ThinSoft

THINSOFT (HOLDINGS) INC

博軟(控股)有限公司

Annual Report 2001

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

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

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

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

Contents

Chairman's Statement

It is with great pleasure that we at ThinSoft (Holdings) Inc (the "Company" or "ThinSoft") present the first annual report to our shareholders after successfully listing the shares of the Company on The Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 February 2002. The funding provided through the listing advances ThinSoft's growth initiatives. In turn, these growth initiatives will strengthen the Group's revenue foundation and enhance the potential of future returns to our shareholders.

The year 2001 was a successful year financially, and can be best characterized as a year dedicated to completing the transition and positioning of the Company and its software solutions.

CORPORATE MISSION

The management team of ThinSoft is a result-oriented and highly motivated group of professionals with vast Information Technology experience. They are clearly focused on a set of defined goals and objectives that will support the stated corporate mission of the Company and its subsidiaries (the "Group"), which is:

"To be the leading provider to the global computing community, of an enriched suite of software solutions, that effectively reduces the total cost of ownership and sets the de facto standard in the thin computing paradigm."

Mr. William Michael Driscoll
Chairman and Executive Director

MARKETING STRATEGY

In short, we intend to be the "best-of-the-world" in our industry and to improve our current leadership position. ThinSoft will dedicate its resources in the next two to three years to:

1) ***Expanding its already successful flagship product series,*** BeTwin and WinConnect, with new product offerings by continuing to leverage our world-class research and development capabilities to be "first-to-market" with the most innovative solutions available in the thin computing arena.

2) ***Penetrating new and expanding existing markets and market segments worldwide,*** through our well developed global distribution reach and compelling "Total Cost of Ownership" message.

FINANCIAL HIGHLIGHTS

The Group first launched its thin computing solutions and products in June 1998 under the brand name "Buddy". Before the thin computing solutions business, the Group commenced the trading sales of computer parts, peripherals and accessories and installation services. ("Excluded Business") in September 1996.

Revenue from thin computing solutions and products for the financial year ended 31 December 2001 amounted to approximately HK$26.9 million, an increase of 26.2% over the corresponding revenue for the year ended 31 December 2000. Revenue from the Excluded Business during the year represented the disposition of parts and peripherals of computers. It decreased from approximately HK$46.9 million for the year ended 31 December 2000 to approximately HK$1.5 million for the year under review. The parts and peripherals of computers were cleared up before 31 December 2001.

Profit attributable to shareholders from our thin computing solutions and products for the year ended 31 December 2001 was approximately HK$3.8 million. This represents an increase of 69.6% as compared with the results in the previous year. Profit attributable to shareholders from the Excluded Business decreased from approximately HK$0.67 million for the year ended 31 December 2000 to approximately HK$0.01 million for the year ended 31 December 2001.

Chairman's Statement

BRIGHT PROSPECTS FOR THE FUTURE OF THE BUSINESS

Ubiquitous software solution concepts help to expand application opportunities for ThinSoft. That is, thin computing solutions reduce the total cost of ownership:

1) in any computing environment regardless of its size or nature;

2) on the predominant operating systems platforms - Windows and Linux;

3) in any industry; and

4) in any geographic location.

Potential target markets of our thin computing solutions range from the home to the small office/ home office; small, medium and large-sized enterprises; and government and public sectors (especially education). To date, the Group has recorded major successes in the Asia-Pacific region and in particular, China, where we have become the "solution-of-choice" to the massive education market.

As we look forward into 2002 and beyond, our efforts will be designed to continue to develop our important foothold position in Asia while aggressively pursuing the European and the American markets through our well-organized distribution network in over 50 countries. Additionally, significant strategic opportunities for the Group's growth lay in possible major Original Equipment Manufacturing ("OEM") alliances throughout the world for both of our flagship products, BeTwin (in Windows operating systems environments) and WinConnect (in Linux operating systems environments).

APPRECIATION

ThinSoft's advantage in going forward is founded on a strong set of business fundamentals. With these factors comprising our strong fundamental foundation, we look forward to 2002 with great enthusiasm and confidence in our management team and in our current and future innovative products. These attributes enable us to capitalize on major growth opportunities as we proliferate the global computing community with our thin computing solutions.

All of us at ThinSoft recognize the contributions, the commitment and the support from our business partners, associates, customers, shareholders and employees. On behalf of my fellow directors and management team, I would like to take this opportunity to thank everyone. We thank you for your generous support and we look forward to 2002 and the future beyond, with great optimism.

William Michael Driscoll
Chairman and Executive Director

Hong Kong, 26 March 2002

Corporate Information

EXECUTIVE DIRECTORS

William Michael Driscoll
Chairman
Ngiam Mia Hai Bernard
President
Ngiam Mia Hong Alfred
Chief Technical Officer
Wong Kui Ming

INDEPENDENT NON-EXECUTIVE DIRECTORS

Lee Chung Mong
Chen Tzyh-Trong

COMPANY SECRETARY

Yau Lai Man

QUALIFIED ACCOUNTANT

Yeow Mee Mooi

COMPLIANCE OFFICER

Wong Kui Ming

AUDIT COMMITTEE

Lee Chung Mong
Chen Tzyh-Trong
Wong Kui Ming

AUTHORIZED REPRESENTATIVES

Wong Kui Ming
Yau Lai Man

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies
Cayman Islands

SPONSOR

ICEA Capital Limited

AUDITORS

Ernst & Young
Certified Public Accountants

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 2818
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda (Cayman) Limited
36C Bermuda House
British American Centre
Dr. Roy's Drive
George Town
Grand Cayman
British West Indies
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
2nd Floor, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

WEBSITE ADDRESSES

www.ThinSoftinc.com
www.Thincomputinginc.com
www.Austin.com.sg

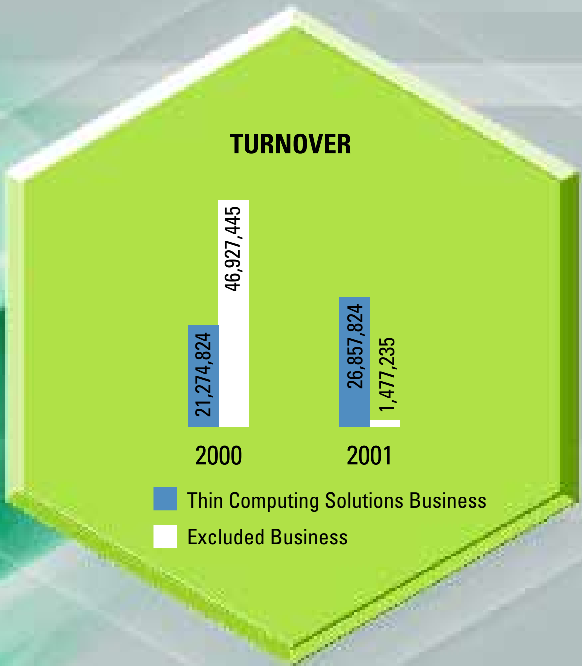
PRINCIPAL BANKERS

Citibank N.A.
Union De Banques Arabes Et Francaises

STOCK CODE

8096

FINANCIAL HIGHLIGHTS



Financial Highlights

	Year ended 31 December 2001 HK$	2000 HK$
Results		
Turnover:		
Thin computing solutions business	**26,857,824**	21,274,824
Excluded Business	**1,477,235**	46,927,445
	28,335,059	68,202,269
Profit attributable to shareholders:		
Thin computing solutions business	**3,773,760**	2,224,461
Excluded Business	**14,429**	669,231
	3,788,189	2,893,692
Assets and liabilities		
Total assets	**24,938,889**	30,839,088
Total liabilities	**12,548,657**	21,800,452
Shareholders' equity	**12,390,232**	9,038,636

1) Listed on GEM of the Stock Exchange

The Company was successfully listed on GEM of the Stock Exchange on 27 February 2002. The Company raised HK$50 million from the placing of 125,000,000 new shares (the "Placing Shares") at HK$0.40 per share (the "Placing"). The 125,000,000 Placing Shares represented 25% of the Company's issued share capital following the completion of the Placing.

2) Financial Position

The Group first launched its thin computing solutions and products in June 1998 under the brand name "Buddy". Before the thin computing solutions business, the Group commenced the Excluded Business in September 1996.

Revenue from thin computing solutions and products for the financial year ended 31 December 2001 amounted to approximately HK$26.9 million, an increase of 26.2% over the corresponding revenue for the year ended 31 December 2000. Revenue from the Excluded Business during the year represented the disposed of parts and peripherals of computers. It decreased from approximately HK$46.9 million for the year ended 31 December 2000 to approximately HK$1.5 million for the year under review. The parts and peripherals of computers were cleared up before 31 December 2001.

Profit attributable to shareholders from our thin computing solutions business for the year ended 31 December 2001 was approximately HK$3.8 million. This represents an increase of 69.6% as compared with the results for the previous year. An important part of the improvement of profit attributable to shareholders came from ThinSoft (USA) Inc, our research and development enterprise in the United States which matured and came on-line in 2001 as a contributor to the overall profitability of the Group by generating engineering services revenues. This is a significant transition from the prior year when pre-operating expenses were necessarily incurred.

Profit attributable to shareholders from the Excluded Business decreased from approximately HK$0.67 million for the year ended 31 December 2000 to HK$0.01 million for the year ended 31 December 2001.

For the year under review, the Group financed its operations with its own working capital and convertible note payable by the Group and did not have any bank borrowings. As at 31 December 2001, the Group had total assets of approximately HK$24.9 million, including cash and cash equivalents of approximately HK$7.4 million. The convertible note of HK$7.8 million payable by the Group will be repaid in full at maturity in June 2002 from the net proceeds from listing. Taking into consideration the existing financial resources available to the Group including internally generated funds and the net proceeds from listing, it is anticipated that the Group should have adequate financial resources to meet its ongoing operating and development requirements.

Since most the transactions of the Group are denominated in Singapore dollars or US dollars. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year under review. The directors believe that the Group will have sufficient foreign exchange to meet its foreign exchange requirements.

As at 31 December 2000 and 2001, the Group did not have outstanding hedging instruments.

Operations Review

The Group first launched its thin computing solutions and products under the brand name "Buddy" in June 1998 and the improved version of the Buddy software named BeTwin was introduced and mass marketed in May 2001. Buddy B-380, an upgrade kit comprising the BeTwin software and a video card, was later introduced to the market in October 2001.

During the development period of BeTwin, the Group realized a potential need for Linux-based clients to run Windows applications from a Windows server and believed that Linux would become a popular operating system. WinConnect, a thin client solution that enables Linux operating system driven terminals and desktop personal computers ("PCs") to run Windows applications within an enterprise network or via the internet, was therefore developed and launched in October 2001.

