



THINSOFT (HOLDINGS) INC
博軟(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8096)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER 2009

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

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

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This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS:

- Revenue for the year ended 31st December 2009 amounted to approximately HK\$9.58 million (2008: HK\$16.51 million).
- Loss for the year ended 31st December 2009 amounted to approximately HK\$7.43 million (2008: loss of HK\$4.45 million).
- Basic and diluted loss per share for the year ended 31st December 2009 amounted to approximately HK0.30 cent and HK0.30 cent, respectively. Basic and diluted loss per share for the year ended 31st December 2008 amounted to approximately HK0.18 cent and HK0.18 cent, respectively.

The Board of Directors of ThinSoft (Holdings) Inc (the “Company”) announced the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December 2009 together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2009

	<i>Note</i>	2009 HK\$	2008 <i>HK\$</i>
Revenue	<i>9</i>	9,583,698	16,509,139
Cost of sales	<i>10</i>	<u>(1,501,755)</u>	<u>(2,156,498)</u>
Gross profit		8,081,943	14,352,641
Other income	<i>9</i>	582,330	595,500
Selling and distribution expenses	<i>10</i>	(647,058)	(808,419)
Administrative expenses	<i>10</i>	(14,692,016)	(12,916,708)
Provision for impairment loss of available-for-sale financial assets		<u>(736,424)</u>	<u>(3,497,940)</u>
Loss before income tax		(7,411,225)	(2,274,926)
Income tax expense	<i>11</i>	<u>(23,660)</u>	<u>(2,171,954)</u>
Loss for the year attributable to equity holders of the Company		<u>(7,434,885)</u>	<u>(4,446,880)</u>
Loss per share for loss attributable to the equity holders of the Company during the year (expressed in Hong Kong cent per share)			
Basic	<i>12</i>	<u>(0.30)</u>	<u>(0.18)</u>
Diluted	<i>12</i>	<u>(0.30)</u>	<u>(0.18)</u>
Dividends	<i>8</i>	<u>–</u>	<u>–</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2009

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

CONSOLIDATED BALANCE SHEET

As at 31st December 2009

	Note	2009 HK\$	2008 HK\$
Non-current assets			
Available-for-sale financial assets		7,438,812	5,035,825
Deferred income tax assets		67,676	–
		<u>7,506,488</u>	<u>5,035,825</u>
Current assets			
Inventories		441,497	457,110
Trade receivables	3	177,724	479,653
Loan receivable	4	–	5,550,417
Prepayments and deposits		186,488	434,127
Deposit paid for a proposed acquisition	5	11,400,000	–
Cash and cash equivalents		11,448,179	24,970,625
		<u>23,653,888</u>	<u>31,891,932</u>
Total assets		<u>31,160,376</u>	<u>36,927,757</u>
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	6	25,062,750	25,062,750
Share premium		11,347,425	11,347,425
Other reserves		13,870,510	10,464,337
Accumulated losses		(20,466,372)	(13,031,487)
Total equity		<u>29,814,313</u>	<u>33,843,025</u>
Current liabilities			
Trade payables	7	328,149	378,132
Accruals and other payables		1,017,914	1,504,115
Tax payable		–	1,202,485
Total current liabilities		<u>1,346,063</u>	<u>3,084,732</u>
Total equity and liabilities		<u>31,160,376</u>	<u>36,927,757</u>
Net current assets		<u>22,307,825</u>	<u>28,807,200</u>
Total assets less current liabilities		<u>29,814,313</u>	<u>33,843,025</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2009

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

Notes:

1 BASIS OF PREPARATION

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

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

Changes in accounting policy and disclosures

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

- Amendment to HKFRS 7, “Financial instruments: disclosures”. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on total equity and loss per share.
- HKAS 1 (revised), “Presentation of financial statements”. The revised standard prohibits the presentation of items of income and expenses (that is, “non-owner changes in equity”) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on total equity and loss per share.
- HKFRS 2 (amendment), ‘Share-based payment’ deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group and Company has adopted HKFRS 2 (amendment) from 1st January 2009. The amendment does not have a material impact on the Group’s or Company’s financial statements.

- HKAS 23, “Borrowing costs”. In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1st January 2009, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset should be capitalised as part of the cost of that asset. The Group and the Company have no borrowing costs for the financial years ended 31st December 2009 and 2008. The standard does not have a material impact on the Group’s or Company’s financial statements.
- HKFRS 8, “Operating segments”. HKFRS 8 replaces HKAS 14, “Segment reporting”. It requires a “management approach” under which segment information is presented on the same basis as that used for internal reporting purposes. The financial information has been prepared under the new requirement. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the executive directors of the Company who make strategic decisions. The standard does not have a material impact to the Group as the adoption of the standard has not resulted in any changes in the Group’s segment reporting.

