ThinSoft

THINSOFT (HOLDINGS) INC

博 軟 (控 股) 有 限 公 司

Annual Report 2010

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 8096)

THE NEW ERA BEGINS WITH US

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.

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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

Dear Shareholders,

I am pleased to report to you the performance of Thinsoft Group for the financial year 2010.

ENTERING A NEW ERA BY TAPPING IN THE OIL INDUSTRY

2010 is an important yet exciting year for the Company and the Group as it evidenced the Group to enter into a new era.

Software products and IT solutions are originally the main business of the Group. Due to the fast and ever changing of IT environment, the product life cycle has been substantially shortened while the fierce competition on the software products and IT solutions services impose limitations on the growth prospect of IT business that the room for profit has been squeezed. We believe that it is important and essential to find a new potential business and make use of the leverage on the Company's advantage as a listed company in Hong Kong with access to international capital markets to make it grow. After lengthy exploration and consideration, we have decided to invest and develop our new business in the oil industry in China.

On 14 September 2010, the Company entered into a very substantial acquisition to acquire the entire equity interest in Foshan Ruifeng Petroleum and Chemical Fuel Co. Ltd. ("Ruifeng")（佛山市瑞豐石化燃料有限公司）, together with its wholly owned subsidiaries, Foshan Beili Fuel Storage Co. Ltd. ("Beili")（佛山市倍力燃料倉儲有限公司）and Foshan Suifeng Fossil Fuel Company Limited ("Suifeng")（佛山市穗豐石化能源有限公司）(collectively as the "Ruifeng Group") for a cash consideration of RMB630,000,000 (the "Acquisition") (for details of the Acquisition, please refer to the circular dated 19 November 2010). According to the terms of the Acquisition, a substantial portion of the consideration amounting to RMB330,000,000 would only be paid if a net profit of not less than RMB70,000,000 could be achieved by the Ruifeng Group at the end of 2010. The Group's auditors have conducted the audit and have confirmed that this condition has been fulfilled. This states that Ruifeng Group is a promising enterprise and we are confident that we are able to grow even better and stronger.

A CHALLENGING TASK YET WORTHWHILE

Looking backward, the Acquisition was the most challenging task for the management this year. With the full support of every member of the Group, we managed to pull through and we believe that it is worthwhile because of the following reasons:

1. The continuous high economic growth rate in China

   The oil demand is closely related to the economic trend activities. The annual GDP growth rate in China this year rises beyond 9% in the midst of slow global economic recovery which is one of the most spectacular economies outperformed those both developed and emerging ones and it is the consensus that China will play a more influential role in the global economy. Therefore, the domestic demand of oil in China is expected to grow significantly.

2. Demand over supply

   Following the take-off of China's economy since 1993, the oil demand has been overwhelming the domestic oil supply and the gap keeps widening. The oil processing industry can be very promising and lucrative by supplying more oil products to the market. Together with the downstream oil trading business, the Group will be able to capture additional revenue stream.

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

3. Strengths and advantages of Ruifeng Group

The Group has identified several advantages from Ruifeng Group as follows:

(i) Well established oil processing depot and other facilities

Ruifeng Group has built up comprehensive infrastructure to allow the Ruifeng Group to operate a series of business activities, from oil processing, storage to oil trading. Ruifeng owns a land in Foshan, the PRC totaling 95,700 m^2 on which it has built oil tanks and an oil processing facility which has the annual processing capacity of 1 million tons of oil. In the past few years, the utilization rate keeps improving, from approximately 45% in 2008 to approximately 70% in 2010. Ruifeng itself also owns a loading terminal right beside Xijiang River (part of Pearl River) which enables Ruifeng to load and unload oil and its processed products efficiently and effectively by means of river transportation.

Ruifeng Group has equipped with a total of 47 oil tanks to store a maximum of 168,500 m^3, of which 20 oil tanks with volume of approximately 95,000 m^3 are owned by Ruifeng, and the remaining 27 oil tanks with volume of approximately 73,500 m^3 are owned by Beili. Beili also owns a wharf of Qiao Jiang Oil Depot for loading and unloading oil products. These all facilitate the Ruifeng Group's operating activities and in turn its revenue and maintain an edge in the industry.

(ii) Market leading position

Ruifeng Group is one of the leaders in oil processing industry in Pearl River Delta Region and is the largest domestic oil production enterprise in Guangdong province accounting for approximately 26% of market share of domestic oil production in Guangdong province.

(iii) Experienced management team of Ruifeng Group

Ruifeng Group has been run by a team of experienced and professional senior management, most of them have at least 15 years of experience in oil industry. They have in-depth knowledge and high acumen in operating oil business that allow them to respond to the change of oil market swiftly.

(iv) Others advantages

Ruifeng Group has obtained all necessary operating licenses to operate all oil processing, oil storage and oil trading businesses to ensure the operations are conducted under the relevant legal framework of the PRC. The management of Ruifeng Group is highly aware of the importance of risk management. As a result, sufficient trainings are provided to relevant staff to ensure they have updated and have sufficient knowledge to deal with their work. Ruifeng Group has also established comprehensive safety measures in place to deal with any emergent events.

Besides, Ruifeng Group also values environmental conservation. For instance, Beili has planted trees around office premises and facilities with non-inflammatory goods and materials, such as oil tanks to green the environment, with an attempt to provide a better working environment to the staff.

CHAIRMAN'S STATEMENT

EYEING THE EASTERN CHINA MARKET

As good the Ruifeng Group is, we are not satisfied and are still actively in search of quality investment opportunities to expand our oil business in China in order to maximize the Company's potential and shareholders' return. As such, on 17 February 2011, we have entered into a non-legal binding memorandum of understanding to acquire the entire equity interest in Zhoushan Boke Power Co. Ltd.（舟山博克能源化工有限公司）and an option to acquire the entire equity interest in Zhejiang Yuye Petroleum Co. Ltd.（浙江省舟山漁業石油有限公司）for a consideration of RMB90,000,000 and a formal sale and purchase agreement is expected to be entered into soon. Even so, we may proceed further investment or acquisitions should we identify good opportunities.

We also consider quality people to be the Group's most invaluable assets. To drive the Group to success, we have high calibers of staff in the positions where they can exert their potentials. Among those, we are glad to have Mr. Philip So to join our Group as the chief executive officer who has extensive knowledge in the oil industry. With all the necessary ingredients to succeed, we have no doubt that the fruitful results are coming soon.

Besides, in order to better reflect principal business and identity of the Company, we proposed to change the Company name from Thinsoft (Holdings) Inc to Ruifeng Petroleum Chemical Holdings Limited. This proposal was supported by the shareholders in the extraordinary general meeting held on 11 March 2011 and approved by the relevant authority of Cayman Islands on 21 March 2011, further signifying the Company's devotion and determination to develop China's oil business.

Based on the above reasons, we believe that it would be beneficial to the Group to acquire Ruifeng Group and anticipate enjoying the results from the new business in 2011. I passionately look forward to sharing the joy with you in the coming years.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to our shareholders for your continuing support. Appreciation also goes to the management team and all staff of the Group for their dedication and contributions in the past year. Without your unfailing support, what we have achieved today would not have happened.

Yu Won Kong, Dennis
Chairman

Hong Kong
30 March 2011

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, NOMINATION AND REMUNERATION 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
Parker Randall CF (H.K.) CPA Limited

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 ADDRESS
www.ThinSoftinc.com

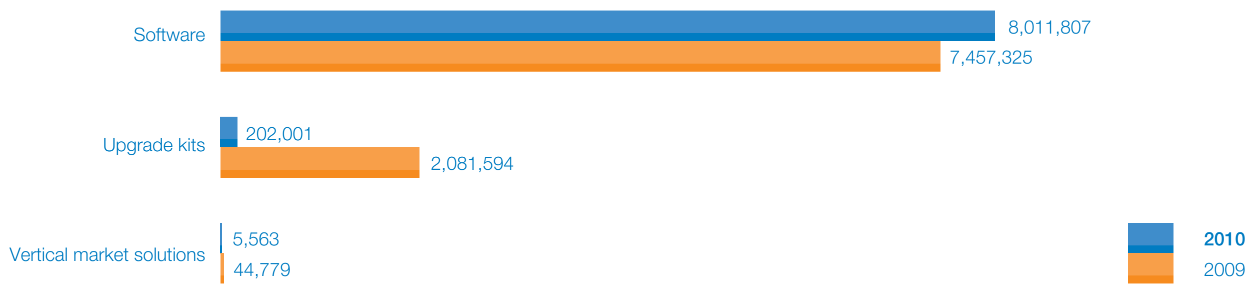
PRINCIPAL BANKERS
Wing Hang Bank Limited
Citibank, N.A.
DBS Bank (Hong Kong) Limited