The Group's products are sold in over 50 countries and 27 distributors have been appointed. The distributors are, in turn, selling the Group's products undertaken by them through a network of resellers, system integrators, value-added resellers and regional distributors in their respective distribution territories.

The Group has a presence in North America, Asia, Australia, Africa, Europe, Middle East and the People's Republic of China ("PRC") through the appointment of distributors and Original Equipment Manufacturer ("OEM") customers for the sales and marketing of its software products. In line with the products distributed, the Group will also provide engineering services to its OEM customers and the distributors in respect of the Group's products. The engineering services include software development utilizing the Group's thin computing core solutions and the customization of the Group's products to fit the requirements of the OEM customers and/or end-users.

While most of the international players position themselves in the USA and European region, the Group goes beyond these geographical boundaries and has established foothold in various Asian and Middle East countries including Greater China and India. The comparatively low gross domestic income per capita in some of these regions paves way for the demand of computer substitutions and/or equivalents at locally affordable prices.

Buddy B-380, an upgrade kit comprising a BeTwin 98/ME software and a video card

BETWIN: THE ULTRA THIN CLIENT SOLUTION

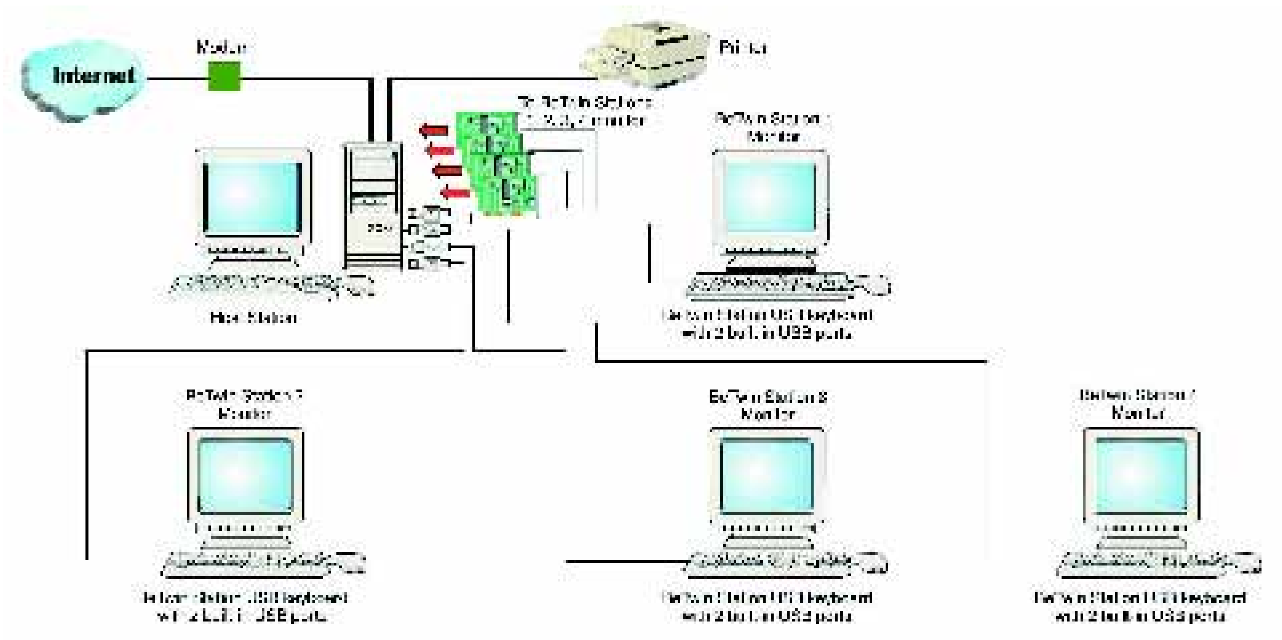
In May 2001, BeTwin was launched. BeTwin is software that enables two to five users to share the computing power of a single computer, i.e. the host personal computer ("Host PC"). It creates a virtual personal computer ("PC") station for each user to simultaneously and independently operate in each station, similar to the user operating on the Host PC.

It runs and displays information directly from Disk Operating System ("DOS"), Windows and Java applications of the Host PC without any compression or decompression of the displayed information required, thereby providing a multi-user platform for additional users to be added to a Host PC.

BeTwin utilizes the significant amount of unused power in today's processors, enabling it to create multiple virtual PCs. With it, subject to the applications themselves, multiple users can simultaneously run the same or different applications, create and edit their own documents, and share for example, CD-ROMs, printers and other hardware installed on the Host PC. All users can surf the internet and access e-mails at the same time using only one modem, one telephone line and one Internet Service Provider ("ISP") account. Users can even share network access with uniquely customized desktop and network login.

Further, it provides cost benefits by reducing users' initial investment, cost of upgrading and cost of maintenance and service. By installing the video card into the Host PC, connecting the Universal Serial Bus keyboard, mouse, speaker and monitor and installing the BeTwin Software, an additional user is added to share the resources of the Host PC.

Operations Review



Mutiple BeTwin Stations – one host PC supporting five users with BeTwin

ATTRACTIVENESS OF BETWIN

- BeTwin can easily be installed into the Host PC which operates on Windows 98/98SE or Windows ME operating system and no new or additional network infrastructure or network management are required. It is basically network independent.

- Each BeTwin user will be able to run applications of the Host PC independently from the Host PC's user, such as word processing, spreadsheets, databases, email, browser and so on.

- All BeTwin users are able to share peripherals connected to the Host PC or network, (if the Host PC is networked) such as printers, modems, CD-ROM drives, even communication – dial-up, Integrated Services Digital Network ("ISDN"), leased lines and network connection. BeTwin and Host PC's users are able to surf the internet at the same time, using one telephone line. Sharing of the same peripherals by the users may save the cost of buying another set of peripherals.

- If the Host PC is networked, each BeTwin user can have a unique network login account for network login and can access all services provided by the network, thereby providing security to each add-on user.

ATTRACTIVENESS OF BETWIN (continued)

- Since there is only one Host PC and one network mode, if the Host PC is networked, all other BeTwin and Host PC's users are simultaneously networked. Thus, network management and support costs will be saved.

- BeTwin can run most of the DOS and Windows applications written for PCs.

- When a user wants to upgrade the Host PC, for example, by expanding memory, increasing the speed of the central processing unit, enlarging hard disk capacity and so on, there is only one Host PC to upgrade and thus, upgrade and support costs will be saved.

WINCONNECT: THE THIN CLIENT SOLUTION

The development of WinConnect was completed in September 2001 and was officially launched by the Group in October 2001.

WinConnect is an embedded software solution that enables Linux-based terminals to connect to Windows servers to run Windows applications. Further savings are realized by adding life to legacy systems and applications. WinConnect offers terminal manufacturers and network administrators a stable and secure embedded Remote Desktop Protocol solution for multi-operating system computing environments.

As a Remote Desktop Protocol solution for the Linux operating system, WinConnect creates remote connection to Windows computers to run Windows applications. The connection can be made via Local Area Network ("LAN") or over the internet. The low bandwidth required by Remote Desktop Protocol will even allow a connection over a dial-up or wireless connection. As most of the processing is done on the host machine, it is possible to display Windows applications on computers that normally would not be powerful enough, thereby revitalizing the use of a 486 computer or even a Personal Digital Assistant.

The cost-saving contribution of WinConnect will benefit the identified target markets. The Group will focus on the sales and marketing of its software products to OEM customers and value added resellers or system integrators.

Operations Review

RESEARCH AND DEVELOPMENT


Research and development centre at Silicon Valley, US

The Group places great emphasis on research and development. It focuses its research and development on areas which have significant market potential within the thin computing industry, with the objective of developing products which will eventually generate significant revenue for the Group. As it has always been the belief of the directors that the future of the thin computing industry lies with the continuous innovation of ultra thin client and thin client solutions, the Group has focused and will continue to focus on technological innovation and introduction of new software solutions which add value to its customers from different markets.

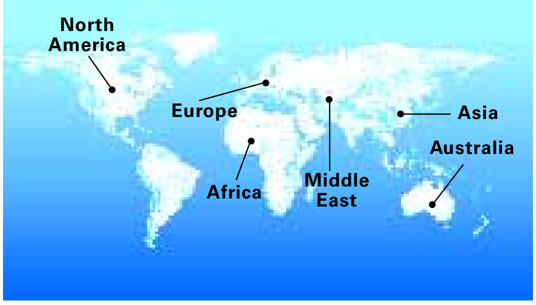
The Group currently has 10 engineers providing research and development, technology and engineering support to the Group's research and development center in Singapore, UK and US.

SALES AND DISTRIBUTION NETWORK


Exhibited in CeBIT 2001, Hanover, Germany, an annual world-class Information Technology trade exhibition

The Group has a presence in North America, Asia, Australia, Africa, Europe, Middle East and the PRC through the appointment of distributors and OEM customers for the sales and marketing of its software products. Currently, the Group's products are being sold in more than 50 countries and 27 distributors have been appointed.

Besides advertising and generating products reviews, the appointed distributors also participate in trade exhibitions to promote the Group's software products. The Group supports the appointed distributors by identifying suitable applications for the solutions of targeted user segments. A typical example is the use of the solutions in the education segment whereby continuous efforts are being put in by the Group and the distributors will be responsible for the promotion of the solutions in schools, training institutions and teaching environments. Through these joint efforts, the Group's software products will become known and accepted.



Global Distribution network

The Group creates and designs all the marketing collaterals to support its appointed distributors so as to achieve a coherent and consistent brand image of the Group's software products. Through this effort, the Group's distributors can concentrate and focus on developing their respective markets, while complying with the marketing communication strategies of the Group.

FUTURE MARKET POTENTIAL

Hidden Potential of the Small Office/Home Office market

The recent decrease in PC prices has helped to drive explosive growth in the number of PC users and complimentary PC products industries such as the internet and PC peripherals. Another result of PC price erosion has been the growth of the multiple PC household, as PCs are becoming more popular and affordable. The result has been a proliferation of the multiple PC household and sophisticated Small Office/Home Office installations, creating tremendous demand for networking capabilities similar to those enjoyed by many business users. Functionalities driving this demand include the sharing of peripherals (printers, scanners, digital cameras, etc.), files, interactive gaming and, most importantly, internet access.

Growing Potential of the Wireless Segment

There is an emerging market for employee access to corporate data from handheld wireless devices. This technology allows local access via LAN and remote access via Wide Area Network ("WAN"). The global rollout of General Packet Radio Service ("GPRS") and 3G wireless services will increase the potential market for this technology. The Group believes that thin client architecture is highly appropriate to this environment as it allows handheld devices to access server-based applications.

