 2009	**24,054,063**	**(28,406,834)**	**(4,352,771)**

Note: The share premium and other reserve 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.

17 TRADE PAYABLES – GROUP

At 31st December 2009 and 2008, the aging analysis of the trade payables based on the invoice date, were as follows:

	2009 HK$	2008 HK$
0 to 30 days	**1,446**	31,269
31 to 60 days	**–**	7,230
61 to 90 days	**–**	–
91 to 180 days	**326,703**	339,633
	328,149	378,132

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

	2009 HK$	2008 HK$
US dollar	**326,703**	360,560
Other currencies	**1,446**	17,572
	328,149	378,132

18 DEFERRED INCOME TAX – GROUP

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

	2009 **HK$**	2008 HK$
Deferred tax assets to be recovered after more than 12 months	**67,676**	–

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

	2009 **HK$**	2008 HK$
Beginning of the year	**–**	628,490
Exchange difference	**2,224**	(1,411)
Income statement credit/(charge) *(Note 22)*	**65,452**	(627,079)
End of the year	**67,676**	–

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax asset:	**Tax losses** HK$
At 1st January 2008	628,490
Exchange difference	(1,411)
Write off of deferred tax assets of a subsidiary liquidated in 2009	(627,079)
At 31st December 2008	–
Exchange difference	2,224
Income statement credit	65,452
At 31st December 2009	**67,676**

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. As at 31st December 2009, the Group has unrecognised tax assets of HK$4,611,809 (2008: HK$2,679,022) arising from accumulated tax losses of HK$27,950,359 (2008: HK$16,236,499), subject to the assessment and agreement by the tax authorities, to carry forward against future taxable income. These tax losses have not been recognised due to the uncertainty of their future recoverability. The tax losses do not have expiry dates.

19 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:

	2009 **HK$**	2008 HK$
Revenue:		
Sale of goods	**9,583,698**	16,509,139
Other income:		
Bank interest income	**27,747**	545,083
Interest income from loan receivable	**554,583**	50,417
	582,330	595,500
Total	**10,166,028**	17,104,639

20 EXPENSES BY NATURE

	2009 HK$	2008 HK$
Auditor's remuneration	**498,740**	762,430
Costs of inventories sold *(Note 9)*	**82,650**	335,887
Employee benefits expenses (including directors' remuneration) *(Note 21)*	**10,433,747**	7,440,774
Operating lease payments	**972,321**	396,822
Net foreign exchange loss	**653,733**	41,737
Others	**4,199,638**	6,903,975
Total cost of sales, selling and distribution expenses and administrative expenses	**16,840,829**	15,881,625

21 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2009 HK$	2008 HK$
Wages and salaries	**10,066,355**	7,112,433
Pension costs – defined contribution plans *(Note a)*	**367,392**	328,341
	10,433,747	7,440,774

(a) Pensions – defined contribution plans

At 31st December 2009, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2008: Nil).

(b) Directors' and senior management's emoluments

The remuneration of each Director for the year ended 31st December 2009 is set out below:

Name of Director	Fees HK$	Pension scheme contributions HK$	Total HK$
Executive directors			
Yu Won Kong	**1,200,000**	**12,000**	**1,212,000**
Yue Wai Keung	**1,200,000**	**12,000**	**1,212,000**
Non-executive directors			
Chan Kwan Pak	**120,000**	**–**	**120,000**
Lam Kit Sun	**120,000**	**–**	**120,000**
Independent non-executive directors			
Chen Tzyh-Trong	**150,000**	**–**	**150,000**
Lee Chung Mong	**150,000**	**–**	**150,000**
Yeung Chi Hung	**150,000**	**–**	**150,000**
	3,090,000	**24,000**	**3,114,000**

21 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)

(b) Directors' and senior management's emoluments (Continued)

The remuneration of each Director for the year ended 31st December 2008 is set out below:

Name of Director	Fees HK$	Pension scheme contributions HK$	Total HK$
Executive directors			
Ngiam Mia Hai Bernard (Former director)	681,701	26,394	708,095
Ngiam Mia Hong Alfred (Former director)	681,701	26,394	708,095
Yu Won Kong	467,742	5,000	472,742
Yue Wai Keung	467,742	5,000	472,742
Non-executive directors			
Chan Kwan Pak	46,774	–	46,774
Lam Kit Sun	46,774	–	46,774
Independent non-executive directors			
Chen Tzyh-Trong	150,000	–	150,000
Lee Chung Mong	150,000	–	150,000
Yeung Chi Hung	150,000	–	150,000
	2,842,434	62,788	2,905,222