STOCK CODE
8096

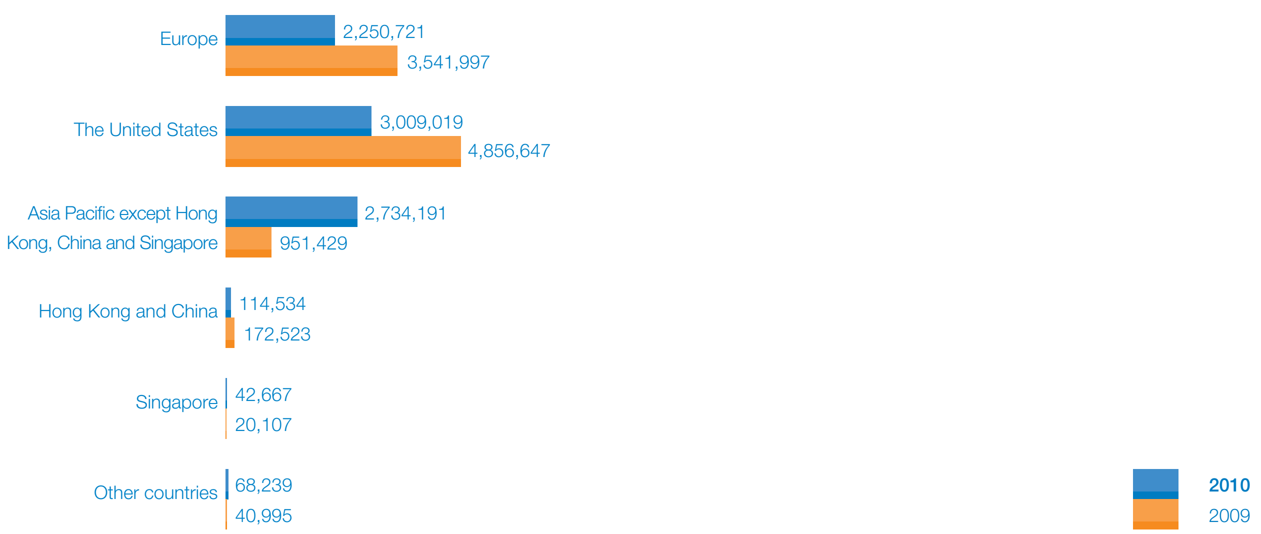
FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2010	2009
	HK$	HK$
Results		
Turnover	**8,219,371**	9,583,698
Loss for the year	**25,235,590**	7,434,885
Assets and liabilities		
Total assets	**3,823,620,412**	31,160,376
Total liabilities	**3,658,444,294**	1,346,063
Shareholders' equity	**165,176,118**	29,814,313

TURNOVER BY PRINCIPAL ACTIVITIES



TURNOVER BY GEOGRAPHY



MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS AND BUSINESS REVIEW

Software Business – Existing business

During the year, the adoption of the Group's products was lower than anticipated for Microsoft's new Windows 7 installations. Even though ThinSoft was very quick to introduce new products for Windows 7 and Windows Server 2008 R2 platforms in the fourth quarter of 2009, the rate at which the new products were adopted with Windows 7 and Windows Server 2008 R2 platforms was delayed as many in the Group's reseller communities opted to first develop more cost-efficient hardware solutions. Nonetheless, while these actions have had the initial effect of deferring sales volumes for several of our key customers, the Group believes that in the long run, the combination of better hardware and Thinsoft's premier software solutions will significantly enhance the user experience and thus create stronger overall sales demand for the Group's products.

Oil Processing and related business – The new business

On 14 September 2010, the Company entered into an agreement to acquire the entire equity interests in Ruifeng Petroleum and Chemical Fuel Co. Ltd. ("Ruifeng"), Ruifeng's wholly owned subsidiaries namely Foshan Beili Fuel Storage Co. Ltd. ("Foshan") and Foshan Suifeng Fossil Fuel Company Limited ("Suifeng") (the "Acquisition") (collectively the "Ruifeng Group") for a consideration of RMB630,000,000 (the "Consideration") which was financed mainly by placing of two tranches of convertible bonds. The first tranche of convertible bond placement for HK$241,300,000 ("Tranche I CB") was fully issued and completed on 31 December 2010 which was on the same date as the completion of the Acquisition and fully converted into 380,000,000 new shares of the Company shortly after the financial year ended 31 December 2011. The second tranche of convertible bond placement for HK$444,500,000 was also completed on 18 February 2011 and have been largely converted into the Company's new shares subsequently.

According to the terms and conditions of the acquisition, a total RMB330,000,000 of the Consideration would be settled if the Ruifeng Group was able to achieve a net profit of not less than RMB70,000,000 for the financial year ended 31 December 2010. The Group has engaged the auditors who have audited Ruifeng Group's financial statements and confirmed that such target has been achieved.

The Group is poised to develop the oil processing and trading business in China as it is one of the fastest growing economies in the world which has maintained an annual GDP growth by 9% and the demand in natural resources, oil in particular, is very keen. In fact, China is the largest fuel oil consumption market in Asia where oil is needed for power generation, transportation, petroleum and petrochemical, metallurgy and construction materials. However, the domestic supply can never satisfy the demand. In 2008, a total of 8,539,000 tons of fuel oil was imported to Guangdong province and 2,482,000 tons was domestically produced. According to data of National Statistics Bureau of the PRC, Guangdong province has been the fourth highest fuel oil production province in China for the past few years. Of which, 26% of the domestic supply was contributed by Ruifeng. This shows that the prospect of fuel oil production business in China is promising. Currently, Ruifeng is the largest domestic oil processing enterprise in Guangdong province, given its considerable potential production capacity and the completion of technical improvement works has substantially enhanced the production efficiency and capacity, it is expected that Ruifeng's profitability would be optimistic in the coming years.

Apart from the successful acquisition of the Ruifeng Group, the Group continues to extend its oil processing and trading network to Eastern China as well as Southern China. On 17 February 2011, Beili, the Company's indirect wholly owned subsidiary in the PRC, entered into a memorandum of understanding with Zhoushan Ruiyun Power Co. Ltd.（舟山瑞運能源有限公司）to acquire the entire equity interest in Zhoushan Boke Power Co. Ltd.（舟山博克能源化工有限公司）and an option to acquire the entire equity interest in Zhejiang Yuye Petroleum Co. Ltd.（浙江省舟山漁業石油有限公司）for a consideration of RMB90,000,000. The Directors consider that, this transaction, once completed, provides a convenient access to a huge oil trading market in the Eastern China to gain a larger market share and earn higher revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

It is widely expected that the economy of China will continue to grow at a relatively fast pace and outperform most of the developed and emerging countries, implying that the demand of oil is still strong and will keep growing. Therefore, the outlook of oil processing and trading business in China is positive in the foreseeable future. The Group will focus on developing this business sector by allocating more resources to allow it to grow healthily and expand at a faster pace while keep looking for quality projects or investment opportunities to take part in to enhance shareholders' value of the Company.

FINANCIAL REVIEW

Turnover for the year decreased by 14.24% to approximately HK$8.2 million (2009: HK$9.6 million) while the gross profit decreased by approximately 12.55% to approximately HK$7.1 million (2009: HK$8.1 million). Of which, the turnover from the sales of software for the year ended 31 December 2010 increased by approximately HK$0.55 million to approximately HK$8.01 million (2009: HK$7.46 million). The decrease in turnover was mainly attributable to the decrease in sales of upgrade kits.

During the year, sales in both European and the US markets dropped significantly, from HK$3.54 million and HK$4.86 million in 2009 to HK$2.25 million and HK$3.00 million respectively, representing a decrease of approximately 36.4% and 38% which was partly offset by the increase in sales in Asia Pacific Region (excluding Hong Kong and Singapore) where the sales increased significantly by 187.38% from approximately HK$0.95 million to HK$2.73 million.

Administrative expenses for the year increased by approximately 118.31% to approximately HK$32.07 million (2009: HK$14.69 million) which was mainly due to the increase in professional expenses incurred in the Acquisition which accounted for approximately HK$14.21 million and increase in employee benefit expenses.

The Group consequently recorded a loss attributable to shareholders for the year of approximately HK$25,235,590 (2009: loss of HK$7.43 million).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2010, the Group maintained cash and cash equivalents (including restricted cash) of approximately HK$708 million (31 December 2009: HK$11.45 million) and had interest-bearing bank and other borrowings of approximately HK$432 million (31 December 2009: Nil).

On 19 January 2010, the Company has, among other things, entered into a top-up share placing agreement and a subsequent supplemental agreement with the placing agent and Inno Smart Group Limited ("Inno Smart"), a substantial shareholder of the Company, on 21 January 2010 to issue 120,000,000 Company's new shares to raise approximately HK$74.15 million. The transaction completed on 2 February 2010.

On 19 January 2010, the Company has also entered into two fund raising activities, followed by several supplemental agreements, by entering into two tranches of convertible bonds, where the Company has agreed to issue 380,000,000 first tranche of convertible bond ("Tranche I CB") to raise approximately HK$241,300,000 and to issue 700,000,000 second tranche of convertible bond ("Tranche II CB") to raise approximately HK$444,500,000. The proceeds arisen from the above fund raising activities were applied to the settlement of the consideration of the Ruifeng Group and the Group's working capital. The placing of Tranche I CB was completed on 31 December 2010 while the placing of Tranche II CB was completed subsequently on 18 February 2011.

Subsequently on 25 February 2011, the Company has entered into warrant subscription agreements with five independent third parties by issuing 145,000,000 warrants at subscription price of HK$1.2 to raise approximately HK$174,000,000. All warrants have been issued subsequently.

SIGNIFICANT INVESTMENTS

During the year, no impairment loss was charged to the income statement in relation to the investment of the 100,000 shares in Vietnam Emerging Market Fund. However, a loss of approximately HK$1.36 million was debited to the reserve account to offset the partial net gain recorded in last year.

On 31 December 2010, the Company has completed a very substantial acquisition of an oil processing business at a consideration of RMB630 million. Please refer to notes 10 and 16 of the notes to the financial statements.

GEARING RATIO

As at 31 December 2010, the gearing ratio (the non-current convertible bonds divided by total equity) was 89.71% (31 December 2009: 0%). The increase in gearing ratio was the result of issuing convertible bonds to fund the consideration of acquiring the Ruifeng Group.

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.