The Enterprise Market Potential

The boost from Microsoft on its Windows 2000 enhancement in the level of support for thin client applications over its earlier versions of Windows NT will further encourage enterprises to adopt the Group's thin computing solutions such as those offered by the Group.

Some High Potential Sub-segments in the Business Segment

The Group intends to develop the new relationships with companies which can enhance the marketability of either BeTwin or WinConnect solutions. These include:

- game software companies
- point-of-sale companies
- education and training companies
- small and medium enterprise
- PC and peripheral manufacturers

Operations Review

PRODUCT DEVELOPMENT STRATEGY

BeTwin

The Group is currently developing a new version of BeTwin which operates on Windows 2000 and Windows XP operating systems.

The Group intends to develop another new version of BeTwin which operates on Linux operating systems. This product will provide low cost multiuser access for desktop and embedded Linux operating systems. When it is used in conjunction with the WinConnect product, it enables the Group to provide extremely low cost Windows terminal clusters. The Group currently intends to commence such development in 2003.

WinConnect

In September 2001, the Group completed the development of the first generation of WinConnect. Its development agenda on WinConnect for the coming years will be focused on the following key areas:

- to commercialize a new version of WinConnect which provides support for COM port mapping on Linux clients

- to commercialize a new version of WinConnect to support multimedia data streams. Decompression and interpretation will be done on the client machine. This will open markets in which multimedia is critical, such as corporate training and communication and education. It is expected that the product will be launched around the end of 2003

- to provide access to the Linux clients drives from the Windows applications on the server

- to open up other potential markets for WinConnect, which includes supporting the operating systems of handheld computing devices and mobile phones

USE OF PROCEEDS

The Company was listed on GEM of the Stock Exchange on 27 February 2002 through a placement of 125,000,000 Placing Shares. The net proceeds from the Placing after deduction of the relevant expenses incurred were approximately HK$33 million. The Group intends to apply such net proceeds for its product development, marketing, upgrading of research and development facilities, enhancement of e-commerce platform and repayment of convertible note. As at the date of this report, the Group has not spent any of the net proceeds from the Placing and such proceeds are placed on short-term deposits with a bank in Hong Kong. The directors intend to use the net proceeds in the manner as disclosed in the Company's prospectus dated 19 February 2002.

SIGNIFICANT INVESTMENT

As at 31 December 2001, the Group did not have any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Apart from the Group reorganization to rationalize the structure of the Group in preparation for listing of the shares of the Company on GEM, details of which had been set out in the prospectus of the Company dated 19 February 2002, there had been no material acquisitions and disposals of subsidiaries in the course of the year.

GEARING RATIO

As at 31 December 2001, the Group did not have any long-term debts and its shareholders' funds amounted to approximately HK$12.4 million. In this regards, the Group had a net cash position and its gearing ratio should be zero (net debt to shareholders' funds) as at 31 December 2001.

EMPLOYEES

As at 31 December 2001, the Group had 28 full-time employees. The aggregate remuneration of the Group's employees, including that of the directors, for the year under review and the previous year amounted to approximately HK$7.4 million and approximately HK$7.5 million respectively. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

Each of the 4 executive directors has, on 27 February 2002, entered into a director's service agreement with the Company. Under the service agreements, after each completed year of service, the remuneration payable to each of them may, subject to the discretion of the directors and they will each be entitled to a discretionary bonus provided that the audited combined/consolidated profit after taxation and minority interests (and after the payment of such bonus) but before extraordinary items (the "Profit") of the Group for the relevant year exceeds HK$10 million and further that the total amount of bonuses payable to all the directors for such year shall not exceed 5% of the Profit.

Pursuant to a pre-IPO share option scheme adopted by the Company on 2 February 2002, the Company had granted pre-IPO share options to 26 employees (including 4 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 issued share capital of the Company immediately following the completion of the Placing and the capitalization issue, at a subscription price ranging from 20% to 70% of the issue price of HK$0.40 per share.

At the date of this report, no share options have been granted under the post-IPO share option scheme adopted by the company on 2 February 2002.

Operations Review

CHARGE ON GROUP ASSETS

As at 31 December 2001, the Group did not have any charges on its assets.

CONTINGENT LIABILITY

The Group did not have any significant contingent liabilities as at 31 December 2001.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

As at 31 December 2001, the net amounts receivable from IPC Corporation Ltd ("IPC"), the ultimate holding company of the Company, of HK$1,148,969 were derived from the provision of engineering services provided by the Group, net of the payables to IPC's payment of operating expenses on the Group's behalf. The balances were fully repaid in February 2002.

Save as disclosed above, the Group did not advance any money to any entity which exceed 25% of the Group's combined net tangible assets as at 31 December 2001 and it did not provide any financial assistance and guarantees to affiliated companies which exceed 25% of the Group's combined net assets as at 31 December 2001; the controlling shareholder has not pledged any shares to secure debts, guarantees or support of other obligations of the Group, and the Group did not enter into any loan agreements imposing specific performance obligations on the controlling shareholder. The directors have confirmed that as at date of this report, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of Chapter 17 of the GEM Listing Rules.

PROSPECT

The Group has a vision to be the world's leading provider in the global market of an enriched suite of pervasive computing solutions based on the total cost of ownership reduction concept.

OUTLOOK

Leveraging on the extensive distribution channels and market acceptance of the two flagship products, the Group's strong research and development engineering core team together with the extensive experience and technical expertise of the Group's management team, the directors are confident that the Group can achieve its objective to become a leading provider of thin computing solutions that effectively reduce the total cost of ownership of PCs and to set the de-facto standard in the thin computing industry.

Profiles of Directors

William Michael Driscoll

Aged 55, is an executive director and the chairman of the Company. He is responsible for overall corporate strategic planning and policy making. He is also an executive director of IPC Corporation Ltd ("IPC"), a company incorporated in Singapore and whose shares are listed on the Singapore Exchange Securities Trading Limited. Before joining the Group, he was the chief executive officer of Smith Corona Corporation, (Nasdaq: SCCO) from 28 February 1997 to 17 July 1998 and the chief executive officer of IPC Technologies, Inc. from 18 December 1995 to 30 September 1996. Mr. Driscoll currently serves on the boards of directors of various privately held technology companies.

Ngiam Mia Hai Bernard

Aged 41, is an executive director and the president of the Company and is responsible for strategic business planning, overall group management and business development. He is also currently covering the role of marketing chief. He is currently an executive director of IPC. Mr. Ngiam received a Bachelor of Business Administration degree from the National University of Singapore in 1985. Mr. Ngiam is the brother of Ngiam Mia Hong Alfred, an executive director.

Ngiam Mia Hong Alfred

Aged 38, is an executive director and the chief technical officer of the Company and is responsible for spearheading the Group's research and development programs, including initiating and overseeing all projects. He was an engineer in Essex Investments (S) Pte Ltd. from July 1986 to October 1991. Since November 1991, he has been appointed as the engineering director of IPC. Mr. Ngiam graduated from the University of Waterloo, Canada with a Bachelor of Mathematics degree, graduated on the Dean's Honours List. Mr. Ngiam is the brother of Ngiam Mia Hai Bernard, an executive director.

Wong Kui Ming

Aged 40, is an executive director of the Company. Mr. Wong is responsible for the finance and administration of the Group. Mr. Wong obtained a degree of Bachelor of Science in Electrical Engineering from National Taiwan University and a degree of Master of Business Administration from the University of Leicester, the United Kingdom. Mr. Wong serves as an executive director of Proview International Holdings Limited, a listed company on the Stock Exchange for several years. Mr. Wong has several years of experience in the senior management level of information industry.

Profiles of Directors

Lee Chung Mong

Aged 43, is an independent non-executive director of the Company. Dr. Lee obtained Ph.D. Degree in Computer Science from the University of Minnesota, USA in 1989. In the same year, he was appointed as Associate, Research Staff in the Institute of Systems Science at National University of Singapore. He had also worked as an Assistant Professor of Computer Science at The Hong Kong University of Science & Technology for 8 years. In 1999, he was awarded a Teaching Excellence Appreciation Award by the Dean of the School of Engineering of The Hong Kong University of Science and Technology and was elevated as a Senior Member of the Institute of Electrical and Electronics Engineers. He invented the "Method and Apparatus for Verifying a Container Code" and the "Method for Identifying a Sequence of Alphanumeric Characters", which were patented in the United Kingdom and the United States respectively. He is now the chairman and chief executive officer of Asia Vision Technology Ltd.

Chen Tzyh-Trong

Aged 44, is an independent non-executive director of the Company. Dr. Chan 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 organization in London. He served as a chairman's assistant of a public listed company in Hong Kong for several years. He was also a secretary general and is now a director of the Taiwan Business Association (Hong Kong). He is the vice president of a financial advisory service company in Hong Kong.

Report of the Directors

The directors of the Company present their first report and the audited financial statements of the Company for the period from 28 September 2001 (date of incorporation) to 31 December 2001, which included supplementary pro forma combined financial statements of the Company and its subsidiaries (the "Group"), which was legally formed subsequent to 31 December 2001, for the year ended 31 December 2001.

GROUP REORGANIZATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 28 September 2001. Pursuant to a reorganization scheme (the "Group Reorganization") to rationalize the structure of the Group in preparation for the listing of the Company's shares on GEM of the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 23 February 2002. Further details of the Group Reorganization and the subsidiaries acquired pursuant thereto are set out in notes 1, 24 and 29 to the financial statements.

Subsequent to the balance sheet date, on 27 February 2002, the shares of the Company were listed on GEM by way of Placing.

In order to apprise the Company's shareholders of the pro forma combined financial results and position of the Group, should the Group have been in existence throughout the year ended 31 December 2001, supplementary financial information comprising pro forma combined profit and loss account, balance sheet, statement of recognized gains and losses and cash flow statement are, therefore, included in the financial statements. The basis of preparing the aforesaid supplementary financial information, which is detailed in note 3 to the financial statements, has also been consistently applied for presenting the information referring to the Group in this report of the directors.

PRINCIPAL ACTIVITIES

As at 31 December 2001, the Company had not yet commenced business and the Group was not in existence.

The current principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 29 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's pro forma combined profit for the year ended 31 December 2001 and its pro forma combined state of affairs as at that date, together with the state of affairs of the Company as at 31 December 2001, are set out in the financial statements on pages 32 to 69.

The directors do not recommend the payment of any dividends in respect of the year.

FIXED ASSETS

Details of movements in the Group's fixed assets during the year are set out in note 16 to the financial statements.

Report of the Directors

CONVERTIBLE NOTE PAYABLE

Details of the convertible note payable by the Group are set out in note 23 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital since 28 September 2001 (date of incorporation), together with the reasons therefor, and details of the Company's share option schemes are set out in note 24 to the financial statements.