During the years ended 31st December 2009 and 2008, no director received any emoluments from the Group as an inducement to join or leave the Group or as compensation for loss of office. No director waived or has agreed to waive any emoluments.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2008: four) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2008: one) individuals during the year are as follows:

	2009 HK$	2008 HK$
Basic salaries, other allowances and benefits in kind	**2,848,629**	479,223

The emoluments fell within the following bands:

	Number of individuals	
	2009 HK$	2008 HK$
Emolument bands		
Nil – HK$1,000,000	**1**	1
HK$1,000,001 to HK$2,000,000	**2**	–

22 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 (2008: Nil).

No provision for Singapore profits tax has been made as the Group had no estimated assessable profits arising in Singapore during the year (2008: Singapore income tax has been provided at the rate of 18% on the estimated assessable profit arising in Singapore).

ThinSoft (USA) Inc was a wholly-owned subsidiary incorporated in the State of Delaware in the United States of America. During the year ended 31st December 2009 before its liquidation, it has operated in the States of New York and California in the United States of America and has been 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.

	2009	2008
	HK$	HK$
Current income tax		
– Hong Kong	**–**	–
– Overseas taxation	**89,112**	1,544,875
Deferred income tax *(Note 18)*	**(65,452)**	627,079
	23,660	2,171,954

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

	2009	2008
	HK$	HK$
Loss before income tax	**(7,411,225)**	(2,274,926)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(1,121,984)**	187,855
Income not subject to tax	**(91,659)**	(289,797)
Expenses not deductible for tax purposes	**179,103**	646,345
Tax losses for which no deferred income tax asset was recognised	**1,058,200**	1,000,472
Write off of deferred tax assets *(Note 18)*	**–**	627,079
Tax charge	**23,660**	2,171,954

The weighted average applicable tax rate was 15.14% (2008: 8.30%). The change in weighted average applicable tax rate is caused by a change in the profit mix of the Group's subsidiaries in the respective countries.

23 LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HK$6,420,087 (2008: loss of HK$1,978,204).

24 LOSS PER SHARE

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

	2009	2008 *(note i)*
Loss attributable to equity holders of the Company (HK$)	**7,434,885**	4,446,880
Weighted average number of ordinary shares in issue (thousands)	**2,506,275**	2,506,275
Basic loss per share (HK cents per share)	**(0.30)**	(0.18)
Diluted loss per share (HK cents per share)	**(0.30)**	(0.18)

(i) The basic and diluted loss per share for 2008 presented above is adjusted to reflect the effect of Share Subdivision (Note 14) in the current year.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. During the years ended 31st December 2009 and 2008, there were no potential dilutive ordinary shares outstanding. As a result, the diluted loss per share is the same as basic loss per share.

25 CASH GENERATED FROM OPERATIONS

	2009 HK$	2008 HK$
Loss before income tax	**(7,411,225)**	(2,274,926)
Adjustments for:		
– Interest income *(Note 19)*	**(582,330)**	(595,500)
– Provision for impairment loss of available-for-sale financial assets *(Note 8)*	**736,424**	3,497,940
	(7,257,131)	627,514
Changes in working capital:		
Inventories	**15,613**	(141,140)
Trade receivables	**301,929**	(81,577)
Prepayments and deposits	**247,639**	(112,983)
Trade payables	**(49,983)**	21,048
Accruals and other payables	**(486,201)**	(819,231)
Net cash used in operating activities	**(7,228,134)**	(506,369)

26 COMMITMENTS UNDER OPERATING LEASES – GROUP AND COMPANY

At 31st December 2009, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises are as follows:

	2009 HK$	2008 HK$
No later than one year	**539,000**	588,000
Later than one year and no later than five years	**–**	539,000
	539,000	1,127,000

27 RELATED PARTY TRANSACTIONS

The Group is controlled by Inno Smart Group Limited ("ISG") (incorporated in the BVI with limited liability) which owns approximately 74.81% of the Company's shares as at 31st December 2009. The remaining 25.19% of the shares are widely held. The directors regard ISG as the Group's ultimate holding company.