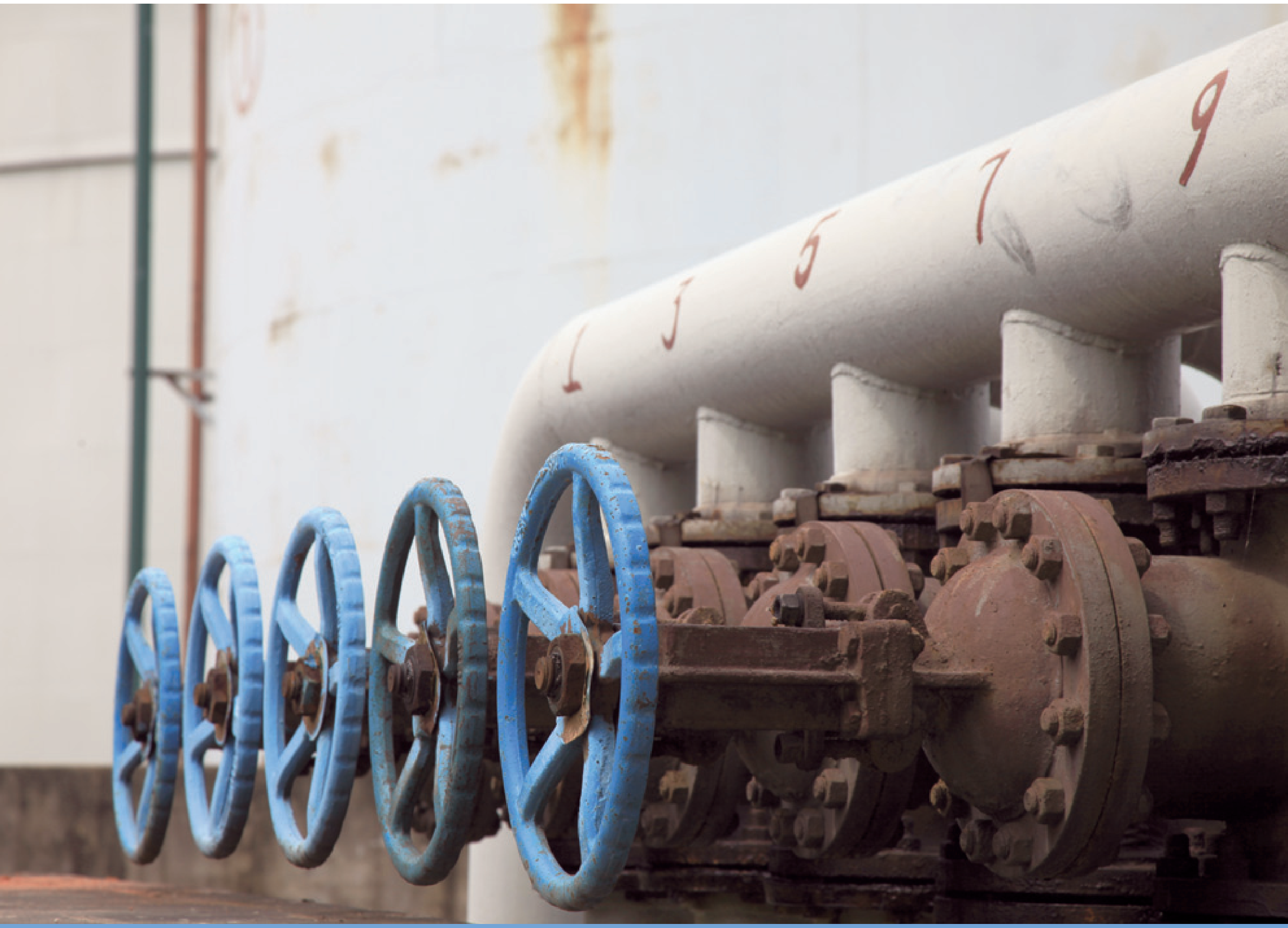
CHARGES ON GROUP ASSETS

Please refer to note 22 of the notes to the financial statements for details.

CONTINGENT LIABILITY

As at 31 December 2010, the Group did not have any significant contingent liabilities (31 December 2009: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENTAL INFORMATION

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

EMPLOYEES

As at 31 December 2010, the Group had approximately 360 full-time employees with the employment and of staff in Ruifeng Group. The aggregate remuneration of the Group's employees (which included 16 employees), including that of the directors, for the year amounted to approximately HK$12.14 million (2009: HK$10.43 million). The Group remunerates its employees based on their performance, experience and the prevailing industry practice. Remuneration policy of the Group 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.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its Code of Conduct for Securities Transactions by Directors throughout the year ended 31 December 2010. The Company, having made specific enquiry of all directors, confirmed that all directors have complied with the required standard of dealings set out therein throughout the year ended 31 December 2010.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

YU WON KONG DENNIS

Aged 61, is the chairman of the Company and 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 58, 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.

NON-EXECUTIVE DIRECTORS

CHAN KWAN PAK

Aged 54, 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 Bachelor of Laws degree (Hons.) and a Master's degree in business administration. Mr. Chan is currently a consultant to a number of companies listed on The Stock Exchange of Hong Kong Limited advising them on corporate governance issues. 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 Honorary Treasurer of the Internet Professional Association.

LAM KIT SUN

Aged 33, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

CHEN TZYH-TRONG

Aged 53, has been appointed as an independent non-executive director of the Company since 31 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. Dr. 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 52, has been appointed as an independent non-executive director of the Company since 31 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 49, has been appointed as an independent non-executive director of the Company since 30 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 17 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.

CHIEF EXECUTIVE OFFICER

SO SANG YEE, PHILIP

Aged 55, obtained the bachelor degree of Social Sciences at the University of Hong Kong and has extensive experience in both the downstream and upstream sectors of oil and natural resources industries with over 30 years.

Mr. So began his career at Exxon where he laid his foundation in oil industry as he has ob-tained comprehensive and intensive knowledge of operations in the oil industry by performing job duties in different areas, from oil terminal operations, accounting and budgeting, internal control to project investments, refinery and trading of oil in the Asia Pacific region. Afterwards, Mr. So formed a joint venture with Atlantic Richfield Company ("ARCO") where he has helped ARCO to develop its downstream business in South East region of the PRC and was the chief executive officer and president of an ARCO's joint venture.

Mr. So started his own business after ARCO was acquired by BP plc to engage in oil exploration business in Suriname as well as natural resources business.

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 31 December 2010.

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 27.

The directors do not recommend the payment of dividend for the year ended 31 December 2010.

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 20 to the consolidated financial statements.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 18 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 31 December 2010, as computed in accordance with the Companies Law of the Cayman Islands.

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 YEARS 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 72.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year under review are set out in note 8 to the financial statements.

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 19 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. Yu Won Kong, Dennis, Mr. Yue Wai Keung, and Mr. Chan Kwan Pak retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. According to the recommended best practice of Code on Corporate Governance Practices of GEM Listing Rules, independent non-executive directors serving a listed company for nine years should be subject to shareholders' approval to continue to be independent non-executive directors of the company. As such, Dr. Chen Tzyh-Trong and Dr. Lee Chung Mong, who have served the position for more than nine years, will retire and offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors and non-executive directors has entered into a service contract with the Company for a term of two years and each of the independent non-executive directors has entered into a service contract with the Company for one year.

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

Save as disclosed in Note 27 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 that all the independent non-executive directors are 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 33 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.

REPORT OF THE DIRECTORS

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

As at 31 December 2010, 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	71.51
Mr. Yue Wai Keung *(Notes 1 & 3)*	–	1,875,000,000	1,875,000,000	71.39

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 ("Mr. Yu"), 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 is deemed to be interested in the shares of the Company which Daylight Express Investments Limited is interested in. Mr. Yu's spouse, Ho Siu Lan Sandy is deemed to be interested in the Shares directly and indirectly held by Mr. Yu.

3. Billion Sky Resources Limited is wholly owned by Mr. Yue Wai Keung ("Mr. Yue"), an executive Director. For the purpose of Part XV of SFO, Mr. Yue is deemed to be interested in the shares of the Company which Billion Sky Resources Limited is interested in. Mr. Yue's spouse, Man Wing Tuen is deemed to be interested in the Shares indirectly held by Mr. Yue.

Save as disclosed above, as at 31 December 2010, 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.

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, 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	71.39%
Strong Choice Investments (Holdings) Limited *(Note 1)*	Interest of controlled corporation	1,875,000,000	71.39%
Yu Won Kong, Dennis *(Note 1)*	Beneficial interest	3,150,000	0.12%
	Interest of a controlled corporation	1,875,000,000	71.39%
Billion Sky Resources Limited *(Note 2)*	Interest of a controlled corporation	1,875,000,000	71.39%
Yue Wai Keung *(Note 2)*	Interest of a controlled corporation	1,875,000,000	71.39%

Notes:

1. Please refer to Notes 1 and 2 in the "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" section for details.

2. Please refer to Note 3 in the "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company or any associated corporation" section for details.

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 31 December 2010, 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.

REPORT OF THE DIRECTORS

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 34% of the Group's total sales for the year and sales to the largest customer included therein accounted for approximately 19.37% of the Group's total sales.

Purchases from the Group's five largest suppliers accounted for approximately 62.71% of the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 59.63% 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.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules throughout the year.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors, the Company has maintained sufficient public float as required under the GEM Listing Rules during the year under review and up to the date of this report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the balance sheet date are set out in note 34 to the consolidated financial statements.

RELATED PARTY TRANSACTIONS

The related party transactions as disclosed in Note 33 to the consolidated financial statements

Save as disclosed therein, there were no other transaction to be disclosed as related party transactions in accordance with the requirements of the 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

Shortly after the year ended 31 December 2010, PricewaterhouseCoopers resigned as the Group's auditors. The Company appointed Parker Randall CF (H.K.) CPA Limited ("Parker Randall") as the Group's auditors. The consolidated financial statements have been audited by Parker Randall who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

Yu Won Kong, Dennis
Chairman

Hong Kong
30 March 2011

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 31 December 2010.

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 Dr. Chen Tzyh-Trong, Dr. Lee Chung Mong and Mr. Yeung Chi Hung are the independent non-executive Directors. The terms of appointment for non-executive Directors are two years while the terms of appointment for independent non-executive Directors are one year.

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.

CORPORATE GOVERNANCE REPORT

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

Directors	Attendance
Mr. Yu Won Kong Dennis	10/11
Mr. Yue Wai Keung	9/11
Mr. Chan Kwan Pak	10/11
Mr. Lam Kit Sun	9/11
Dr. Chen Tzyh-Trong	7/11
Dr. Lee Chung Mong	6/11
Mr. Yeung Chi Hung	10/11

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 Dr. Chen Tzyh-Trong, an independent non-executive Director, and other members include Dr. 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.

The remuneration committee held 1 meeting during the year. All the members of the committee attended the meeting.