RESERVES

Details of movements in the Group's reserves are set out in note 25 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

The Company's shares were listed on GEM on 27 February 2002. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities since that date.

DISTRIBUTABLE RESERVES

As at 31 December 2001, the Company did not have any distributable reserves.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 79% of the Group's total sales for the year and sales to the largest customer included therein accounted for approximately 48% of the Group's total sales.

IPC Corporation Ltd ("IPC"), the ultimate holding company of the Company, was the largest customer of the Group for the year ended 31 December 2001. Sales attributed to IPC amounted to approximately HK$13.6 million, representing approximately 48% of the total turnover of the Group during the year.

Purchases from the Group's five largest suppliers accounted for approximately 74% for the Group's total purchases for the year and purchases from the largest supplier included therein accounted for approximately 49% of the Group's total purchases.

IPC was one of the largest supplier of the Group for the year ended 31 December 2001. Total purchases made from IPC amounting to approximately HK$0.6 million, representing approximately 5% of the Group's total purchases for the year ended 31 December 2001.

Save as disclosed above, none of the directors of the Company, or any of their associates or shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital), had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The directors of the Company since 28 September 2001 (date of incorporation) and up to the date of this report were as follows:

Executive directors:

William Michael Driscoll	(appointed on 31 October 2001)
Ngiam Mia Hai Bernard	(appointed on 9 October 2001)
Ngiam Mia Hong Alfred	(appointed on 9 October 2001)
Wong Kui Ming	(appointed on 9 October 2001)

Non-executive director:

Neil T. Cox	(appointed on 28 September 2001 and resigned on 9 October 2001)

Independent non-executive directors:

Lee Chung Mong	(appointed on 31 October 2001)
Chen Tzyh-Trong	(appointed on 31 October 2001)

In accordance with articles 87(1) and (2) of the Company's articles of association, Chen Tzyh-Trong will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service contract with the Company for an initial term of three years commencing from 27 February 2002 and expiring on 26 February 2005 unless terminated by either party giving not less than six months' prior written notice to the other.

The term of appointment for each of the independent non-executive directors commences from 2 February 2002 and will expire on the date on which the annual general meeting of the Company for the year of 2002 is held subject to retirement by rotation and other related provisions as stipulated in the articles of association of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

Save for transactions in connection with the Group Reorganization in preparation for the Placing and as disclosed in note 24 to the financial statements, no director had a significant beneficial interest, directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries and fellow subsidiaries was a party during the year.

Report of the Directors

DIRECTORS' INTERESTS IN SHARES

Subsequent to the balance sheet date, on 27 February 2002, the Company was listed on GEM. As at the balance sheet date, the interests of the directors and their associates in the listed share capital of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were set out below:

Name of director	Type of interest	Percentage holding
Ngiam Mia Hai Bernard	other	(note)
Ngiam Mia Hong Alfred	other	(note)

Note: IPC Corporation Limited ("IPC"), the ultimate holding company of the Company, is a company incorporated under the laws of Singapore and whose securities are listed on The Singapore Exchange Securities Trading Limited. At the balance sheet date, approximately 57.2% of its issued share capital of IPC is held by the public. At the date of this report, IPC holds 75% (or 375,000,000 shares) of the issued shares capital of the Company.

As at the balance sheet date, each of Ngiam Mia Hai Bernard and Ngiam Mia Hong Alfred directly held approximately 1.4% and 1.3% respectively in the issued share capital of IPC and each of them further owned approximately 0.001% of IPC's issued share capital as a result of the conversion shares received by each of them pursuant to a scheme of arrangement of IPC.

Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin are the brothers of Ngiam Mia Hai Bernard and Ngiam Mia Hong Alfred. As at the balance sheet date, Ngiam Mia Je Patrick, Ngiam Mia Kiat Benjamin and Essex Investment (Singapore) Pte Ltd (whose entire issued share capital is held by Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin in the proportion of 50:50) together beneficially owned approximately 22.1% of the issued share capital of IPC.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity of debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the heading "Share option schemes" below, and other than in connection with the Group Reorganization in preparation for the Company's Placing, at no time since its incorporation was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' RIGHTS TO ACQUIRE SHARES (continued)

Share option schemes

(i) Rights to acquire ordinary shares of the Company

On 2 February 2002, a pre-IPO share option scheme (the "Pre-Scheme") was approved by written resolution of the then sole shareholder of the Company. The purpose of the Pre-Scheme is to recognize the contribution of certain directors and employees of the Group to the growth of the Group and/or the listing of shares of the Company on GEM. The Company had granted pre-IPO share options to 26 employees (including 4 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 capitalization issue, at a subscription price ranging from 20% to 70% of the issue price of HK$0.40 per share.

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

The following share options were outstanding under the Pre-Scheme:

Name of participant	Number of share options granted on 2 February 2002	Exercise period of share options	Exercise price per share HK$
Directors			
William Michael Driscoll	1,800,000	27 February 2003 to 1 February 2008	0.08
	900,000	27 February 2004 to 1 February 2008	0.08
	900,000	27 February 2005 to 1 February 2008	0.08
	3,600,000		
Ngiam Mia Hai Bernard	3,800,000	27 February 2003 to 1 February 2008	0.08
	1,900,000	27 February 2004 to 1 February 2008	0.08
	1,900,000	27 February 2005 to 1 February 2008	0.08
	7,600,000		

DIRECTORS' RIGHTS TO ACQUIRE SHARES (continued)

Share option schemes (continued)

(i) Rights to acquire ordinary shares of the Company (continued)

Name of participant	Number of share options granted on 2 February 2002	Exercise period of share options	Exercise price per share HK$
Ngiam Mia Hong Alfred	3,600,000	27 February 2003 to 1 February 2008	0.08
	1,800,000	27 February 2004 to 1 February 2008	0.08
	1,800,000	27 February 2005 to 1 February 2008	0.08
	7,200,000		
Wong Kui Ming	1,800,000	27 February 2003 to 1 February 2008	0.20
	900,000	27 February 2004 to 1 February 2008	0.20
	900,000	27 February 2005 to 1 February 2008	0.20
	3,600,000		
Directors of subsidiaries			
Ngiam Mia Je Patrick	1,800,000	27 February 2003 to 1 February 2008	0.08
	900,000	27 February 2004 to 1 February 2008	0.08
	900,000	27 February 2005 to 1 February 2008	0.08
	3,600,000		
Ngiam Mia Kiat Benjamin	1,800,000	27 February 2003 to 1 February 2008	0.08
	900,000	27 February 2004 to 1 February 2008	0.08
	900,000	27 February 2005 to 1 February 2008	0.08
	3,600,000		

DIRECTORS' RIGHTS TO ACQUIRE SHARES (continued)

Share option schemes (continued)

(i) Rights to acquire ordinary shares of the Company (continued)

Name of participant	Number of share options granted on 2 February 2002	Exercise period of share options	Exercise price per share HK$
Lauw Hui Kian	1,800,000	27 February 2003 to 1 February 2008	0.08
	900,000	27 February 2004 to 1 February 2008	0.08
	900,000	27 February 2005 to 1 February 2008	0.08
	3,600,000		
Other employees			
In aggregate	8,550,000	27 February 2003 to 1 February 2008	0.08
	4,275,000	27 February 2004 to 1 February 2008	0.08
	4,275,000	27 February 2005 to 1 February 2008	0.08
	17,100,000		
	1,300,000	27 February 2003 to 1 February 2008	0.20
	650,000	27 February 2004 to 1 February 2008	0.20
	650,000	27 February 2005 to 1 February 2008	0.20
	2,600,000		
	50,000	27 February 2003 to 1 February 2008	0.28
	25,000	27 February 2004 to 1 February 2008	0.28
	25,000	27 February 2005 to 1 February 2008	0.28
	100,000		
	52,600,000		

DIRECTORS' RIGHTS TO ACQUIRE SHARES (continued)

Share option schemes (continued)

As the Company's shares were only listed on GEM after the year end date on 27 February 2002, the directors do not consider it appropriate to disclose a theoretical value of the share options granted as there is no historical price performance data to produce reasonable valuations using commonly used methodologies.

No further options would be granted under the Pre-Scheme after listing of the shares on GEM. The exercise in full of the pre-IPO share option would, under the present capital structure of the Company, result in the issue of 52,600,000 additional shares of HK$0.05 each.

On the same date as the adoption of the aforesaid Pre-Scheme, a further share option scheme (the "Post-Scheme") was also approved by the Company. Details of the Post-Scheme are set out in note 24 to the financial statement.

No share options were granted by the Company under the Post-Scheme up to the date of approval of these financial statements.

Save as disclosed above, and other than in connection with the Group Reorganisation in preparation for the Placing, at no time since its incorporation was the Company, any of its holding companies or subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 25 March 2002, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests in shares required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance.

Name	Number of shares held	Percentage of holding
IPC Corporation Ltd	375,000,000	75%

Note: IPC Corporation Ltd, the ultimate holding company of the Company, is a company incorporated under the laws of Singapore and whose securities are listed on The Singapore Exchange Securities Trading Limited.

Save as disclosed above, no person, other than the directors of the Company whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

SPONSOR'S INTEREST

Subsequent to the balance sheet date, shares of the Company were listed on GEM of the Stock Exchange of Hong Kong Limited on 27 February 2002 by way of a placement of 125,000,000 new shares at an issue price of HK$0.40. The sponsor of the Placing was ICEA Capital Limited (the "Sponsor").

The Sponsor has confirmed, up to and as at 25 March 2002, none of the Sponsor nor its associates, directors or employees may have, as a result of the Placing, have any interest in any class of securities of the Company or any of member company of the Group (including options or rights to subscribe for such securities).

Pursuant to a sponsor agreement dated 18 February 2002 between the Company and the Sponsor, The Sponsor is entitled to receive a fee for acting as the Company's sponsor for the period commencing from 27 February 2002 and ending on (and including) the last day of the second full (and not part thereof) financial year after the Company's listing on GEM.

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the related party transactions for the year are set out in note 31 to the financial statements. Save as disclosed therein, there were no other transactions to be disclosed as connected and related party transactions in accordance with the requirements of the GEM Listing Rules and accounting principles generally accepted in Hong Kong.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in note 30 to the financial statements.

COMPETITION AND CONFLICT OF INTERESTS

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the listing of the Company's shares on GEM on 27 February 2002.