The following transactions were carried out with related parties:

(a) Purchases and sales of goods and services

	Note	**2009** **HK$**	2008 HK$
Provision of management services from the former ultimate holding company	*(i)*	**–**	99,205
Rental expenses paid to the former ultimate holding company	*(ii)*	**–**	198,411
Consultancy fees paid to a related party	*(iii)*	**50,000**	–
Interest income from Kiu Hung	*(iv)*	**554,583**	50,417
		604,583	348,033

Notes:

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

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

(iii) It represented fees for consultancy services provided by a company with a common director of the Company. The consultancy fees were charged at prices mutually agreed between both parties.

(iv) Two directors of the Company are the shareholders of Kiu Hung. Interest was charged at a rate of 11% per annum on the principal amount of loan receivable.

27 RELATED PARTY TRANSACTIONS (Continued)

(b) Key management compensation

Key management includes directors (executive and non-executive). The compensation paid or payable to key management for employee services is shown below:

	2009 HK$	2008 HK$
Salaries and other short-term employee benefits	**3,090,000**	2,842,434
Pension costs – defined contribution plans	**24,000**	62,788
	3,114,000	2,905,222

(c) Year-end balances with the related parties

Amounts due from/(to) subsidiaries

The amounts due from/(to) subsidiaries are interest-free, unsecured and repayable on demand. The carrying values approximate their fair values.

28 EVENTS AFTER REPORTING YEAR

(i) Placing of existing shares and subscription of new shares

On 19th January 2010, the Company entered into a placing and subscription agreement with ISG, the ultimate holding company of the Company, and an independent third party, the placing agent, in relation to:

(a) the placing of 120,000,000 existing shares held by ISG, through the placing agent, to not less than six placees who are independent third parties to the Group. The placing was completed on 2nd February 2010; and

(b) the subscription of 120,000,000 new shares of the Company at HK$0.635 each by ISG. The subscription was completed on 2nd February 2010.

(ii) Signing of sale and purchase agreement in relation to the proposed acquisition

As mentioned in Note 12, on 26th January 2010, the Company entered into the Agreement with the Vendor pursuant to which the Company agreed to acquire the entire equity interest in Smooth Joy at a consideration of RMB1.4 billion (approximately HK$1.6 billion). On 26th January 2010, the Group further paid a cash amount of RMB62 million (approximately HK$70,233,000) upon signing of the Agreement.

In accordance with the terms of the Agreement, if the conditions precedent as set out in the Agreement cannot be fulfilled by 31st October 2010 or such later date as both parties may agree in writing, the Vendor shall refund the deposits received (without interest) to the Group and the Agreement shall cease.

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				
	2009	2008	2007	2006	2005
	HK$	HK$	HK$	HK$	HK$
Revenue	**9,583,698**	16,509,139	17,194,119	20,580,131	17,405,935
Cost of sales	**(1,501,755)**	(2,156,498)	(2,481,538)	(3,891,040)	(3,648,676)
Gross profit	**8,081,943**	14,352,641	14,712,581	16,689,091	13,757,259
Other income	**582,330**	595,500	1,404,505	1,256,948	539,959
Selling and distribution costs	**(647,058)**	(808,419)	(1,236,076)	(650,603)	(415,879)
Administrative expenses	**(14,692,016)**	(12,916,708)	(11,759,141)	(11,018,061)	(8,715,654)
Provision for impairment loss of available-for-sale financial assets	**(736,424)**	(3,497,940)	(591,966)	–	–
Other operating expenses	**–**	–	–	–	(16,741)
(Loss)/profit before income tax	**(7,411,225)**	(2,274,926)	2,529,903	6,277,375	5,148,944
Income tax (expense)/credit	**(23,660)**	(2,171,954)	(2,159,279)	(1,500,810)	3,173,876
(Loss)/profit for the year	**(7,434,885)**	(4,446,880)	370,624	4,776,565	8,322,820

Assets and liabilities

	As at 31st December				
	2009	2008	2007	2006	2005
	HK$	HK$	HK$	HK$	HK$
Non-current assets	**7,506,488**	5,035,825	9,685,306	3,466,791	4,136,638
Current assets	**23,653,888**	31,891,932	31,865,382	37,819,249	28,932,146
Current liabilities	**(1,346,063)**	(3,084,732)	(2,794,651)	(7,214,364)	(5,037,548)
	29,814,313	33,843,025	38,756,037	34,071,676	28,031,236