NOMINATION OF DIRECTORS

The nomination committee was established in August 2005. The chairman of the committee is Dr. Chen Tzyh-Trong, and other members include Dr. 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.

CORPORATE GOVERNANCE REPORT

During the year, no meetings of the nomination committee were 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$720,000 for audit services and HK$209,112 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, Dr. Chen Tzyh-Trong, Dr. Lee Chung Mong, and Mr. Yeung Chi Hung. All of them are independent non-executive Directors. The chairman of the audit committee is Dr. 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
Dr. Chen Tzyh-Trong	3/4
Dr. Lee Chung Mong	2/4
Mr. Yeung Chi Hung	4/4

The Group's unaudited quarterly results, interim results and annual audited results for the year ended 31 December 2010 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 24 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 31 December 2010, covering financial, operational and compliance controls, together with risk management functions.

INVESTOR 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

暉誼(香港)會計師事務所有限公司
PARKER RANDALL CF (H.K.) CPA LIMITED

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 25 to 71, which comprise the consolidated and company balance sheets as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

OPINION

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

Parker Randall CF (H.K.) CPA Limited
Certified Public Accountants
Seto Man Fai
Practising Certificate No.: P05229
Hong Kong
30 March 2011

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

	Notes	2010 HK$	2009 HK$
Non-current assets			
Property, plant and equipment	*8*	**1,198,205,277**	–
Prepaid land lease payments	*9*	**102,090,796**	–
Goodwill	*10*	**153,696,498**	–
Available-for-sale financial assets	*11*	**6,093,627**	7,438,812
Deferred tax assets	*12*	**73,948**	67,676
		1,460,160,146	7,506,488
Current assets			
Inventories	*13*	**902,337,806**	441,497
Trade receivables	*14*	**74,004,862**	177,724
Deposits, prepayments and other receivables	*15*	**679,072,421**	186,488
Deposit paid for a proposed acquisition	*16*	**–**	11,400,000
Pledged deposits	*17*	**682,591,357**	–
Cash and cash equivalents	*17*	**25,453,820**	11,448,179
		2,363,460,266	23,653,888
Total assets		**3,823,620,412**	31,160,376
EQUITY			
Equity attributable to the Company's equity holders			
Share capital	*18*	**26,262,750**	25,062,750
Reserves	*20(a)*	**138,913,368**	4,751,563
Total equity		**165,176,118**	29,814,313
Current liabilities			
Trade and bills payables	*21*	**1,678,983,603**	328,149
Advance from customers		**149,993,954**	–
Interest-bearing bank and other borrowings	*22*	**432,483,253**	–
Accruals and other payables	*23*	**692,245,848**	1,017,914
Income tax payables		**474,049**	–
Amounts due to related companies	*33(c)*	**519,309,734**	–
		3,473,490,441	1,346,063
Non-current liabilities			
Deferred tax liabilities	*12*	**36,780,782**	–
Convertible bonds	*24*	**148,173,071**	–
		184,953,853	–
Total liabilities		**3,658,444,294**	1,346,063
Total equity and liabilities		**3,823,620,412**	31,160,376
Net current (liabilities)/assets		**(1,110,030,175)**	22,307,825
Net assets		**165,176,118**	29,814,313

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

The notes on pages 31 to 71 are an integral part of these consolidated financial statements.

BALANCE SHEET

As at 31 December 2010

	Notes	2010 HK$	2009 HK$
Non-current assets			
Investments in subsidiaries	*6*	**12,856,654**	12,856,654
		12,856,654	12,856,654
Current assets			
Prepayments and other receivables		**235,385,227**	176,878
Deposit paid for a proposed acquisition	*16*	**–**	11,400,000
Amounts due from subsidiaries	*33*	**95,849,881**	87,737
Cash and cash equivalent	*17*	**57,584**	3,109,862
		331,292,692	14,774,477
Total assets		**344,149,346**	27,631,131
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	*18*	**26,262,750**	25,062,750
Reserves	*20(b)*	**148,010,916**	(4,352,771)
Total equity		**174,273,666**	20,709,979
Current liabilities			
Accruals and other payables	*23*	**13,783,404**	423,060
Amount due to subsidiaries	*33*	**7,919,205**	6,498,092
		21,702,609	6,921,152
Non-current liability			
Convertible bonds	*24*	**148,173,071**	–
		148,173,071	–
Total liabilities		**169,875,680**	6,921,152
Total equity and liabilities		**344,149,346**	27,631,131
Net current assets		**309,590,083**	7,853,325
Net assets		**174,273,666**	20,709,979

Director
Yu Won Kong, Dennis

Director
Yue Wai Keung

The notes on pages 31 to 71 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Notes	2010 HK$	2009 HK$
Revenue	25	**8,219,371**	9,583,698
Cost of sales	26	**(1,151,723)**	(1,501,755)
Gross profit		**7,067,648**	8,081,943
Other income	25	**69,351**	582,330
Selling and distribution costs	26	**(299,009)**	(647,058)
Administrative expenses	26	**(32,073,580)**	(14,692,016)
Impairment loss of available-for-sale financial assets	11	**–**	(736,424)
Loss before income tax		**(25,235,590)**	(7,411,225)
Income tax expense	28	**–**	(23,660)
Loss for the year attributable to equity holders of the Company		**(25,235,590)**	(7,434,885)
Loss per share for loss attributable to the ordinary equity holders of the Company			
Basic (HK cents per share)	30	**(0.96)**	(0.30)
Diluted (HK cents per share)	30	**N/A**	(0.30)

The notes on pages 31 to 71 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	2010 HK$	2009 HK$
Loss for the year	**(25,235,590)**	(7,434,885)
Other comprehensive loss:		
Exchange differences on translation of foreign operations	**940,920**	270,647
Change in fair value of available-for-sale financial assets	**(1,358,996)**	3,135,526
Total other comprehensive income/(loss) for the year, net of tax	**(418,076)**	3,406,173
Total comprehensive loss for the year attributable to equity holders of the Company	**(25,653,666)**	(4,028,712)

The notes on pages 31 to 71 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to the equity holders of the Company							
	Share capital HK$	Share premium HK$	Capital reserve HK$	Equity component of convertible bonds HK$	Currency translation reserve HK$	Available-for-sale financial assets HK$	Accumulated losses HK$	Total equity HK$
Balance at 1 January 2009	25,062,750	11,347,425	6,840,000	–	3,624,337	–	(13,031,487)	33,843,025
Loss for the year	–	–	–	–	–	–	(7,434,885)	(7,434,885)
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 31 December 2009 and at 1 January 2010	25,062,750	11,347,425	6,840,000	–	3,894,984	3,135,526	(20,466,372)	29,814,313
Comprehensive income								
Loss for the year	–	–	–	–	–	–	(25,235,590)	(25,235,590)
Total other comprehensive income	–	–	–	–	940,920	(1,358,996)	–	(418,076)
Total comprehensive income/(loss)	–	–	–	–	940,920	(1,358,996)	(25,235,590)	(25,653,666)
Issue of shares by placement	1,200,000	75,000,000	–	–	–	–	–	76,200,000
Share issue expense	–	(2,278,858)	–	–	–	–	–	(2,278,858)
Issue of convertible bonds	–	–	–	87,094,329	–	–	–	87,094,329
Balance at 31 December 2010	**26,262,750**	**84,068,567**	**6,840,000**	**87,094,329**	**4,835,904**	**1,776,530**	**(45,701,962)**	**165,176,118**

The notes on pages 31 to 71 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2010

	Note	**2010 HK$**	2009 HK$
Cash flows from operating activities			
Cash generated from/(used in) operations	*31*	**193,229**	(7,228,134)
Overseas taxes paid		**–**	(1,302,748)
Net cash flows used in operating activities		**193,229**	(8,530,882)
Cash flows from investing activities			
Loan repayment received		**–**	5,500,000
Acquisition of subsidiaries	*10*	**(60,700,326)**	(11,400,000)
Interest received	*25*	**69,351**	632,747
Net cash flows used in investing activities		**(60,630,975)**	(5,267,253)
Cash flows from financing activities			
Proceed from issue of share	*20*	**76,200,000**	–
Share issue expenses	*20*	**(2,278,858)**	–
Net cash flows from financing activities		**73,921,142**	–
Net increase/(decrease) in cash and cash equivalents		**13,483,396**	(13,798,135)
Cash and cash equivalents at beginning of year		**11,448,179**	24,970,625
Effect of exchange rate changes		**522,245**	275,689
Cash and cash equivalents at end of year	*17*	**25,453,820**	11,448,179

The notes on pages 31 to 71 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

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 30 March 2011.

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 Basic of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. 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 HKFRSs 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.

The Group incurred a loss for the year attributable to equity shareholders of the Company of approximately HK$25,235,590 and its current liabilities exceeded its current assets by HK$1,110,030,175 as at 31 December 2010. However, in the opinion of management the basis of the Group's ability to continue as going concern is valid, after considering the cash inflows and outflows subsequent to the year as follows:

i) The Tranche II Convertible bonds with an aggregate principal amount of HK$444,500,000 was completed on 18 February 2011;

ii) New bank loan amounted to RMB730 million was obtained by the Group with credit period over one year;

iii) Consideration amounted to HK$554,428,793 for acquisition of Ruifeng Group was settled subsequent to the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basic of preparation (Continued)

Changes in accounting policy and disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements, but have no significant impact on the Group's consolidated financial statements unless otherwise stated below:

- HKFRS 3 (Revised), "Business Combinations". HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

- HKAS 27 (Revised), "Consolidated and Separate Financial Statements". HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 Statement of Cash Flows, HKAS 12 "Income Taxes", HKAS 21 "The Effects of Changes in Foreign Exchange Rates", HKAS 28 "Investments in Associates" and HKAS 31 "Interests in Joint Ventures".