Report of the Directors

AUDIT COMMITTEE

The Company established an audit committee on 2 February 2002 with written terms of reference in compliance with Rules 5.23 and 5.24 of GEM Listing Rules. The primary duties of the audit committee are (i) to review the Company's annual reports and accounts, half-yearly and quarterly reports, (ii) to provide advice and comments thereon to the board of directors, and (iii) to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises three members, Lee Chung Mong and Chen Tzyh-Trong, the independent non-executive directors of the Company and Wong Kui Ming, the executive director of the Company. The Group's audited results for the year ended 31 December 2001 have been reviewed by the audit committee, who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

AUDITORS

Ernst & Young were appointed as the first auditors of the Company for the period ended 31 December 2001.

Ernst & Young retire and a resolution for their re-appointment as auditors of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the board
William Michael Driscoll
Chairman and Executive Director

Hong Kong, 26 March 2002

Report of the Auditors

ERNST & YOUNG
安永會計師事務所

Certified Public Accountants
15/F Hutchison House
10 Harcourt Road
Central, Hong Kong

To the members
ThinSoft (Holdings) Inc
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on 32 to 69 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors
The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion
We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2001 and of its results for the period from 28 September 2001 (date of incorporation) to 31 December 2001 and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong, 26 March 2002

Balance Sheet

31 December 2001

	Notes	*HK$*
CURRENT ASSETS		
Cash on hand		–
CAPITAL		
Issued capital	*1, 24*	–

Ngiam Mia Hai Bernard
Director

Wong Kui Ming
Director

WinConnect BeTwin

PRO FORMA COMBINED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2001

	Notes	2001 HK$	2000 HK$
TURNOVER	4	**28,335,059**	68,202,269
Cost of sales		**(15,032,286)**	(54,908,619)
Gross profit		**13,302,773**	13,293,650
Other income	4	**1,122,806**	1,536,806
Distribution and selling expenses		**(297,345)**	(499,226)
General and administrative expenses		**(8,171,825)**	(6,905,532)
Other operating expenses		**(380,971)**	(2,828,396)
PROFIT FROM OPERATING ACTIVITIES	6	**5,575,438**	4,597,302
Finance costs, net	10	**(472,364)**	(1,080)
PROFIT BEFORE TAX		**5,103,074**	4,596,222
Tax	11	**(1,314,885)**	(1,702,530)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	25	**3,788,189**	2,893,692
EARNINGS PER SHARE	12		
Basic		**HK1.01 cents**	HK0.77 cent
Diluted		**HK0.91 cent**	HK0.70 cent

Note: Using the pro forma basis of presentation as set out in note 14 to the financial statements, which is presented for information purposes only, the pro forma combined turnover and net profit from ordinary activities attributable to shareholders of the Group excluding the results of the Excluded Business (as defined in note 14) for the year ended 31 December 2001 amounted to HK$26,857,824 and HK$3,773,760, respectively (2000: HK$21,274,824 and HK$2,224,461 respectively) . Further details of the pro forma combined profit and loss accounts of the Group excluding the operating results attributable to the Excluded Business for each of the years ended 31 December 2000 and 2001 are set out in note 14 to the financial statements.

BeTwin WinConnect

Pro Forma Combined Statement of Recognized Gains and Losses

Year ended 31 December 2001

	Notes	2001 HK$'000	2000 HK$'000
Exchange differences arising on combination of subsidiaries with functional currencies other than Hong Kong dollars	25	**(436,593)**	(172,126)
Net loss not recognised in the pro forma combined profit and loss account		**(436,593)**	(172,126)
Net profit from ordinary activities attributable to shareholders		**3,788,189**	2,893,692
Total recognised gains and losses		**3,351,596**	2,721,566

Pro Forma Combined Balance Sheet

31 December 2001

	Notes	2001 HK$	2000 HK$
NON-CURRENT ASSETS			
Deferred development expenditure	15	**11,740,172**	1,316,668
Fixed assets	16	**254,802**	366,431
Long term deposits	17	**–**	1,404,000
		11,994,974	3,087,099
CURRENT ASSETS			
Inventories	18	**437,615**	1,267,065
Accounts receivable, net	19	**1,436,320**	992,277
Prepayments, deposits and other receivables		**2,453,867**	492,362
Due from fellow subsidiaries	20	**–**	181,508
Due from the ultimate holding company	20	**1,170,000**	–
Cash and cash equivalents	21	**7,446,113**	24,818,777
		12,943,915	27,751,989
CURRENT LIABILITIES			
Accounts and bills payable	22	**1,004,027**	1,107,144
Accrued liabilities and other payables		**1,886,555**	2,381,611
Due to fellow subsidiaries	20	**37,014**	841,734
Due to the ultimate holding company	20	**21,031**	16,162,893
Tax payable		**1,800,030**	1,307,070
Convertible note payable	23	**7,800,000**	–
		12,548,657	21,800,452
NET CURRENT ASSETS		**395,258**	5,951,537
		12,390,232	9,038,636
CAPITAL AND RESERVES			
Issued capital	24	**150,000**	150,000
Reserves	25	**12,240,232**	8,888,636
		12,390,232	9,038,636

Ngiam Mia Hai Bernard
Director

Wong Kui Ming
Director

Pro Forma Combined Cash Flow Statement

Year Ended 31 December 2001

	Notes	2001 HK$	2000 HK$
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	26(a)	**(12,699,192)**	10,459,143
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		**771,182**	953,542
Interest paid		**(452,494)**	(108)
Net cash inflow from returns on investments and servicing of finance		**318,688**	953,434
TAX			
Singapore income tax paid		**(779,953)**	(2,035,800)
INVESTING ACTIVITIES			
Purchases of fixed assets		**(74,599)**	(117,000)
Additions to deferred development expenditure	26(b)	**(3,094,673)**	(1,316,668)
Payment for long term deposits	26(b)	**–**	(1,404,000)
Net cash outflow from investing activities		**(3,169,272)**	(2,837,668)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITY		**(16,329,729)**	6,539,109
FINANCING ACTIVITY		**–**	–
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(16,329,729)**	6,539,109
Cash and cash equivalents at beginning of the year		**24,818,777**	18,685,885
Effect of foreign exchange rate changes, net		**(1,042,935)**	(406,217)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**7,446,113**	24,818,777
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**1,665,404**	2,166,695
Time deposits with original maturity of less than three months when acquired		**5,780,709**	22,652,082
		7,446,113	24,818,777

1. GROUP REORGANISATION AND CORPORATE INFORMATION

The Company

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 28 September 2001. On incorporation, the Company had authorised share capital of HK$100,000 divided into 1,000,000 shares of HK$0.10 each, of which 1,000,000 shares were allotted and issued nil paid on 9 October 2001. Apart from the foregoing, no other transactions were carried out by the Company during the period from 28 September 2001 (date of incorporation) to 31 December 2001. Accordingly, the Company did not have any profits and losses for the period.

Comparative amounts have not been presented for the Company's balance sheet because the Company was not in existence on 31 December 2000.

Group reorganisation

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of its shares on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 27 February 2002 (the "Listing"), the Company became the holding company of the companies now comprising the Group on 23 February 2002. This was accomplished by acquiring the entire issued share capital of ThinSoft Investment Inc ("ThinSoft BVI"), which is, at the date of this report, the intermediate holding company of other subsidiaries set out in note 29 to the financial statements, in consideration of and in exchange for the allotment and issue of a total of 1,000,000 shares of HK$0.05 each in the share capital of the Company, credited as fully paid, to the former shareholder of ThinSoft BVI. Further details of the Group Reorganisation are set out in the Company's prospectus (the "Prospectus") dated 19 February 2002.

Corporate information

Had the Group Reorganisation been completed on 1 January 2000 and had the Group been in existence since that date, the Group's principal activities would have been the development and distribution of Thin Computing solutions and related products during the period from 1 January 2000 to 31 December 2001.

In the opinion of the directors, had the Group Reorganisation been completed on 1 January 2000 and had the Group been in existence since that date, the ultimate holding company of the Company as at 31 December 2001 would have been IPC Corporation Ltd ("IPC"), a company incorporated in Singapore and listed on the Singapore Exchange Securities Trading Limited.

Notes to Financial Statements

31 December 2001

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs are effective for the first time for the current year's financial statements:

–	SSAP 9 (Revised):	"Events after the balance sheet date"
–	SSAP 14 (Revised):	"Leases"
–	SSAP 26:	"Segment reporting"
–	SSAP 28:	"Provisions, contingent liabilities and contingent assets"
–	SSAP 29:	"Intangible assets"
–	SSAP 30:	"Business combinations"
–	SSAP 31:	"Impairment of assets"
–	SSAP 32:	"Consolidated financial statements and accounting for investments in subsidiaries"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustments to the financial statements and which require disclosure but no adjustment, and has had no major impact on these financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting treatments, but these amendments have not had a material effect on the amounts previously recorded in the profit and loss account and balance sheet, and therefore no prior year adjustments have been required. The disclosure changes under SSAP 14 (Revised) have resulted in total future commitments being disclosed for commitments under operating leases, rather than only the forthcoming year's commitments as was previously the case, as detailed in note 28 to the financial statements.

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (continued)

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment reporting format, with the other as the secondary segment reporting format. The impact of SSAP 26 is the inclusion of additional segment reporting disclosures which are set out in note 5 to the financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosure in respect thereof. The new SSAP 28 has had no major impact on these financial statements.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of SSAP 29 has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have had no significant impact on these financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The new SSAP 30 has had no major impact on these financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP 31 is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures in the preparation and presentation of consolidated financial statements, and has had no significant impact on the preparation of these financial statements.

Notes to Financial Statements

31 December 2001

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and combination

The Group Reorganisation involved companies under common control. Because the Group Reorganisation took place on 23 February 2002, according to SSAP 27 "Accounting for group reconstructions", the Company together with its subsidiaries should only be regarded and accounted for as a continuing group in the preparation of the Group's financial statements commencing the year ending 31 December 2002. Nevertheless, for the benefit of shareholders, pro forma combined financial statements for the current year and the related notes thereto have been presented in these financial statements on the basis that the Company is treated as the holding company of its subsidiaries for the financial years presented rather than from the subsequent date of acquisition of the subsidiaries on 23 February 2002. The pro forma combined results of the Group for each of the years ended 31 December 2000 and 2001 include the results of the Company and its subsidiaries with effect from 1 January 2000 or since their respective dates of incorporation, where this is a shorter period. The pro forma combined balance sheets as at 31 December 2000 and 2001 have been prepared on the basis that the current Group structure was in place at those dates.

All significant transactions and balances among the companies comprising the Group have been eliminated on combination.

Although the Group Reorganisation had not been completed and accordingly, the Group did not legally exist until 23 February 2002, in the opinion of the directors, the presentation of such pro forma combined financial statements prepared on the aforesaid basis is necessary to apprise the Company's shareholders of the Group's results and its state of affairs as a whole.

Basis of preparation

These financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's investment in subsidiaries are stated at cost less any impairment losses.