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

HKFRS 1 (Revised)	“First-time adoption of HKFRS”, effective for annual periods beginning on or after 1st July 2009
HKFRS 3 (Revised)	“Business combinations”, effective for annual periods beginning on or after 1st July 2009
HKFRS 9	“Financial Instruments”, effective for annual periods beginning on or after 1st January 2013
HKAS 24 (revised)	“Related Party Disclosures”, effective for annual periods beginning on or after 1st January 2011
HKAS 27 (revised)	“Consolidated and separate financial statements”, effective for annual periods beginning on or after 1st July 2009
Amendment to HKAS 32	“Clarification of Right Issue”, effective for annual periods beginning on or after 1st February 2010
Amendment to HKAS 39	“Financial instruments: Recognition and measurement” on eligible hedged items, effective for annual periods beginning on or after 1st July 2009
Amendment to HK(IFRIC) 14	“Prepayment of a Minimum Funding Requirement”, effective for annual periods beginning on or after 1st January 2011
HK(IFRIC) 17	“Distributions of non-cash assets to owners”, effective for annual periods beginning on or after 1st July 2009
HK(IFRIC) 18	“Transfers of assets from customers”, effective for annual periods beginning on or after 1st July 2009
HK(IFRIC) 19	‘Extinguishing financial liabilities with equity instruments’, effective for annual periods beginning on or after 1st July 2010
Amendment to HKFRS 1	‘Additional Exemptions for First-time Adopters’, effective for annual periods beginning on or after 1st January 2010
Amendment to HKFRS 2	‘Group Cash-settled Share-based Payment Transactions’, effective for annual periods beginning on or after 1st January 2010

Improvements to HKFRS:

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

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

2 SEGMENT INFORMATION

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

For the year ended 31st December 2009, the Group’s operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group’s business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Details of the business segments are as follows:

- (i) the software segment – provision of software solutions;
- (ii) the engineering segment – provision of engineering services;
- (iii) the upgrade kits segment – sale of the Group’s Thin client solutions related to hardware peripherals and accessories; and

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

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

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

	Software <i>HK\$</i>	Engineering <i>HK\$</i>	Upgrade kits <i>HK\$</i>	Vertical market solutions <i>HK\$</i>	Unallocated <i>HK\$</i>	Group <i>HK\$</i>
Total segment revenue and revenue from external customers	7,457,325	-	2,081,594	44,779	-	9,583,698
Cost of sales	<u>(1,390,863)</u>	<u>-</u>	<u>(87,048)</u>	<u>(23,844)</u>	<u>-</u>	<u>(1,501,755)</u>
Segment gross profit	6,066,462	-	1,994,546	20,935	-	8,081,943
Other income						582,330
Unallocated operating costs						<u>(15,339,074)</u>
Provision for impairment loss of available-for-sale financial assets						<u>(736,424)</u>
Loss before income tax						<u>(7,411,225)</u>
Income tax expense (<i>Note 11</i>)						<u>(23,660)</u>
Loss for the year						<u><u>(7,434,885)</u></u>

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

	Software <i>HK\$</i>	Engineering <i>HK\$</i>	Upgrade kits <i>HK\$</i>	Vertical market solutions <i>HK\$</i>	Unallocated <i>HK\$</i>	Group <i>HK\$</i>
Total segment revenue	14,374,757	6,206,690	2,112,012	75,633	–	22,769,092
Inter-segment revenue	–	(6,206,690)	(53,263)	–	–	(6,259,953)
Revenue from external customers	14,374,757	–	2,058,749	75,633	–	16,509,139
Cost of sales	(1,766,761)	–	(350,512)	(39,225)	–	(2,156,498)
Segment gross profit	12,607,996	–	1,708,237	36,408	–	14,352,641
Other income						595,500
Unallocated operating costs						(13,725,127)
Provision for impairment loss of available-for-sale financial assets						(3,497,940)
Loss before income tax						(2,274,926)
Income tax expense (<i>Note 11</i>)						(2,171,954)
Loss for the year						<u>(4,446,880)</u>

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 and liabilities at 31st December 2009 are as follows:

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

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

	31st December 2009	
	Assets	Liabilities
	HK\$	HK\$
Segment assets/liabilities	619,221	490,596
Unallocated:		
Deferred tax	67,676	–
Available-for-sale financial assets	7,438,812	–
Cash and cash equivalents	11,448,179	–
Deposit paid for a proposed acquisition	11,400,000	–
Others	186,488	855,467
	<hr/>	<hr/>
Total	31,160,376	1,346,063
	<hr/> <hr/>	<hr/> <hr/>