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

Improvements to HKFRSs 2009, "Amendments to a number of HKFRSs issued in May 2009" There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 Statement of Cash Flows: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- HKAS 17 Leases: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

Amendment to HK Interpretation 4 Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases is revised as a consequence of the amendment to HKAS 17 included in Improvements to HKFRSs 2009. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this interpretation is applicable to all leases of property accounted for in accordance with HKAS 16 Property, Plant and Equipment, HKAS 17 and HKAS 40 Investment Property.

The Group has reassessed its leases in Mainland China, previously classified as operating leases, upon the adoption of the amendments. The classification of leases in Mainland China remained as operating leases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basic 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 2010 and have not been early adopted by the Group:

Amendment to HKFRS 1	"First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters", effective for annual periods beginning on or after 1 July 2010
Amendments to HKFRS 7	"Financial Instruments: Disclosures – Transfers of Financial Assets", effective for annual periods beginning on or after 1 July 2011
HKFRS 9	"Financial Instruments", effective for annual periods beginning on or after 1 January 2013
HKAS 24 (revised)	"Related Party Disclosures", effective for annual periods beginning on or after 1 January 2011
Amendment to HKAS 32	"Clarification of Right Issue", effective for annual periods beginning on or after 1 February 2010
Amendment to HK(IFRIC) 14	"Prepayment of a Minimum Funding Requirement", effective for annual periods beginning on or after 1 January 2011
HK(IFRIC) 19	'Extinguishing financial liabilities with equity instruments', effective for annual periods beginning on or after 1 July 2010
Improvements to HKFRSs 2010	Covers various HKFRSs, sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

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.

2.2 Consolidation

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

(a) *Subsidiaries*

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors; or over which the Company has a contractual right to exercise a dominant influence with respect to that entity's financial and operating policies.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Consolidation

(b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquire over the net identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.5 Property, plant and equipment and depreciation

The following properties held for own use are stated in the consolidated balance sheet at their revalued amounts, being their fair values at the date of the revaluation less any subsequent accumulated depreciation:

- leasehold land and buildings

- plant and machinery

  Revaluations are performed with sufficient regularity to ensure that the carrying amounts of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

  Changes arising on the revaluation of properties held for own use are generally dealt with in reserves. The only exceptions are as follows:

  – when a deficit arises on revaluation, it will be charged to profit or loss to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

  – when a surplus arises on revaluation, it will be credited to profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

The following items of property, plant and equipment are stated in the consolidated statements of financial position at cost less accumulated depreciation and impairment losses:

- equipment, furnitures and fixture

- motor vehicles

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment and depreciation (Continued)

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The cost of construction in progress includes the cost of materials, direct labours, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs, if any.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

–	Buildings situated on leasehold land	shorter of the unexpired lease terms or 50 years
–	Plant and machinery	10-20 years
–	Other items of plant and equipment	10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as loans and receivables and available-for-sale financial investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables, loans receivable, quoted and unquoted financial instruments, and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the income statement. The loss arising from impairment is recognised in the income statement.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement in other operating expenses and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial assets (Continued)

Subsequent measurement (Continued)

Available-for-sale financial investments (Continued)

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

2.7 Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when (i) the rights to receive cash flows from the asset have expired; or (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.8 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Impairment of financial assets (Continued)

Available-for-sale financial assets

For available-for-sale financial assets, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to other expenses in the income statement.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.10 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.11 Trade and other payables

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

2.12 Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, and loans and borrowings. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, an amount due to the ultimate holding company, derivative financial instruments and interest-bearing bank and other borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the income statement.

Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

2.14 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.15 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

2.16 Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

Provisions for product warranties granted by the Group on certain products are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

2.17 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.18 Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.21 Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the income statement so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

2.22 Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Related parties

A party is considered to be related to the Group if:

(i) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Group or its parent;

(v) the party is a close member of the family of any individual referred to in (a) or (d);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

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

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.

At 31 December 2010, if the US dollar had weakened/strengthened by 5% against the Singapore dollar with all other variables held constant, post-tax income for the year would have been HK$424,953 higher/lower (2009: HK$381,316 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk

The Group is exposed to equity securities price risk because 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**	
	2010	2009
	HK$	HK$
Counterparties without external credit rating		
Existing customers (more than 6 months) with no defaults in the past	**74,004,862**	177,724
Total trade receivables	**74,004,862**	177,724

(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 31 December 2010, the cash and cash equivalents maintained by the Group totaled HK$25,453,820 (2009: HK$11,448,179).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 31 December 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio at a healthy capital level in order to support its businesses. Net debt includes interest-bearing bank and other borrowings, an amount due to the ultimate holding company, loans from associates, trade, bills and other payables, accruals, less cash and cash equivalents, and excludes discontinued operation. Capital includes convertible bonds and equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

Group

	2010 **HK$**	2009 HK$
Interest-bearing bank and other borrowings	**432,483,253**	–
Trade payables and bills payables	**1,678,983,603**	328,149
Advance from customers	**149,993,954**	–
Other payables and accruals	**692,245,848**	1,017,914
Amounts due to related companies	**519,309,734**	–
Less: Cash and cash equivalent	**(25,453,820)**	(11,448,179)
Less: Pledged deposits	**(682,591,357)**	–
Net debt	**2,764,971,215**	(10,102,116)
Total equity and liabilities	**3,823,620,412**	31,160,376
Gearing ratio	**72%**	0%

3.3 Fair value estimation

The Group's financial instruments that are measured in the balance sheet at fair value are required the 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 31 December 2010.

Assets	**Level 1** HK$	**Level 2** HK$	**Level 3** HK$	**Total** HK$
Available-for-sale financial assets	5,930,798	–	162,829	6,093,627

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

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 end of the reporting period. 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 31 December 2010 and 2009 and are classified as available-for-sale.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2010 was HK$153,696,498 (2009: nil).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

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 31 December 2010, 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;

(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; and

(v) the processed fuel oil segment – heavy oil processing, trading of fuel oil and related products, and leasing of storage tanks and related facilities to its customers.

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.

The segment results for year ended 31 December 2010 are as follows:

	Software HK$	Upgrade kits HK$	Vertical market solutions HK$	Group HK$
Total segment revenue and revenue from external customers	8,011,807	202,001	5,563	8,219,371
Cost of sales	(1,080,511)	(69,021)	(2,191)	(1,151,723)
Segment gross profit	6,931,296	132,980	3,372	7,067,648
Other income				69,351
Unallocated operating costs				(32,372,589)
Finance costs				
Provision for impairment loss of available-for-sale financial assets *(Note 11)*				–
Loss before tax				(25,235,590)
Income tax expense *(Note 28)*				–
Loss for the year				(25,235,590)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

5 SEGMENT INFORMATION (Continued)

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

	Software HK$	Upgrade kits HK$	Vertical market solutions 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 11)*				(736,424)
Loss before tax				(7,411,225)
Income tax expense *(Note 28)*				(23,660)
Loss for the year				(7,434,885)

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.

The segment assets as at 31 December 2010 are as follows:

	Software HK$	Upgrade kits HK$	Vertical market solutions HK$	Processed fuel oil HK$	Unallocated HK$	Group HK$
Assets	4,463,834	454,335	–	2,667,966,630	1,150,735,613	3,823,620,412

Segment assets are recorded to consolidated assets as follows:

	HK$
Segment assets	**2,672,884,799**
Unallocated:	
Deferred tax	**73,948**
Available-for-sale financial assets	**6,093,627**
Cash and cash equivalents	**25,453,820**
Pledged deposits	**682,591,357**
Receivables of Convertible bonds	**235,267,400**
Others	**201,253,461**
Total	**3,823,620,412**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

5 SEGMENT INFORMATION (Continued)

The segment assets as at 31 December 2009 are as follows:

	Software HK$	Upgrade kits HK$	Vertical market solutions HK$	Unallocated HK$	Group HK$
Assets	177,724	441,497	–	30,541,155	31,160,376

Segment assets are recorded to consolidated assets as follows:

	HK$
Segment assets	**619,221**
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**
Total	**31,160,376**

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

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

	2010 HK$	2009 HK$
Revenue:		
Europe	**2,250,721**	3,541,997
US	**3,009,019**	4,856,647
Asia Pacific except Hong Kong, China and Singapore	**2,734,191**	951,429
Hong Kong and China	**114,534**	172,523
Singapore	**42,667**	20,107
Other countries	**68,239**	40,995
Total	**8,219,371**	9,583,698

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

5 SEGMENT INFORMATION (Continued)

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

	2010 HK$	2009 HK$
Total assets:		
Hong Kong and China	3,812,340,281	13,307,217
Singapore	5,349,333	9,183,678
Vietnam	5,930,798	7,289,794
US	–	1,379,687
Total	3,823,620,412	31,160,376

6 INVESTMENTS IN SUBSIDIARIES

	Company 2010 HK$	 2009 HK$
Unlisted shares, at cost *(Note)*	12,856,654	12,856,654

Note: The following list is a list of subsidiaries as at 31 December 2010:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Paticulars 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%[†]
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%[†]
ThinSoft Management Ltd	BVI, limited liability company	Provision of management services in Hong Kong	1 ordinary shares of 1 US dollar each	100%[†]
China Base International Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	10,000 ordinary shares of HK$1.00 each	100%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

6 INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Paticulars of issued share capital	Interest held
Foshan Ruifeng Petroleum and Chemical Fuel Company Limited ("Ruifeng")	China, limited liability company	Fuel oil processing in China	Paid-in capital of RMB85,000,000	100%
Foshan Suifeng Fossil Fuel Company Limited ("Suifeng")	China, limited liability company	Fuel oil trading in China	Paid-in capital of RMB5,000,000	100%
Foshan Beili Fuel Storage Company Limited ("Beili")	China, limited liability company	Leasing of storage tanks and related facilities in China	Paid-in capital of RMB85,000,000	100%