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred development expenditure

All research costs are charged to the profit and loss account as incurred.

Development costs are capitalised and deferred only when the projects are clearly defined, the costs are separately identifiable, there is reasonable certainty that the projects are technically feasible and the underlying products have commercial value. Development expenditure which does not meet these criteria is expensed when incurred.

Costs so deferred are amortised on the straight-line basis over the expected economic useful lives of the underlying products, subject to a maximum period of five years commencing in the year when the products are put into commercial production.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on a straight-line basis to write off the cost of each asset over their estimated useful lives of five years.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account, is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however 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 an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Accounts and other receivables

Accounts and other receivables, which generally have 30-90 day credit terms, are recognised and carried at original invoice amount. An estimate for doubtful debts is made when the collection of the full amount is no longer probable. Bad debts are written off to the profit and loss accounts as incurred.

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts and other payables

Liabilities for trade and other amounts payable, which are normally settled on 30-90 day credit terms, are carried at cost which is the fair value of the consideration to be paid in the future for the goods and services received, whether or not billed to the Group.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences in the recognition of revenue and expenses for tax and for financial reporting purposes, to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Revenue recognition

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

– from the provision of services, when the services are rendered;

– 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

– interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits costs

Contributions to the retirement benefits schemes of individual employees are expensed as incurred.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Foreign currencies

Individual companies within the Group maintain their books and records in the primary currencies of their respective operations ("functional currencies"). In the accounts of the individual companies, transactions in other currencies during the period are translated into the respective functional currencies at the applicable rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies are translated into the respective functional currencies at the applicable rates of exchange in effect at the balance sheet date; non-monetary assets and liabilities denominated in other currencies are translated at historical rates. Exchange gains and losses are dealt with in the profit and loss accounts of the individual companies.

The Group prepares the combined financial statements in Hong Kong dollars. For the purpose of combination, all of the assets and liabilities of subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the applicable rates of exchange in effect at the respective balance sheet dates; all of the income and expense items of individual companies within the Group with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the average applicable exchange rates during each of the periods. Exchange differences arising from such translations are dealt with in the exchange translation reserve.

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash equivalents

For the purpose of the pro forma combined cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

4. TURNOVER AND INCOME

Turnover represents the net invoiced sales and services rendered, less discounts, returns, and applicable goods and services taxes.

An analysis of the Group's turnover and other income is as follows:

	2001	2000
	HK$	HK$
Turnover:		
Sales of goods	**14,649,215**	62,079,269
Rendering of services	**13,685,844**	6,123,000
	28,335,059	68,202,269
Other income:		
Interest income	**771,182**	953,542
Exchange gains, net	**351,624**	583,264
	1,122,806	1,536,806
Total income	**29,457,865**	69,739,075

5. SEGMENT INFORMATION

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 offer products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the software segment refers to the supply of the Group's software solutions;

(b) the engineering fee segment engages in the provision of engineering services;

(c) the upgrade kits segment comprises the sales of the Group's thin client solutions related to hardware peripherals and accessories;

(d) the vertical market solutions segment refers to the Group's supply of thin client point-of-sale terminals; and

(e) the trading sales of computer parts, peripherals and accessories and installation service (the "Excluded Business") (note 14).

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

Intersegment transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Analyses of contribution to operating results and assets and liabilities by geographical market, and the assets and liabilities by principal activity have not been prepared as most of the Group's costs and expenses and assets and liabilities were unallocated and therefore the directors consider that such information is not meaningful or representative for the purpose of these financial statements.

5. SEGMENT INFORMATION (continued)

(a) Business segments

The following table presents revenue, profit and certain expenditure information for the Group's business segments.

	Software		Engineering fee		Upgrade kits		Vertical market solutions		Excluded Business		Eliminations		Combined	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
	HK$	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$
Segment revenue:														
Sales to external customers	**2,504,923**	–	**13,685,844**	6,123,000	**1,789,836**	10,923,012	**8,877,221**	4,228,812	**1,477,235**	46,927,445	**–**	–	**28,335,059**	68,202,269
Segment results	**948,140**	–	**814,741**	34,747	**677,472**	3,511,702	**3,360,122**	380,542	**14,429**	669,231	**–**	–	**5,814,904**	4,596,222
Interest and unallocated gains													**1,122,806**	1,536,806
Unallocated expenses													**(1,362,272)**	(1,535,726)
Profit from operating activities													**5,575,438**	4,597,302
Finance costs													**(472,364)**	(1,080)
Profit before tax													**5,103,074**	4,596,222
Tax													**(1,314,885)**	(1,702,530)
Net profit from ordinary activities attributable to shareholders													**3,788,189**	2,893,692
Other segment information:														
Depreciation and amortisation	**1,846,942**	–	**28,517**	11,700	**19,853**	134,500	**98,467**	52,099	**–**	–	**–**	–	**1,993,779**	198,299

5. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue information for the Group's geographical segments.

	Hong Kong		Europe		The United States		Singapore		Asia Pacific except Hong Kong and Singapore		Others		Eliminations		Combined	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
	HK$	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$	**HK$**	HK$
Segment revenue:																
Sales to external customers	**232,200**	1,411,227	**6,798,300**	8,217,657	**489,215**	300,429	**14,523,900**	10,200,194	**3,706,600**	44,708,049	**2,584,844**	3,364,713	**-**	-	**28,335,059**	68,202,269
Intersegment transfers	**-**	-	**-**	-	**3,510,000**	-	**-**	-	**-**	-	**-**	-	**(3,510,000)**	-	**-**	-
Total	**232,200**	1,411,227	**6,798,300**	8,217,657	**3,999,215**	300,429	**14,523,900**	10,200,194	**3,706,600**	44,708,049	**2,584,844**	3,364,713	**(3,510,000)**	-	**28,335,019**	68,202,269
Interest and unallocated gain															**1,122,806**	1,536,806
Total income															**29,457,865**	69,739,075

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	2001	2000
	HK$	HK$
Costs of inventory sold and services provided	**15,032,286**	54,908,619
Auditors' remuneration	**465,121**	28,125
Depreciation	**174,622**	198,299
Research and development costs:		
Deferred expenditure amortised	**1,819,157**	–
Current year expenditure	**3,875,196**	3,120,117
	5,694,353	3,120,117
Staff costs, excluding directors' remuneration – note 7:		
Wages and salaries	**6,650,169**	6,682,011
Central provident fund contributions	**258,039**	250,119
	6,908,208	6,932,130
Minimum lease payments under operating leases in respect of land and buildings to:		
The ultimate holding company	**243,905**	255,474
An independent third party	**480,254**	201,807
	724,159	457,281
Provision for doubtful debts:		
Trade	**–**	1,730,623
Non-trade	**380,971**	–
Exchange gains, net	**(351,624)**	(583,264)
Interest income on bank balances and time deposits	**(771,182)**	(953,542)

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6. PROFIT FROM OPERATING ACTIVITIES (continued)

The costs of sales for the year ended 31 December 2001 include HK$5,096,233 (2000: HK$2,860,000), relating to direct staff costs, depreciation and amortisation, which are also included in the respective total amounts disclosed separately above for each of these types of expenses for the year.

The research and development costs for the year ended 31 December 2001 include HK$1,803,820 (2000: HK$2,860,000), relating to staff costs, which are also included in the total amounts of staff costs disclosed separately above for the year.

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on the GEM and Section 161 of the Hong Kong Companies Ordinance are as follows:

	2001	2000
	HK$	HK$
Fees	**–**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**516,000**	540,000
Performance related bonuses	**–**	–
Pension scheme contributions	**–**	–
	516,000	540,000

Two executive directors of the Company received emoluments of approximately HK$258,000 each for the year (2000: HK$270,000 each). There were no emoluments payable to the other executive directors and the non-executive directors of the Company during the year (2000: Nil).

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived or agreed to waive any emoluments during the year and the current and prior years.

8. FIVE HIGHEST PAID EMPLOYEES

No director was included in the five highest paid individuals during the year (2000: two directors), details of whose remuneration are set out in note 7 above. Details of the remuneration of the five (2000: three) non-director, highest paid employees are as follows:

	2001	2000
	HK$	HK$
Salaries, allowances and benefits in kind	**4,118,354**	3,529,798
Performance related bonuses	**–**	–
Pension scheme contributions	**–**	–
	4,118,354	3,529,798

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	2001	2000
	Number of employees	Number of employees
Nil to HK$1,000,000	**4**	2
HK$1,000,001 to HK$1,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	1
	5	3

During the current and prior years, no emoluments were paid by the Group to any of the remaining non-director, highest paid employees as an inducement to join the Group or upon joining the Group or as compensation for loss of office.

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9. RETIREMENT BENEFITS SCHEME

As at 31 December 2001, the Group had no material liabilities in respect of its obligations for long service payments to its employees pursuant to the requirements under the Employment Ordinance, Chapter 57 of the Laws of Hong Kong.

The employees of the subsidiary in Singapore, ThinSoft Pte Ltd, are members of the Central Provident Fund operated by the government of Singapore. The subsidiary and the employees are required to contribute a certain percentage of the employees' payroll to the Central Provident Fund. The subsidiary has no further obligations for the actual pension payments or post-retirement benefits beyond its contributions.

Apart from the provident fund scheme provided by ThinSoft Pte Ltd to its staff, other subsidiaries of the Group do not have a pension scheme for their employees.

10. FINANCE COSTS

	Group	
	2001	2000
	HK$	HK$
Interest on bank overdrafts wholly repayable within one year	**–**	108
Interest on a convertible note	**452,494**	–
Other charges	**19,870**	972
	472,364	1,080

11. TAX

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the year.

ThinSoft Pte Ltd, a company incorporated in Singapore, is subject to Singapore income tax. Singapore income tax has been provided at the rate of 24.5% (2000: 25.5%) on the estimated assessable profits arising in Singapore for the year ended 31 December 2001.

ThinSoft (USA) Inc, a company incorporated in the State of Delaware in the United States of America and operating in the State of California in the United States of America, is subject to the United States federal income tax at progressive rates of between 15% to 39%, and California state corporate tax at a rate of 8% (2000: 7.5%) for the year ended 31 December 2001, on its estimated assessable profits arising on a world wide basis.

There were no unprovided deferred tax in respect of the year (2000: Nil).

12. EARNINGS PER SHARE

The pro forma basic earnings per share for the year is calculated based on the pro forma combined net profit from ordinary activities attributable to shareholders of the Company for the year of HK$3,788,189 (2000: HK$2,893,692) and 375,000,000 shares (2000: 375,000,000 shares) deemed to have been issued and issuable during the year on the assumption that the Group Reorganisation and the subsequent capitalisation issue of 372,000,000 shares of the Company had been effective on 1 January 2000.

