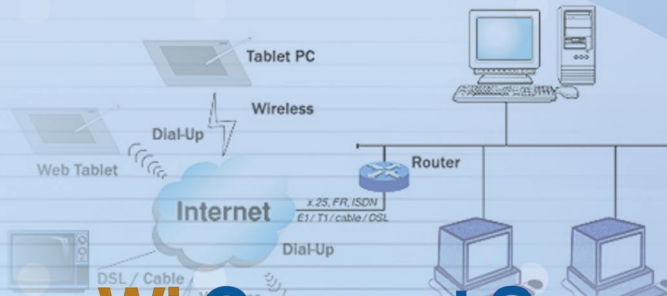


# ThinSoft

THINSOFT (HOLDINGS) INC  
博軟(控股)有限公司



## WinConnect Server XP

WinConnect Server XP

## WinConnect

WinConnect



## BeTwin

BeTwin

First Quarterly Report 2004

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

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

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

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

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

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

## RESULTS

The board of directors of ThinSoft (Holdings) Inc (the "Company") presents the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2004 as follows:

		<b>For the three months ended 31 March</b>	
		<b>2004</b>	<b>2003</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	<b>3,461</b>	3,112
Cost of sales (before amortisation of deferred development expenditure)		<b>(1,547)</b>	(2,302)
Gross profit before amortisation of deferred development expenditure		<b>1,914</b>	810
Amortisation of deferred development expenditure		<b>(1,773)</b>	(1,709)
Gross profit/(loss)		<b>141</b>	(899)
Other income		<b>16</b>	34
Distribution and selling expenses		<b>(21)</b>	(120)
General and administrative expenses		<b>(2,763)</b>	(3,494)
Loss before tax		<b>(2,627)</b>	(4,479)
Tax	3	-	-
Net loss from ordinary activities attributable to shareholders		<b>(2,627)</b>	(4,479)
Loss per share	4		
– Basic		<b>HK(0.52) cent</b>	HK(0.89) cent
– Diluted		<b>N/A</b>	N/A

Notes:

**1. BASIS OF PREPARATION**

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, 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.

The consolidated financial statements have been prepared using the merger basis of accounting.

**2. TURNOVER**

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

**3. TAX**

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the period ended 31 March 2004 (2003: Nil).

ThinSoft Pte Ltd, a company incorporated in Singapore, is subject to Singapore income tax. Singapore income tax has been provided at the rate of 22% on the estimated assessable profits arising in Singapore for the periods ended 31 March 2003 and 2004.

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 8.84% for the periods ended 31 March 2003 and 2004, on its estimated assessable profits arising on a world wide basis.

There was no unprovided deferred tax in respect of the periods ended 31 March 2003 and 2004.

**4. LOSS PER SHARE**

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the period ended 31 March 2004 of approximately HK\$2,627,000, and the weighted average of 501,251,868 ordinary shares in issue during the period ended 31 March 2004.

The calculation of basic loss per share for the period ended 31 March 2003 is based on the net loss from ordinary activities attributable to shareholders of approximately HK\$4,479,000 and 500,800,000 ordinary shares in issue during the period.

Diluted loss per share amounts for the periods ended 31 March 2003 and 2004 have not been presented, as the share options outstanding during these periods had an anti-dilutive effect on the basic loss per share for these periods.

**5. DIVIDENDS**

No dividend has been paid or declared by the Company or any of the companies comprising the Group during the period ended 31 March 2004 (2003: Nil).

**6. RESERVES**

	Share premium <i>HK\$'000</i>	Exchange translation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2003	8,501	(27)	6,840	(2,799)	12,515
Exercises of share options	120	–	–	–	120
Loss for the period	–	–	–	(4,479)	(4,479)
At 31 March 2003	8,621	(27)	6,840	(7,278)	8,156
At 1 January 2004	8,634	606	6,840	(14,364)	1,716
Loss for the period	–	–	–	(2,627)	(2,627)
<b>At 31 March 2004</b>	<b>8,634</b>	<b>606</b>	<b>6,840</b>	<b>(16,991)</b>	<b>(911)</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operations review

The Group was principally engaged in the development and distribution of Thin Computing solutions and related products during the period under review.

The Group continuously channelled its resources towards implementing proactive and prudent strategies that would nurture and yield optimal growth potential in target market sectors in the longer-term perspective. These included efforts to continuously establish strategic market relationships with distributors and resellers in significant geographical markets to extend the Group's global distribution network. In terms of target vertical markets, the Group continued to spearhead and drive penetration into the education, government, healthcare, retail, small, medium and large enterprise sectors.

The Group continued to fuel market penetration by delivering unique, innovative Thin Computing software solutions that dramatically reduce the total cost of ownership without compromising computing performance and efficiency.

The ongoing drive to develop and offer new solutions enabled the Group to maintain its market leadership both as an innovative Thin Computing software solutions company as well as becoming the partner-of-choice for information technology hardware manufacturers and complementary software vendors.

The hardware manufacturers and software vendors were able to leverage on the Group's versatile software solutions to gain the competitive edge through the ability to offer elevated suites of solutions and products in their respective markets.

Through increased adoption in the marketplace, the Group's software solutions have gained a reputation for its innovativeness and versatility. The Group's software solutions have gained rave reviews in the global media that included the PC & CIA Magazine, Brazil, February 2004 issue and Digital Times Weekly, Latvia, 9 March 2004 issue. Corporate users have also endorsed the Group's Thin Computing software solutions including Brendan Heavey, Analyst Programmer at the Center for Research in Cardiovascular Medicine, University at Buffalo.