[1] *Shares held directly by the Company*

7 FINANCIAL INSTRUMENTS BY CATEGORY – GROUP AND COMPANY

Group

	Loans and receivables HK$	Avaiable-for-sale financial assets HK$	Total HK$
Assets as per consolidated balance sheet			
31 December 2010			
Avaiable-for-sale financial assets	**–**	**6,093,627**	**6,093,627**
Trade receivables	**74,004,862**	**–**	**74,004,862**
Financial assets included in prepayments, deposits and other receivables	**679,072,421**	**–**	**679,072,421**
Pledged deposits	**682,591,357**	**–**	**682,591,357**
Cash and cash equivalents	**25,453,820**	**–**	**25,453,820**
Total	**1,461,122,460**	**6,093,627**	**1,467,216,087**
31 December 2009			
Trade receivables	–	7,438,812	7,438,812
Cash and cash equivalents	177,724	–	177,724
Loan receivable	11,448,179	–	11,448,179
Total	11,625,903	7,438,812	19,064,715

Group

	Other financial liabilities 2010 HK$	2009 HK$
Liabilities as per consolidated balance sheet		
Trade and bills payables	**1,678,983,603**	328,149
Accruals and other payables	**692,245,848**	1,017,914
Advance from customers	**149,993,954**	–
Interest-bearing bank and other borrowings	**432,483,253**	–
Amounts due to related companies	**519,309,734**	–
Convertible bonds	**148,173,071**	–
Total	**3,621,189,463**	1,346,063

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

7 FINANCIAL INSTRUMENTS BY CATEGORY – GROUP AND COMPANY (Continued)

Company

	Loans and receivables	
	2010	2009
	HK$	HK$
Assets as per consolidated balance sheet		
Amounts due from subsidiaries	**95,849,881**	87,737
Financial assets included in prepayments, deposits and other receivables	**235,385,227**	–
Cash and cash equivalents	**57,584**	3,109,862
Total	**331,292,692**	3,197,599

	Other financial liabilities	
	2010	2009
	HK$	HK$
Liabilities as per consolidated balance sheet		
Amounts due to subsidiaries	**7,919,205**	6,498,092
Accruals and other payables	**13,783,404**	423,060
Convertible bonds	**148,173,071**	–
Total	**169,875,680**	6,921,152

8 PROPERTY, PLANT AND EQUIPMENT

(a) Group

	Leasehold land and buildings HK$	Plant and machinery HK$	Furniture and fixtures HK$	Motor vehicles HK$	Construction in progress HK$	Total HK$
31 December 2010						
At 1 January 2010, net of accumulated depreciation and impairment	–	–	–	–	–	–
Acquisition of subsidiaries *(Note 16)*	379,702,522	793,776,546	556,004	2,778,515	21,391,690	1,198,205,277
At 31 December 2010, net of accumulated depreciation and impairment	379,702,522	793,776,546	556,004	2,778,515	21,391,690	1,198,205,277
At 31 December 2010:						
Cost or valuation	399,916,543	931,235,245	1,110,798	4,059,743	21,391,690	1,357,714,019
Accumulated depreciation and impairment	(20,214,021)	(137,458,699)	(554,794)	(1,281,228)	–	(159,508,742)
Net carrying amount	379,702,522	793,776,546	556,004	2,778,515	21,391,690	1,198,205,277
Analysis of cost or valuation at 31 December 2010:						
At cost	399,916,543	887,751,874	1,110,798	4,059,743	21,391,690	1,314,230,648
At valuation	–	43,483,371	–	–	–	43,483,371
Net carrying amount	399,916,543	931,235,245	1,110,798	4,059,743	21,391,690	1,357,714,019

(b) The Group's buildings and machinery located in the PRC, which, with cost approximately HK$1,329,113 and HK$432,047,999 respectively, has been pledged to secure the bank loans *(See Note 22)*.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

9 PREPAID LAND LEASE PAYMENTS

	2010 HK$	2009 HK$
Carrying amount at 1 January	–	–
Acquisition of subsidiaries *(Note 16)*	39,740,260	–
Surplus on revaluation	62,350,536	–
Carrying amount at 31 December	102,090,796	–

The leasehold land located in the PRC with a carrying value of approximately HK$102,090,796 (2009: Nil) has been pledged to secure the bank loans *(See Notes 22)*.

10 GOODWILL

Goodwill is arising on the acquisition of Ruifeng Group as at 31 December 2010, which represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition. Detailed calculation please see note 16.

The Goodwill of HK$153,696,498 has been assessed by an independent third party and subject to impairment test, resulted with no need to provide impairment. Thus, the management concluded that there is no impairment of such goodwill.

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	Group	
	2010 HK$	2009 HK$
Beginning of the year	7,438,812	5,035,825
Net gains transferred to equity/(impairment loss transferred from equity)	(1,358,996)	3,135,526
Exchange differences	13,811	3,885
Impairment loss	–	(736,424)
End of the year	6,093,627	7,438,812

Available-for-sale financial assets include the following:

	2010 HK$	2009 HK$
Unlisted equity investment in Hong Kong	162,829	149,018
Unlisted equity investment in Vietnam	5,930,798	7,289,794
Total	6,093,627	7,438,812

During the year, impairment loss of HK$1,358,996 was recognized in the consolidated statement of comprehensive income for the year ended 31 December 2010.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

11 AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP (Continued)

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 31 December 2010 and 2009.

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 31 December 2010 and 2009.

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

12 DEFERRED TAX – GROUP

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

	2010 **HK$**	2009 HK$
Deferred tax assets to be recovered after more than 12 months	**73,948**	67,676

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

	2010 **HK$**	2009 HK$
Beginning of the year	**67,676**	–
Exchange difference	**6,272**	2,224
Income statement credit/(charge) *(Note 28)*	**–**	65,452
End of the year	**73,948**	67,676

The movement in deferred 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 assets:	**Tax losses** HK$
As at 31 December 2008	–
Exchange difference	2,224
Income statement credit	65,452
As at 31 December 2009	67,676
Exchange difference	6,272
As at 31 December 2010	**73,948**

Deferred 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 31 December 2010, the Group has unrecognised tax assets of HK$8,674,999 (2009: HK$4,611,809) arising from accumulated tax losses of HK$53,185,949 (2009: HK$27,950,359), 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

12 DEFERRED TAX – GROUP (Continued)

Deferred tax liabilities

	2010 HK$	2009 HK$
Deferred tax liabilities as at 31 December	**36,780,782**	–

Deferred tax liabilities are recognized for Ruifeng Group's depreciation allowance in excess of related depreciation by HK$147,123,129, and the applicable tax rate was 25%.

13 INVENTORIES – GROUP

	2010 HK$	2009 HK$
Raw materials	**570,834,203**	–
Finished goods	**331,503,603**	441,497
Total	**902,337,806**	441,497

The Group has pledged its inventories with book values of approximately HK$168,057,351 as of 31 December 2010 to secure its banking facilities bank loans *(See Note 22)*.

14 TRADE RECEIVABLES – GROUP

	2010 HK$	2009 HK$
Trade receivables	**74,004,862**	177,724

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 45 to 60 days.

At 31 December 2010 and 2009, the ageing analysis of trade receivables based on invoice date was as follows:

	2010 HK$	2009 HK$
1-30 days	**9,709,832**	177,724
31-60 days	**33,872,672**	–
61-90 days	**11,299,128**	–
Over 90 days	**19,123,230**	–
Total	**74,004,862**	177,724

As at 31 December 2010 and 2009, trade receivables were neither past due nor impaired.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

14 TRADE RECEIVABLES – GROUP (Continued)

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

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

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

	2010 HK$	2009 HK$
US dollar	**2,816**	12,148
Singapore dollar	**180,921**	165,576
RMB	**73,821,125**	–
Total	**74,004,862**	177,724

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.

15 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES-GROUP AND COMPANY

	Group		Company	
	2010 HK$	2009 HK$	2010 HK$	2009 HK$
Prepayments	**341,978,787**	–	**–**	–
Other receivables *(note)*	**242,123,346**[1]	186,488	**235,385,227**[1]	176,878
Deferred expenses	**94,970,288**	–	**–**	–
Total	**679,072,421**	186,488	**235,385,227**	176,878

Note:

1 The other receivables of Thinsoft (Holdings) Inc mainly represents the other receivables from the fund from issuing convertibles bonds, which was held by the placing agent, as at 31 December 2010.

16 BUSINESS COMBINATIONS

On 31 December 2010, the Group acquired a 100% interest in Foshan Ruifeng Petroleum and Chemical Fuel Co., Ltd, Foshan Suifeng Fossil Fuel Co., Ltd and Foshan Beili Fuel Storage Co., Ltd. (collectively, "Ruifeng Group") from the third parties Mr. Zhao Wen Bo and Mr. Wang Min (the "Vendor"). Ruifeng Group is engaged in the manufacture and sales of fuel oil. The acquisition was made as part of the Group's strategy to develop its market share of products in PRC.

The total consideration for the acquisition is RMB630,000,000 (equivalent to approximately HK$737,408,890) and will be settled by the Company in the following manner:

(i) HK$ 81,632,653 (equivalent to approximately RMB72,000,000), being the deposit, has already been paid by the Company to the vendors' nominee in cash before signing of the Agreement. As of 31 December 2009, HK$11,400,000 was already paid by the Company to the Vendor;

(ii) RMB228,000,000 (equivalent to approximately HK$267,951,581) will be paid in cash within one month after date of completion;

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

16 BUSINESS COMBINATIONS (Continued)

(iii) RMB240,000,000 (equivalent to approximately HK$282,054,295) is payable within 10 business days after (i) the completion of the Tranche II Convertible Bonds ("CB") Placing; (ii) the provision by the vendors of a pro forma combined management accounts of the Ruifeng Group for the 12 months ending 31 December 2010 showing a net profit after tax and extraordinary or exceptional items of not less than RMB70,000,000 (equivalent to approximately HK$82,265,836, whichever is later; and

(iv) RMB90,000,000 (equivalent to approximately HK$105,770,361) is payable within 10 business days after (i) the completion of the Tranche II CB Placing; (ii) the provision by the Vendors a pro forma combined financial statements of the Ruifeng Group which has been reviewed by the auditor designated by the Company showing a net profit after tax and extraordinary or exceptional items for the 12 months ending 31 December 2010 of not less than RMB70,000,000 (equivalent to approximately HK$82,265,836), whichever is later.