The calculation of the pro forma diluted earnings per share is based on the pro forma combined net profit from ordinary activities attributable to shareholders of the Company for the year of HK$3,788,189 (2000: HK$2,893,692) and 415,170,000 shares, being the 375,000,000 shares as used in the calculation of pro forma basic earnings per share, and the weighted average of 40,170,000 shares assumed to have been issued at no consideration on the deemed exercise of the pre-IPO share options as set out in note 24 to the financial statements.

13. DIVIDENDS

No dividend has been paid or declared by the Company or any of the companies comprising the Group since their respective dates of incorporation.

14. EXCLUDED BUSINESS

Subsequent to 31 December 2001, the Group completed the discontinuation of the Excluded Business. As disclosed in the accountants' report included in the prospectus, Excluded Business included the trading sales of computer parts, peripherals and accessories and installation services.

The net result of the Excluded Business is further analysed as follows:

	2001	2000
	HK$	HK$
Revenue	**1,477,235**	46,927,445
Operating costs	**(1,407,285)**	(43,203,820)
Distribution and selling expenses	**(19,148)**	(205,926)
General and administrative expenses	**(36,373)**	(2,848,468)
Net profit for the Excluded Business	**14,429**	669,231

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14. EXCLUDED BUSINESS (continued)

For information purposes only, had the results of the Excluded Business been excluded from the Group's results for the periods under review, the adjusted pro forma combined profit and loss accounts of the Group for each of the years ended 31 December 2000 and 2001, presented on the aforesaid basis, would have been analysed as follows:

	Note	**2001** HK$	2000 HK$
Turnover		**26,857,824**	21,274,824
Cost of sales		**(13,625,001)**	(11,704,799)
Gross profit		**13,232,823**	9,570,025
Other income		**1,122,806**	1,536,806
Distribution and selling expenses		**(278,197)**	(293,300)
General and administrative expenses		**(8,135,452)**	(4,057,064)
Other operating expenses		**(380,971)**	(2,828,396)
Profit from operating activities		**5,561,009**	3,928,071
Finance costs, net		**(472,364)**	(1,080)
Profit before tax		**5,088,645**	3,926,991
Tax		**(1,314,885)**	(1,702,530)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		**3,773,760**	2,224,461
EARNINGS PER SHARE	*12*		
Basic		**HK1.01 cents**	HK0.59 cent
Diluted		**HK0.91 cent**	HK0.54 cent

15. DEFERRED DEVELOPMENT EXPENDITURE

	Software development expenditure HK$	Website development expenditure HK$	Total HK$
Cost:			
At beginning of year	1,260,274	56,394	1,316,668
Additions	12,090,000	208,673	12,298,673
Exchange realignment	(56,012)	–	(56,012)
At 31 December 2001	**13,294,262**	**265,067**	**13,559,329**
Accumulated amortisation:			
At beginning of year	–	–	–
Provided during the year	1,756,297	62,860	1,819,157
31 December 2001	**1,756,297**	**62,860**	**1,819,157**
Net book value:			
At 31 December 2001	**11,537,965**	**202,207**	**11,740,172**
At 31 December 2000	1,260,274	56,394	1,316,668

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Notes to Financial Statements

31 December 2001

16. FIXED ASSETS

	Renovations	Office equipment	Plant and machinery	Furniture and fittings	Total
	HK$	HK$	HK$	HK$	HK$
Cost:					
At beginning of year	251,528	459,924	212,552	125,969	1,049,973
Additions	–	74,604	–	–	74,604
Exchange realignment	(11,179)	(16,282)	(9,447)	(4,559)	(41,467)
At 31 December 2001	**240,349**	**518,246**	**203,105**	**121,410**	**1,083,110**
Accumulated depreciation:					
At beginning of year	212,954	326,516	59,679	84,393	683,542
Provided during the year	36,860	72,861	40,617	24,284	174,622
Exchange realignment	(9,465)	(14,096)	(2,648)	(3,647)	(29,856)
At 31 December 2001	**240,349**	**385,281**	**97,648**	**105,030**	**828,308**
Net book value:					
At 31 December 2001	**–**	**132,965**	**105,457**	**16,380**	**254,802**
At 31 December 2000	38,574	133,408	152,873	41,576	366,431

17. LONG TERM DEPOSITS

The amount in the prior year represented the first instalment of software development expenditure paid by the Group during the year ended 31 December 2000. In June 2001, the software was delivered to the Group and the amount was reclassified as software development expenditure during the year ended 31 December 2001 (note 15).

18. INVENTORIES

	2001 HK$	2000 HK$
Raw materials	**362,528**	347,013
Finished goods	**75,087**	920,052
	437,615	1,267,065

At 31 December 2001, no inventories were stated at net realisable value (2000: Nil).

19. ACCOUNTS RECEIVABLE

The Group has a policy of allowing an average credit period of 30 to 90 days to its trade customers.

An aged analysis of accounts receivable at the balance sheet date, based on invoice date, is as follows:

	2001 HK$	2000 HK$
Within 30 days	**1,434,484**	141,291
Between 31 to 60 days	**–**	136,008
Between 61 to 90 days	**–**	545,153
Between 91 to 180 days	**1,836**	4,272,642
Over 180 days	**–**	102,807
Less: Provision for doubtful debts	**–**	(4,205,624)
	1,436,320	992,277

20. BALANCES WITH FELLOW SUBSIDIARIES AND THE ULTIMATE HOLDING COMPANY

The balances with fellow subsidiaries and the ultimate holding company, which are trade in nature, were unsecured, interest-free and were repayable on demand. The amounts were fully repaid in February 2002.

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Notes to Financial Statements

31 December 2001

21. CASH AND CASH EQUIVALENTS

	2001 HK$	2000 HK$
Cash and bank balances	**1,665,404**	2,166,695
Time deposits	**5,780,709**	22,652,082
	7,446,113	24,818,777

22. ACCOUNTS AND BILLS PAYABLE

An aged analysis of accounts and bills payable as at the balance sheet date, based on invoice date, is as follows:

	2001 HK$	2000 HK$
Within 30 days	**975,122**	316,417
Between 31 to 60 days	**12,225**	2,255
Between 61 to 90 days	**718**	–
Between 91 to 180 days	**15,962**	788,472
	1,004,027	1,107,144

23. CONVERTIBLE NOTE PAYABLE

The convertible note (the "Note") in the principal amount of US$1,000,000 (equivalent to approximately HK$7,800,000) was issued by ThinSoft (USA) Inc in June 2001 in favour of an independent third party as the settlement of part of the Group's software development expenditure (note 15). The Note is repayable on 29 June 2002 and bears interest at 10.5% per annum.

Pursuant to the conversion terms and conditions of the Note, the note holder may at its election at any time prior to the payment in full of the Note, convert the Note into certain non-assessable shares of common stock of ThinSoft (USA) Inc. Such conversion privileges shall only commence immediately prior to the closing of (a) an initial public offering of the common stock of ThinSoft (USA) Inc, or (b) a sale or acquisition of ThinSoft (USA) Inc reflecting a price per share of the common stock of ThinSoft (USA) Inc higher than US$1 per share. Neither (a) nor (b) has been happened up to the date of approval of these financial statements and it is perceived by the directors that such events will not happen prior to the maturity date of the Note on 29 June 2002.

The Group intends to apply part of the net proceeds from the Listing of approximately HK$8.7 million to settle the Note (inclusive of interest) upon its maturity.

24. SHARE CAPITAL

Shares

The following is a summary of movements in the authorised and issued share capital of the Company:

	Notes	Number of shares: Ordinary shares of HK$0.10 each	Number of shares: Ordinary shares of HK$0.05 each	Value HK$
Authorised:				
On incorporation and at 31 December 2001	*24(i)*	1,000,000	–	100,000
Sub-division of each share of HK$0.10 each into 2 shares of HK$0.05 each	*24(ii)*	(1,000,000)	2,000,000	–
Increase in authorised share capital	*24(ii)*	–	1,998,000,000	99,900,000
At 27 February 2002, the Listing date		Nil	2,000,000,000	100,000,000
Issued and fully paid:				
Allotted and issued at nil paid	*24(i)*	1,000,000	–	–
Sub-division of each share of HK$0.10 each into 2 shares of HK$0.05 each	*24(ii)*	(1,000,000)	2,000,000	–
On acquisition of ThinSoft BVI*				
– consideration share issues	*24(iii)*	–	1,000,000	50,000
– nil paid shares credited as fully paid	*24(iii)*	–	–	100,000
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the issue of new shares to the public by way of placement	*24(iv)*	–	372,000,000	–
Pro forma share capital of the Group at 31 December 2000 and 2001		Nil	375,000,000	150,000
Capitalisation of the share premium account as set out above	*24(iv)*	–	–	18,600,000
New issue of shares	*24(vi)*	–	125,000,000	6,250,000
At 27 February 2002, the Listing date		Nil	500,000,000	25,000,000

* Pursuant to the basis of presentation set out in note 3, the pro forma combined financial statements of the Group have been presented as if the Group Reorganisation on 23 February 2002 had been completed on 1 January 2000.

24. SHARE CAPITAL (continued)

Shares (continued)

The following changes in the Company's authorised and issued share capital took place during the period from 28 September 2001 (date of incorporation) to the date of approval of this annual report:

(i) On 28 September 2001 (date of incorporation), the authorised share capital of the Company was HK$100,000 divided into 1,000,000 shares of HK$0.10 each, 1,000,000 shares of which were allotted and issued at nil paid on 9 October 2001. The shares were subsequently credited as fully paid as described in (iii) below.

(ii) Pursuant to a written resolution of the sole shareholder of the Company passed on 30 January, 2002, every issued and unissued share of HK$0.10 each in the share capital of the Company was sub-divided into two shares of HK$0.05 each. Pursuant to a further written resolution of the sole shareholder of the Company passed on 1 February 2002, the authorised share capital of the Company was increased from HK$100,000 to HK$100,000,000 by the creation of 1,998,000,000 additional shares of HK$0.05 each.

(iii) Pursuant to a written resolution of the sole shareholder of the Company passed on 1 February 2002, the directors were authorised, subject to the approval of the shareholders of IPC at the extraordinary general meeting held on 21 February 2002, to acquire the entire share capital of ThinSoft BVI.

(iv) Pursuant to a written resolution of the sole shareholder of the Company passed on 2 February 2002, an aggregate of 372,000,000 shares were allotted and issued, credited as fully paid at par by the capitalisation of HK$18,600,000 from the share premium account arising from the share placement (the "Placing"), to the then existing shareholders of the Company in proportion to their respective shareholdings.