To complement the groundswell of attention, the Group and its market partners participated in relevant and strategic marketing and promotional events as well as tradeshows to further raise product awareness and reputation. Such as the Thailand Animation & Multimedia Exhibition, Thailand, January, 2004 and The 5th Exhibition of Governmental Procurement Excellent Products, South Korea, March, 2004.

## Financial review

Group turnover for the period ended 31 March 2004 increased by 11.2% to approximately HK\$3.5 million when compared to turnover of approximately HK\$3.1 million in the corresponding previous period.

Gross profit margin before amortisation of deferred development expenditure for the period ended 31 March 2004 increased to 55.3% as compared with 26% in the corresponding previous period. This significant improvement was brought about by higher sales contribution from the flagship software product series that have relatively higher gross profit margin than other products in the Group's sales mix.

Amortisation of deferred development expenditure represented the amortization of deferred expenditure for software and website development during the periods.

General and administrative expenses in the period under review decreased by 20.9% to approximately HK\$2.8 million when compared to approximately HK\$3.5 million incurred in the previous period. The improvement was the result of continuing cost management and control, operating efficiencies and improved cost effectiveness.

The increase in overall turnover and the concomitant decrease in operating expenses has enabled the Group to narrow its loss attributable to shareholders for the period under review to approximately HK\$2.6 million when compared to approximately HK\$4.5 million for the same period in the previous year.

The Group continues to be in a strong financial position. Cash and bank balances as at 31 March 2004 was approximately HK\$20.2 million (2003: approximately HK\$14.4 million). There were no bank borrowings as at 31 March 2004 (2003: Nil).

## OTHER INFORMATION

### Directors' and chief executive's interests and short positions in shares, underlying shares and debentures

At 31 March 2004, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Type of interest	Percentage of the Company's issued share capital as at 31 March 2004
Ngiam Mia Hai Bernard	Other	<i>(note)</i>
Ngiam Mia Hong Alfred	Other	<i>(note)</i>

*Note:* IPC Corporation Ltd ("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 65.3% of the issued share capital of IPC is held by the public. At the date of this report, IPC holds 74.81% (or 375,000,000 ordinary shares) of the issued share 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 date of this report, 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 22.2% of the issued share capital of IPC.

Interest in underlying shares of the Company:

Share options granted under the Pre-IPO Share Option Scheme:

<b>Directors of the Company</b>	<b>Number of share options beneficially directly held by the directors and outstanding as at 31 March 2004</b>	<b>Percentage of the Company's issued share capital as at 31 March 2004</b>
William Michael Driscoll	3,600,000	0.72%
Ngiam Mia Hai Bernard	7,600,000	1.52%
Ngiam Mia Hong Alfred	7,200,000	1.44%
 <b>Directors of subsidiaries</b>		
Ngiam Mia Je Patrick	3,600,000	0.72%
Ngiam Mia Kiat Benjamin	3,600,000	0.72%
Lauw Hui Kian	3,600,000	0.72%

Save as disclosed above, to the best knowledge of the directors of the Company, as at 31 March 2004, none of the directors, chief executive of the Company or their associates had any personal, family, corporate or other interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

#### **Directors' rights to acquire shares**

Save as disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures", at no time during the period under reviewed were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.



### Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

At 31 March 2004, the following shareholders had interests or short positions in the shares and underlying shares of the Company which as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long position

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
IPC	Directly beneficially owned	375,000,000	74.81%

Save as disclosed above, as at 31 March 2004 and to the best knowledge of the directors, there was no person (other than the directors and chief executive of the Company) whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above, had an interest or short position in the shares or underlying shares of the Company as recorded in the register to be kept under Section 336 of the SFO.

### Sponsor's interest

On 2 April 2004, Dao Heng Securities Limited (the "Sponsor") has been appointed to replace ICEA Capital Limited ("ICEA") as the continuing sponsor of the Company for the purpose of meeting the requirements of the GEM Listing Rules. Pursuant to a sponsor agreement dated 2 April 2004 between the Company and the Sponsor, the Sponsor is entitled to receive a fee for acting as the Company's sponsor for the period from 2 April 2004 to 31 December 2004.

As updated and notified by ICEA, none of ICEA nor its directors, employees or associates (as defined in the GEM Listing Rules) have any interest in any class of securities of the Company or any of member company of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group during the period ended 31 March 2004.

Further, as updated and notified by the Sponsor, none of the Sponsor nor its directors, employees or associates (as defined in the GEM Listing Rules) have any interest in any class of securities of the Company or any of member company of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any member of the Group at date of this report.

### 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 during the period ended 31 March 2004.

### **Purchase, redemption or sale of listed securities**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period ended 31 March 2004.

### **Board practices and procedures**

The Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules throughout the period ended 31 March 2004.

### **Audit committee**

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises two members, Mr. Lee Chung Mong and Mr. Chen Tzyh Trong. Both of them are the independent non-executive directors of the Company.

### **Directors of the Company**

Executive directors of the Company as at the date of this report are Mr. William Michael Driscoll, Mr. Ngiam Mia Hai Bernard and Mr. Ngiam Mia Hong Alfred and the independent non-executive directors of the Company as at the date of this report are Mr. Lee Chung Mong and Mr. Chen Tzyh Trong.

ON BEHALF OF THE BOARD

### **William Michael Driscoll**

*Chairman*

Hong Kong

7 May 2004