The purchase consideration for the acquisition was in the form of cash by issuing 120,000,000 common shares of HK$76.2 million and Convertible Bonds *(See note 24)*.

The Group incurred transactions cost of HK$13.9 million for the acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated income statement.

The fair values of the identifiable assets and liabilities of Ruifeng Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition HK$
Property, plant and equipment	1,198,205,277
Prepaid land lease payments	102,090,796
Inventories	901,883,471
Trade receivables	73,821,125
Deposits, prepayments and other receivables	443,676,544
Cash and cash equivalents	20,932,327
Pledged deposits	682,591,357
Interest-bearing bank and other borrowings	(432,483,253)
Trade and bills payables	(1,678,650,124)
Receipt in advance	(149,993,954)
Accruals and other payables	(21,796,609)
Amounts due to related companies	(519,309,734)
Income Taxes payable	(474,049)
Deferred tax liabilities	(36,780,782)
Total identifiable net assets at fair value	583,712,392
Goodwill on acquisition	153,696,498
Satisfied by cash	737,408,890

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair value of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

16 BUSINESS COMBINATIONS (Continued)

An analysis of the cash flows in respect of the acquisition of the Ruifeng Group is as follows:

Acquisition cash flow effect	HK$
Cash consideration	(81,632,653)
Cash and bank balances acquired	20,932,327
Net outflow of cash and cash equivalents included in cash flows from investing activities	(60,700,326)
Transaction costs of the acquisition included in cash flow from operating activities	(13,861,183)

Since its acquisition, Ruifeng Group contributed HK$2,967,590,829 to the Group's turnover and HK$115,383,575 to the consolidated profit for the year ended 31 December 2010.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been HK$2,975,810,200 and HK$90,147,985, respectively.

17 CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS – GROUP AND COMPANY

	Group		Company	
	2010	2009	**2010**	2009
	HK$	HK$	**HK$**	HK$
Cash on hand	**83,109**	7,824	**6,964**	7,824
Cash at bank	**705,408,555**	4,197,354	**50,620**	3,102,038
Short-term bank deposits	**2,553,513**	7,243,001	**–**	–
	708,045,177	11,448,179	**57,584**	3,109,862
Less: Pledge time deposits:		–	**–**	–
Pledge for bills payables	**(682,591,357)**	–	**–**	–
Cash and cash equivalents	**25,453,820**	11,448,179	**57,584**	3,109,862

Short-term bank deposits at the end of the reporting period have an average maturity of 31 days (2009: 20 days) and earning interests at 0.1% (2009: rates ranging from 0.1% to 0.2%) per annum.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2010	2009	**2010**	2009
	HK$	HK$	**HK$**	HK$
US dollar	**3,655,496**	7,940,878	**241**	–
Hong Kong dollar	**56,448**	3,107,693	**56,373**	3,107,537
Singapore dollar	**808,578**	398,778	**–**	(1,495)
RMB	**20,933,298**	–	**970**	–
Others	**–**	830	**–**	830
	25,453,820	11,448,179	**57,584**	3,109,862

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

18 SHARE CAPITAL

	Ordinary shares of HK$0.01 each	
	No. of shares	HK$
Authorised:		
At 1 January 2010 and 31 December 2010	10,000,000,000	100,000,000
At 31 December 2010	**10,000,000,000**	**100,000,000**
Issued and fully paid:		
At 1 January 2010 and 31 December 2009	2,506,275,000	25,062,750
Issue of shares by placement	120,000,000	1,200,000
At 31 December 2010	**2,626,275,000**	**26,262,750**

19 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 2 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 2 February 2002 and maybe 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 27 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 27 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 27 February 2002,

and in each case, not later than five years from 2 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 31 December 2007.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

19 SHARE OPTION SCHEMES – GROUP AND COMPANY (Continued)

(b) Post-IPO share option scheme

On 2 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 maybe 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 9.52% of the issued share capital of the Company as at 31 December 2010 (2009:9.97%).

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 maybe 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 maybe 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 2 February 2002.

No share options were granted by the Company under the Post-Scheme as at 31 December 2010 and up to the date of approval of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

20 RESERVES – GROUP AND COMPANY

(a) Group

The Group's reserves movements for the years ended 31 December 2010 and 2009 are presented in the consolidated statement of changes in equity on page 29 of the consolidated financial statements.

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

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

(b) Company

	Share premium and other reserves HK$ *(Note)*	**Accumulated losses** HK$	**Total** HK$
At 1 January 2009	24,054,063	(21,986,747)	2,067,316
Loss for the year *(Note 29)*	–	(6,420,087)	(6,420,087)
At 31 December 2009	24,054,063	(28,406,834)	(4,352,771)
Loss for the year *(Note 29)*	–	(7,451,784)	(7,451,784)
Issue of shares by placement	72,721,142	–	72,721,142
Equity component of convertible bonds	87,094,329	–	87,094,329
At 31 December 2010	**183,869,534**	**(35,858,618)**	**148,010,916**

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; and (iii) the equity component of convertible bonds. *(See note 24)*.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

21 TRADE AND BILLS PAYABLES – GROUP

	2010 HK$	2009 HK$
Trade payables	69,511,280	328,149
Bills payables	1,609,472,323	–
Total trade and bills payables	1,678,983,603	328,149

At 31 December 2010 and 2009, the aging analysis of the trade payables based on the invoice date, were as follows:

	Company	
	2010 HK$	2009 HK$
0 to 30 days	8,540,324	1,446
31 to 60 days	179,369	–
61 to 90 days	–	–
91 to 180 days	6,296,836	326,703
Over 180 days	54,494,751	–
Total	69,511,280	328,149

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

	2010 HK$	2009 HK$
US dollar	333,480	326,703
RMB	69,177,800	–
Other currencies	–	1,446
Total	69,511,280	328,149

22 INTEREST BEARING BANK AND OTHER BORROWINGS – GROUP

The interest rate and maturity of the bank loans are set forth as below:

	Group	
	2010 HK$	2009 HK$
Interest-bearing borrowings-collateral	432,483,253	–

The interest rate and maturity of the bank loans are set forth as below:

	2010			2009
	Interest rate%	Maturity	Amount HK$	*(Note 2)*
Bank loans Secured *(Note 1)*	5.56%-5.61%	2011	432,482,253	N/A

Notes:

1 Certain bank loans are secured by Ruifeng's property, plant and equipment, prepaid land lease payments and inventories. Detail of the mortgage please refer to notes 8, 9 and 13.

2 There is no interest bearing borrowing for the Group in 2009.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

23 ACCRUALS AND OTHER PAYABLES – GROUP AND COMPANY

	Group		Company	
	2010	2009	**2010**	2009
	HK$	HK$	**HK$**	HK$
Staff payable	**2,867,359**	–	**–**	–
Accruals and other payables	**689,378,489**	1,017,914	**13,783,404**	423,060
Total accruals and other payables	**692,245,848**	1,017,914	**13,783,404**	423,060

Note: The accruals and other payables consist of consideration payable to Vendor for the acquisition of Ruifeng Group amounted to HK$655,776,237 *(see note 16)*.

24 CONVERTIBLE BONDS – GROUP

On 31 December 2010, the Company issued the three-year zero-coupon convertible bonds with a nominal value of HK$241,300,000 ("Tranche ICB").There was no movement in the number of these Tranche I CB during the year. The Tranche I CB are convertible at the option of the bondholders into ordinary shares at any time after the issue of the Tranche I CB to the date of maturity at HK$0.635 per shares. Any Tranche I CB not converted will be redeemed by the Company on 31 December 2013 at 100% of the outstanding principal amount in cash. All Tranche I CB have been converted subsequently.

The fair value of the liability component was estimated at the issuance date using an equivalent market interest rate for a similar bond without a conversion option. The residual amount is assigned as the equity component and is included in shareholders' equity.

The Tranche I CB have been split as to the liability and equity components, as follows:

	2010
	HK$
Nominal value of convertible bonds issued during the year	**241,300,000**
Equity component	**87,094,329**
Direct transaction costs attributable to the liability component	**6,032,600**
Liability component at the issuance date	**148,173,071**
Interest expense	**–**
Interest paid	**–**
Liability component as at 31 December	**148,173,071**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

25 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:

	2010 HK$	2009 HK$
Revenue		
Sales of goods	**8,219,371**	9,583,698
Other income:		
Bank interest income	**7,262**	27,747
Interest income from loan receivable	**62,089**	554,583
	69,351	582,330
Total	**8,288,722**	10,166,028

26 EXPENSES BY NATURE

	2010 HK$	2009 HK$
Auditor's remuneration	**929,112**	498,740
Costs of inventories sold	**71,212**	82,650
Employee benefits expenses (including directors' remuneration) *(Note 27)*	**12,144,947**	10,433,747
Operating lease payments	**577,500**	972,321
Net foreign exchange loss	**946,724**	653,733
Professional charge	**14,211,739**	–
Others	**4,643,078**	4,199,638
Total cost of sales, selling and distribution expenses and administrative expenses	**33,524,312**	16,840,829

27 EMPLOYEE BENEFITS EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2010 HK$	2009 HK$
Wages and salaries	**12,096,947**	10,066,355
Pension costs – defined contribution plans *(Note a)*	**48,000**	367,392
	12,144,947	10,433,747

(a) Pensions – defined contribution plans

As at 31 December 2010, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2009: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

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

(b) Directors' and senior management's emoluments

The remuneration of each Director for the year ended 31 December 2010 is set out below:

Name of Director	Fees HK$	Pension scheme Contributions HK$	Total HK$
Executive directors			
Yu Won Kong *(Note 1)*	1,664,516	12,000	1,676,516
Yue Wai Keung *(Note 1)*	1,664,516	12,000	1,676,516
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
	4,019,032	**24,000**	**4,043,032**

The remuneration of each Director for the year ended 31 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**

During the years ended 31 December 2010 and 2009, 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.