(v) On 23 February 2002, after obtaining the approval of the shareholders of IPC at the extraordinary general meeting held on 21 February 2002, the Company acquired the entire share capital of ThinSoft BVI and became the holding company of the Group in exchange for the Company's allotted and issued 1,000,000 shares of HK$0.05 each, credited as fully paid, and credited as fully paid another 2,000,000 nil paid shares held by the shareholders for the acquisition of the entire issued share capital of ThinSoft BVI.

(vi) Pursuant to the Listing on the GEM on 27 February 2002, the Company issued 125,000,000 shares of HK$0.05 each at HK$0.40 per share to the public by way of the Placing.

24. SHARE CAPITAL (continued)

Share options

(i) The Company operates a pre-IPO share option scheme (the "Pre-Scheme"), further details of which are set out under the heading "Share option schemes" in the report of the directors on pages 25 to 28.

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 shares on the GEM. The Company had granted pre-IPO share options to 26 employees (including four executive directors of the Company) of the Group to subscribe for a total of 52,600,000 shares, representing in aggregate approximately 10.52% of the then issued share capital of the Company immediately following the completion of the Placing and the capitalisation issue, at a subscription price ranging from 20% to 70% of HK$0.40 per share, the issue price. No further options would be granted under the Pre-Scheme after Listing of the shares on the GEM. All these options were granted on 2 February 2002 and may be exercised in the following manner:

(a) 50% of the options so granted to him/her (rounded down to the nearest whole number) after the expiry of 12 months from 27 February 2002 on which the shares are first listed on the GEM;

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

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

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

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

The exercise in full of the pre-IPO share options would, under the present capital structure of the Company, resulted in the issue of 52,600,000 additional shares of HK$0.05 each.

The Pre-Scheme remains in force for a period of 10 years with effect from 2 February 2002.

24. SHARE CAPITAL (continued)

Share options (continued)

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

The total number of shares which may be issued upon exercise of all outstanding 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 shares in issue from time to time. A nominal consideration of HK$1 is payable by the grantee upon acceptance of an option.

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

Any grant of share options to a director, chief executive, management shareholder or 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.

24. SHARE CAPITAL (continued)

Share options (continued)

The options granted may be exercised at any time during the period commencing immediately after the date on which the option is deemed to be granted and accepted and expiring on a date to be determined and notified by the board of directors which shall not be more than 10 years from the date on which the 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 up to the date of approval of these financial statements.

(iii) No valuation of the options granted under the Pre-Scheme is included in these financial statements as the directors consider that, since the shares of the Company were listed on 27 February 2002, there would not be sufficient historical price performance data to produce reasonable valuations using commonly used methodologies.

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Notes to Financial Statements

31 December 2001

25. RESERVES

	Group			
	Exchange translation reserve HK$	**Capital reserve** HK$	**Retained profits** HK$	**Total** HK$
At 1 January 2000	561,657	6,840,000	(1,234,587)	6,167,070
Arising on combination of subsidiaries with functional currencies other than Hong Kong dollars	(172,126)	–	–	(172,126)
Profit for the year	–	–	2,893,692	2,893,692
At 31 December 2000 and 1 January 2001	389,531	6,840,000	1,659,105	8,888,636
Arising on combination of subsidiaries with functional currencies other than Hong Kong dollars	(436,593)	–	–	(436,593)
Profit for the year	–	–	3,788,189	3,788,189
At 31 December 2001	**(47,062)**	**6,840,000**	**5,447,294**	**12,240,232**

Note: The capital reserve of the Group represents the difference between the aggregate nominal value of the share capital of subsidiaries acquired by the Company and the nominal value of share capital of the Company issued as consideration in exchange therefor (note 24(iv)).

26. NOTES TO PRO FORMA COMBINED CASH FLOW STATEMENT

(a) Reconciliation of profit before tax to net cash inflow/(outflow) from operating activities:

	2001	2000
	HK$	HK$
Profit before tax	**5,103,074**	4,596,222
Interest income	**(771,182)**	(953,542)
Interest expense	**452,494**	108
Depreciation	**174,622**	198,299
Amortisation of deferred development expenditure	**1,819,157**	–
Decrease in inventories	**773,136**	2,130,781
Decrease/(increase) in accounts receivable	**(488,145)**	2,209,863
Decrease/(increase) in prepayments, deposits and other receivables	**(1,981,654)**	53,434
Decrease in accounts and bills payable	**(53,911)**	(5,665,608)
Increase/(decrease) in accrued liabilities and other payables	**(467,240)**	1,805,230
Increase/(decrease) in balances with fellow subsidiaries	**(1,784,168)**	823,194
Increase/(decrease) in balances with the ultimate holding company	**(15,475,375)**	5,261,162
Net cash inflow/(outflow) from operating activities	**(12,699,192)**	10,459,143

(b) Major non-cash transaction

During the year ended 31 December 2001, the Note in the principal amount of US$1,000,000 (equivalent to approximately HK$7,800,000) was issued by ThinSoft (USA) Inc in favour of an independent third party for part of the consideration of the software development expenditure (note 23).

Notes to Financial Statements

31 December 2001

27. CONTINGENT LIABILITIES

At the balance sheet date, neither the Group, nor the Company had any significant contingent liabilities.

28. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from two to four years.

The total future minimum lease payments under non-cancellable operating leases in respect of land and buildings as at the balance sheet date fall due as follows:

	Group	
	2001	2000
	HK$	HK$
Within one year	**480,636**	463,788
In the second to fifth years, inclusive	**793,416**	1,274,052
	1,274,052	1,737,840

Save as aforesaid, the Group did not have any other commitments at 31 December 2001.

At 31 December 2001, the Company had no significant commitments.

29. SUBSIDIARIES

Particulars of the subsidiaries which were acquired pursuant to the Group Reorganisation are set out below:

	Place of incorporation and operations	Nominal value of paid-up share capital	Percentage of equity attributable to the Group	Principal activities
ThinSoft Investment Inc (formerly Creative Etrade Investments Limited)	British Virgin Islands	US$100 ordinary	100*	Investment holding
ThinSoft Inc (formerly IT Essential Limited)	British Virgin Islands	US$1 ordinary	100	Holding of intellectual properties
ThinSoft Pte Ltd (formerly Austin Federation (S) Pte Ltd)	Singapore	S$1,500,000 ordinary	100	Development and distribution of Thin Computing solutions and related products
ThinSoft (USA) Inc (formerly Thin Computing, Inc.) #	The United States of America	US$0.01 ordinary	100	Development and distribution of Thin Computing solutions and related products

* Shares held directly by the Company

\# Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

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30. POST BALANCE SHEET EVENTS

In addition to the matters set out in note 24 to the financial statements, subsequent to the balance sheet date, the shares of the Company were listed on the GEM on 27 February 2002. On that date, the Company placed 125,000,000 shares of HK$0.05 each, upon the Listing of its shares on the GEM, at HK$0.40 per share for a total cash consideration, before related issuing expenses of approximately HK$17 million, of HK$50 million.

A condensed pro forma adjusted combined net asset statement of the Group as at 31 December 2001 is based on the audited net assets of the Group as at 31 December 2001 and adjusted as if the listing of the Company's shares had taken place on 31 December 2001, is presented below:

	Audited pro forma combined net assets 31 December 2001 HK$ million	**Placing of shares** HK$ million	**Adjusted pro forma combined net assets 31 December 2001 HK$ million**
Non-current assets	**12.0**	–	**12.0**
Current assets	**12.9**	33.0	**45.9**
Current liabilities	**(12.5)**	–	**(12.5)**
Net current assets	**0.4**	33.0	**33.4**
Net assets	**12.4**	33.0	**45.4**
Capital	**0.2**	24.8	**25.0**
Reserves	**12.2**	8.2	**20.4**
	12.4	33.0	**45.4**

31. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the year:

	Notes	2001 HK$	2000 HK$
IPC Corporation Ltd*:			
Purchases	*(i)*	**403,948**	3,254,702
Operating lease rentals in respect of land and buildings	*(ii)*	**244,120**	255,474
Engineering fees	*(iii)*	**13,556,400**	6,123,000
Essex Electronics (Singapore) Pte Ltd*:			
Purchases	*(i)*	**830,224**	1,001,592
Sales	*(i)*	**2,928**	87,849

* Essex Electronics (Singapore) Pte Ltd is a wholly-owned subsidiary of IPC Corporation Ltd, the ultimate holding company of the Group of which Mr. Ngiam Mia Hai Bernard and Mr. Ngiam Mia Hong Alfred, two directors of the Company, are also directors and shareholders.

Notes:

(i) The directors of the Company have confirmed that the prices and terms of the sales and purchase transactions with the holding company and the fellow subsidiaries approximated to those with independent third parties. The directors of the Company have confirmed that the transactions ceased after 31 December 2001.

(ii) The rental expense was determined based on the fair market value. Castores Magi Surveyor Limited, a firm of professional property valuers, has confirmed that the rental expense approximated to the fair market value.

(iii) The engineering fees were based on a cost-plus basis for work performed on the projects, with a net profit margin ranging from 10% to 40%. The directors of the Company have confirmed that the transactions ceased after 31 December 2001.

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

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2002.

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Financial Summary

The following is a summary of the pro forma combined results and of the assets and liabilities of the Group, prepared on the basis set out in notes 1 and 2 below:

RESULTS

	Year ended 31 December		
	2001	2000	1999
	HK$	HK$	HK$
Turnover	**28,335,059**	68,202,269	49,794,154
Cost of sales	**(15,032,286)**	(54,908,619)	(34,639,946)
Gross profit	**13,302,773**	13,293,650	15,154,208
Other income	**1,122,806**	1,536,806	401,617
Distribution and selling expenses	**(297,345)**	(499,226)	(1,024,452)
General and administrative expenses	**(8,171,825)**	(6,905,532)	(4,497,310)
Other operating expenses	**(380,971)**	(2,828,396)	(3,680,000)
Profit from operating activities	**5,575,438**	4,597,302	6,354,063
Finance costs, net	**(472,364)**	(1,080)	(65,375)
Profit before tax	**5,103,074**	4,596,222	6,288,688
Tax	**(1,314,885)**	(1,702,530)	(1,676,792)
Net profit from ordinary activities attributable to shareholders	**3,788,189**	2,893,692	4,611,896

Notes:

1. The summary of combined results of the Group includes the results of the companies now comprising the Group as if the current Group structure had been in existence throughout the financial periods, or from the respective dates of their incorporation where this is a shorter period, and is presented on the basis set out in note 3 to the financial statements. The pro forma combined results of the Group for the year ended 31 December 2001 are also set out on page 37 of the audited financial statements.

2. Since the Company was incorporated on 28 September 2001, the only pro forma combined balance sheet of the Group that has been prepared is the one set out on page 39 of the audited financial statements.