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

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

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

	31st December 2008	
	Assets	Liabilities
	HK\$	HK\$
Segment assets/liabilities	944,901	536,343
Unallocated:		
Current tax	–	1,202,485
Available-for-sale financial assets	5,035,825	–
Cash and cash equivalents	24,970,625	–
Loan receivable	5,550,417	–
Others	425,989	1,345,904
	<hr/>	<hr/>
Total	36,927,757	3,084,732
	<hr/> <hr/>	<hr/> <hr/>

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

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

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

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

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

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

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

3 TRADE RECEIVABLES

	2009	2008
	HK\$	HK\$
Trade receivables	<u>177,724</u>	<u>479,653</u>

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

	2009	2008
	HK\$	HK\$
0 – 30 days	<u>177,724</u>	<u>479,653</u>

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

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

	2009	2008
	HK\$	HK\$
US dollar	12,148	453,814
Singapore dollar	<u>165,576</u>	<u>25,839</u>
	<u>177,724</u>	<u>479,653</u>

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.

4 LOAN RECEIVABLE

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

5 DEPOSIT PAID FOR A PROPOSED ACQUISITION

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

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

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

6 SHARE CAPITAL

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

Note a:

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

7 TRADE PAYABLES

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

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

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

	2009	2008
	HK\$	HK\$
US dollar	326,703	360,560
Other currencies	1,446	17,572
	<u>328,149</u>	<u>378,132</u>

8 DIVIDENDS

No dividend had been paid or declared by the Company during the year (2008: HK\$ Nil).

9 REVENUE AND OTHER INCOME

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

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

10 EXPENSES BY NATURE

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

11 INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising in Hong Kong during the year (2008: Nil).

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

ThinSoft (USA) Inc was a wholly-owned subsidiary incorporated in the State of Delaware in the United States of America. During the year ended 31st December 2009 before its liquidation, it has operated in the States of New York and California in the United States of America and has been subject to United States federal income tax at progressive rates ranging from 15% to 39%, New York state corporate tax at a rate of 7.5% and California state corporate tax at a rate of 8.84%, on its estimated assessable profits arising on a worldwide basis.

	2009	2008
	HK\$	HK\$
Current income tax		
– Hong Kong	–	–
– Overseas taxation	89,112	1,544,875
Deferred income tax	(65,452)	627,079
	<u>23,660</u>	<u>2,171,954</u>

12 LOSS PER SHARE

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

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

(i) The basic and diluted loss per share for 2008 presented above is adjusted to reflect the effect of Share Subdivision (Note 6(a)) in the current year.

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

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS AND BUSINESS REVIEW

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

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

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

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

FINANCIAL REVIEW

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

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

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

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

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

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

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

PROSPECTS

The Group completed a challenging year in 2009.

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

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

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

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.

AUDIT COMMITTEE

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

The Group's unaudited quarterly results, interim results and annual audited results during the year ended 31st December 2009 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Company had 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 year. A report on the principle corporate governance practices adopted by the Company will be included in the annual report to be published by the Company in due course.

EVENTS AFTER REPORTING YEAR

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

On 19th January 2010, the Company entered into a placing and subscription agreement with Inno Smart Group Limited (“ISG”), the ultimate holding company of the Company, and an independent third party, the placing agent, in relation to:

- (a) the placing of 120,000,000 existing shares held by ISG, through the placing agent, to not less than six places who are independent third parties to the Group. The placing was completed on 2nd February 2010; and
- (b) the subscription of 120,000,000 new shares of the Company at HK\$0.635 each by ISG. The subscription was completed on 2nd February 2010.

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

On 26th January 2010, the Company entered into a formal sale and purchase agreement (“the Agreement”) with an independent third party (the “Vendor”) pursuant to which the Company agreed to acquire the entire equity interest in Smooth Joy International Limited at a consideration of RMB1.4 billion (approximately HK\$1.6 billion). On 26th January 2010, the Group further paid a cash amount of RMB62 million (approximately HK\$70,233,000) upon signing of the Agreement.

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

DIRECTORS OF THE COMPANY

Executive directors of the Company as at the date of this announcement are Mr Dennis Yu Won Kong and Mr Yue Wai Keung; the non-executive directors are Mr Chan Kwan Pak and Mr Lam Kit Sun; and the independent non-executive directors are Mr Chen Tzyh-Trong, Mr Lee Chung Mong and Mr Yeung Chi Hung.

ON BEHALF OF THE BOARD

Dennis Yu Won Kong

Chairman

Hong Kong

25th March 2010

This announcement will remain on the “Latest Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its posting and on the website of the Company at www.thinsoftinc.com.