Note 1: Mr. Yu Wan Kung and Mr. Yue Wai Keung's directors fees have been revised to HK$2,600,000 per annum in February 2011.

NOTES TO THE FINANCIAL STATEMENTS

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

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2009: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2009: three) individuals during the year are as follows:

	2010 HK$	2009 HK$
Basic salaries, other allowances and benefits in kind	3,760,895	2,848,629

The emoluments fell within the following bands:

	Number of individuals 2010	2009
Emolument bands		
Nil – HK$1,000,000	1	1
HK$1,000,001 to HK$2,000,000	2	2

28 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 (2009: Nil).

No provision for Singapore profits tax has been made as the Group had no estimated assessable profits arising in Singapore during the year (2009: Nil).

	2010 HK$	2009 HK$
Current income tax		
– Hong Kong	–	–
– Overseas taxation	–	89,112
Deferred tax *(Note 12)*	–	(65,452)
Total	–	23,660

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:

	2010 HK$	2009 HK$
Loss before income tax	(25,235,590)	(7,411,225)
Tax calculated at domestic tax rates applicable to profits in the respective countries	(3,972,989)	(1,121,984)
Income not subject to tax	(227,648)	(91,659)
Expenses not deductible for tax	137,447	179,103
Tax losses for which no deferred tax asset was recognised	4,063,190	1,058,200
Tax charge	–	23,660

The weighted average applicable tax rate was 15.74% (2009: 15.14%). 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

29 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$7,451,784 (2009: loss of HK$6,420,087).

30 LOSS PER SHARE

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,616,275,000 (2009: 2,506,275,000) in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2010 in respect of a dilution as the impact of the convertible notes outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted earnings per share are based on:

	2010	2009
Earnings		
Loss attributable to equity holders of the Company (HK$)	**(25,235,590)**	(7,434,885)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation (thousands)	**2,616,275**	2,506,275
Effect of dilution – weighted average number of ordinary shares: Convertible bonds	**380,000**	–
	2,996,275*	2,506,275
Basic loss per share (HK cents per share)	**(0.96)**	(0.30)
Diluted loss per share (HK cents per share)	**N/A***	(0.30)

* *Because the diluted loss per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic loss per share for the year and were ignored in the calculation of diluted loss per share.*

31 CASH GENERATED FROM OPERATIONS

	2010 HK$	2009 HK$
Loss before tax	**(25,235,590)**	(7,411,225)
Adjustments for:		
– Interest income *(Note 25)*	**(69,351)**	(582,330)
– Provision for impairment loss of available-for-sale financial assets *(Note 11)*	**–**	736,424
	(25,304,941)	(7,257,131)
Changes in working capital:		
Inventories	**(12,838)**	15,613
Trade receivables	**412,660**	301,929
Prepayments and deposits	**51,739**	247,639
Deposits paid for a proposed acquisition	**11,386,189**	–
Trade and other payables	**13,660,420**	(536,184)
Net cash generated from/(used in) operating activities	**193,229**	(7,228,134)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

32 COMMITMENTS UNDER OPERATING LEASES – GROUP AND COMPANY

At 31 December 2010, the Group and the Company had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises are as follows:

	2010 HK$	2009 HK$
No later than one year	**462,000**	539,000
Later than one year and no later than five years	**423,500**	–
	885,500	539,000

33 RELATED PARTY TRANSACTIONS

The Group is controlled by Inno Smart Group Limited ("ISG") (incorporated in the BVI with limited liability) which owns approximately 71.39% of the Company's shares as at 31 December 2010. The remaining 28.61% 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	**2010 HK$**	2009 HK$
Consultancy fees paid to a related party	*(i)*	**550,000**	50,000
Interest income from Kiu Hung		**–**	554,583
		550,000	604,583

Note

(i) 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.

(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:

	2010 HK$	2009 HK$
Salaries and other short-term employee benefits	**4,854,032**	3,090,000
Pension costs – defined contribution plans	**36,000**	24,000
	4,890,032	3,114,000

(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.

Amounts due to related companies

The amounts due to related companies are due to Foshan Nanhai Zhongyou Jiansheng Fuel Trading Co. Ltd, which is controlled by Ms. Ou Aihua who is also the director of Ruifeng. The amounts are interest-free, unsecured and repayable on demand. The carrying values approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2010

34 EVENTS AFTER THE REPORTING PERIOD

(i) The Tranche I CB has been fully converted into 380,000,000 common shares on 7 January 2011. The number of ordinary shares of the Company in issue was increased from 2,626,275,000 to 3,006,275,000.

(ii) The Tranche II CB (i.e. three-year zero coupon convertible bonds up to an aggregate principal amount of HK$444,500,000) placement was completed on 18 February 2011. On 24 February 2011, the Convertible Bonds with principal amount of HK$421,699,690 were converted into 664,094,000 ordinary shares of the Company. The number of ordinary shares of the Company in issue was increased from 3,006,275,000 to 3,670,369,000. On 25 February 2011, the Convertible Bonds with principal amount of HK$1,998,980 were further converted into 3,148,000 ordinary shares of the Company. The number of ordinary shares of the Company in issue was increased from 3,670,369,000 to 3,673,517,000. On 7 March 2011, the Convertible Bonds with principal amount of HK$2,998,470 were further converted into 4,722,000 ordinary shares of the Company. The number of ordinary shares of the Company in issued has been increased from 3,673,517,000 to 3,678,239,000. On 17 March 2011, the Convertible Bonds with principal amount of HK$2,999,740 were further converted into 4,724,000 ordinary shares of the Company. The number of ordinary shares of the Company in issue has been increased from 3,678,239,000 to 3,682,963,000. On 23 March 2011, the Convertible Bonds with principal amount of HK$3,999,740 were further converted into 6,298,803 ordinary shares of the Company. The number of ordinary shares of the Company in issue has been increased from 3,682,963,000 to 3,689,261,803.

(iii) The board of Directors announces that on 17 February 2011, Foshan Beili Fuel Storage Co. Ltd., an indirect wholly-owned subsidiary of the Company, entered into the non-legally binding Memorandum of Understanding ("MOU") with the Zhoushan Ruiyun Power Co. Ltd. (the "Vendor") in relation to the Possible Acquisition and the Possible Option Acquisition.

Under the MOU, it is proposed that the parties will, enter into (i) the Share Purchase Agreement, pursuant to which Beili will acquire the entire equity interest in Zhoushan Boke Power Co. Ltd. ("Boke") from the Vendor and (ii) the Option Agreement, pursuant to which Beili will, at Completion, acquire from the Vendor the Option which will allow Beili to acquire the entire equity interest in Zhejiang Yuye Petroleum Co. Ltd.. The Option Agreement will become effective upon satisfaction of certain conditions including the completion of the registration in respect of the equity transfer of Boke pursuant to the Share Purchase Agreement. The aggregate consideration for the Possible Acquisition and the Possible Option Acquisition will be RMB90 million which shall be settled by Beili in RMB in the following manner:

(a) 10% to be paid to the Vendor within 5 business days after execution of the Share Purchase Agreement; and

(b) the remaining balance to be paid to the Vendor within 5 business days after all conditions precedent to the Completion have been fulfilled.

(iv) On 25 February 2011, the Company as an issuer entered into five substantially identical conditional warrant placing agreements with the 5 subscribers in relation to a private placing of an aggregate of 145,000,000 warrants to the subscribers, at the warrant issue price of HK$0.0028. The Warrants entitle the Subscribers to subscribe for the new shares at the subscription price of HK$1.2 per new share for a period of 12 months commencing from the date of issue of the warrants. Each warrant carries the right to subscribe for one new share. The new shares will rank pari passu with the shares upon issued and allotted. And the completion of the warrant placing took place on 14 March 2011.

(v) Consideration amounted to HK$554,428,793 for acquisition of Ruifeng Group was settled subsequent to the year ended 31 December 2010.

(vi) The name of the Company was proposed to change from "ThinSoft (Holdings) Inc" to "Ruifeng Petroleum Chemical Holdings Limited" and it was approved at the extraordinary shareholders' meeting on 11 March 2011. On 21 March 2011, the name change application has been approved by the authority of the Cayman Islands.

FIVER YEARS FINANCIAL SUMMARY

For the year ended 31 December 2010

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 31 December				
	2010	2009	2008	2007	2006
	HK$	HK$	HK$	HK$	HK$
Revenue	**8,219,371**	9,583,698	16,509,139	17,194,119	20,580,131
Cost of sales	**(1,151,723)**	(1,501,755)	(2,156,498)	(2,481,538)	(3,891,040)
Gross profit	**7,067,648**	8,081,943	14,352,641	14,712,581	16,689,091
Other income	**69,351**	582,330	595,500	1,404,505	1,256,948
Selling and distribution costs	**(299,009)**	(647,058)	(808,419)	(1,236,076)	(650,603)
Administrative expenses	**(32,073,580)**	(14,692,016)	(12,916,708)	(11,759,141)	(11,018,061)
Provision for impairment loss of available-for-sale financial assets	**–**	(736,424)	(3,497,940)	(591,966)	–
(Loss)/profit before income tax	**(25,235,590)**	(7,411,225)	(2,274,926)	2,529,903	6,277,375
Income tax expense	**–**	(23,660)	(2,171,954)	(2,159,279)	(1,500,810)
(Loss)/profit for the year	**(25,235,590)**	(7,434,885)	(4,446,880)	370,624	4,776,565

Assets and liabilities

	As at 31 December				
	2010	2009	2008	2007	2006
	HK$	HK$	HK$	HK$	HK$
Non-current assets	**1,460,160,146**	7,506,488	5,035,825	9,685,306	3,466,791
Current assets	**2,363,460,266**	23,653,888	31,891,932	31,865,382	37,819,249
Current liabilities	**(3,473,490,441)**	(1,346,063)	(3,084,732)	(2,794,651)	(7,214,364)
Non-current liabilities	**(184,953,853)**	–	–	–	–
	165,176,118	29,814,313	33,843,025	38,756,037	34,071,676