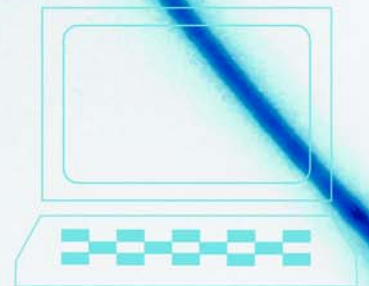




ThinSoft

THINSOFT (HOLDINGS) INC
博軟(控股)有限公司

Third Quarterly Report 2005



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 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 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 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 GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to ThinSoft (Holdings) Inc. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: - (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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 nine months ended 30 September 2005 as follows:

UNAUDITED CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	2	3,983	4,287	12,583	11,267
Cost of sales (before amortisation of deferred development expenditure)		(825)	(1,959)	(3,008)	(4,525)
Gross profit before amortisation of deferred development expenditure		3,158	2,328	9,575	6,742
Amortisation of deferred development expenditure		–	(1,750)	–	(5,275)
Gross profit		3,158	578	9,575	1,467
Other income		146	25	327	245
Selling and distribution expenses		(96)	(6)	(300)	(80)
General and administrative expenses		(2,026)	(2,129)	(6,527)	(6,651)
Profit/(loss) before tax		1,182	(1,532)	3,075	(5,019)
Tax	3	(154)	(42)	(430)	(171)
Net profit/(loss) from ordinary activities attributable to shareholders		1,028	(1,574)	2,645	(5,190)
Earnings/(loss) per share	5				
– Basic		HK0.21 cent	HK(0.31) cent	HK0.53 cent	HK(1.04) cent
– Diluted		HK0.20 cent	N/A	HK0.51 cent	N/A

NOTES:

1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

The Group's unaudited third quarterly results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

The unaudited third quarterly financial statements have been prepared under the historical cost convention. The accounting policies and basis of preparation adopted for the preparation of these accounts are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2004.

2. TURNOVER

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

3. TAX

	For the three months ended 30 September		For the nine months ended 30 September	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current:				
Hong Kong	–	–	–	–
Outside Hong Kong	154	42	430	171
	154	42	430	171

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

ThinSoft Pte Ltd, a company incorporated in Singapore, is subject to Singapore income tax. Singapore income tax has been provided at the rate of 20% (2004: 20%) on the estimated assessable profits arising in Singapore for the period ended 30 September 2005.

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 30 September 2004 and 2005, on its estimated assessable profits arising on a world wide basis.

The Group has tax losses arising in the United States of America of approximately HK\$15,639,000 through the year ended 31 December 2004 that are available for offsetting against taxable profits of ThinSoft (USA) Inc. Deferred tax assets have not been recognised in respect of these losses.

4. DIVIDENDS

No dividend has been paid or declared by the Company or any of the companies comprising the Group during the period ended 30 September 2005 (2004: Nil).

5. EARNINGS/LOSS PER SHARE

Basic

The calculation of basic earnings per share for the three months and nine months ended 30 September 2005 is based on the net profit from ordinary activities attributable to shareholders of HK\$1,028,000 and HK\$2,645,000, respectively and the weighted average of 501,255,000 ordinary shares in issue during both the three months and nine months ended 30 September 2005.

The calculation of basic loss per share for the three months and nine months ended 30 September 2004 is based on the net loss from ordinary activities attributable to shareholders of HK\$1,574,000 and HK\$5,190,000, respectively and the weighted average of 501,255,000 and 501,253,960 ordinary shares in issue during the three months and nine months ended 30 September 2004.

Diluted

The calculation of the diluted earnings per share for the three months and nine months ended 30 September 2005 are based on the net profit from ordinary activities attributable to shareholders of HK\$1,028,000 and HK\$2,645,000 and 520,902,857 ordinary shares for both periods.

Diluted loss per share amounts for the three months and nine months ended 30 September 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.

6. RESERVES

	Share premium account <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 2004	8,634	606	6,840	(14,364)	1,716
Net loss for the period	–	–	–	(3,616)	(3,616)
At 30 June 2004	8,634	606	6,840	(17,980)	(1,900)
Net loss for the period	–	–	–	(1,574)	(1,574)
At 30 September 2004	8,634	606	6,840	(19,554)	(3,474)
At 1 January 2005	8,635	1,226	6,840	(22,055)	(5,354)
Net profit for the period	–	–	–	1,617	1,617
At 30 June 2005	8,635	1,226	6,840	(20,438)	(3,737)
Net profit for the period	–	–	–	1,028	1,028
At 30 September 2005	8,635	1,226	6,840	(19,410)	(2,709)

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and prospects

Sales of ThinSoft's WinConnect Server XP, WinConnect and BeTwin multi-user software products are now well-seeded in major global markets. This is a direct result of concerted efforts by the Group to promote these products at key international trade shows. At these events, ThinSoft is able to demonstrate to potential customers that the quality and effectiveness of the WinConnect Server XP, WinConnect and BeTwin families of products are unique and unmatched in the marketplace. At major venues in Latin America, Asia, Europe and the North America such as the ICT EXPO 2005 in Thailand, Cebit 2005 in Hannover, Orbit iEX in Switzerland and IT Brazil 2005, the Group is able to address very targeted Information Technology audiences about the cost and effectiveness of ThinSoft's flagship products. In addition, the Group's recent efforts to improve cyber sales on its website have proven successful and sales data to date confirm important factors for the continued success and growth of ThinSoft.

- First, the products themselves have their unique selling proposition. This is proven by continued repeat business from satisfied customers in all geographic markets.
- Second, not only are sales reaching further into geographic markets, but additionally, the customer demographics show deeper penetrations into these markets reflected in expanded cyber activity on the ThinSoft website.
- Third, the nature of the Group's customer base encompasses businesses of all types and sizes including medical, veterinary, financial, fast food, lumber, computer, and pharmaceutical. This is a strong indication that ThinSoft's product solutions are ubiquitous in nature.

In the fourth quarter and beyond, the Group will continue to focus its energy on maximizing shareholders' returns by accelerating sales throughout its channels of distribution while optimizing operating efficiencies through disciplined cost containment practices and sound asset management techniques. Barring unforeseen negative world events, the Group's management believes that ThinSoft performance results will continue on their positive trend.

Financial review

The Group's overall turnover for the nine months ended 30 September 2005 increased by 11.7% to approximately HK\$12.6 million when compared to that of the corresponding period in last year of approximately HK\$11.3 million. Approximately 67.4% of the turnover was attributable from the sales of software which amounted to around HK\$8.5 million during the nine months ended 30 September 2005 reflecting a 25% increase from the prior year.

Europe remains the largest single geographic market for the Group, where turnover for the nine months ended 30 September 2005 amounted to approximately HK\$5.1 million or 39.7% of total sales. Sales in the United States amounted to HK\$4.4 million or 35% of total sales. These figures show turnover growing in Europe by 10.4% and the United States growing by 34.8% when compared to the same nine month period a year ago.

Gross profit margin for the nine months ended 30 September 2005 increased to 76.1% as compared with 13% in the corresponding previous period. Richer margins attributable to increased software sales combined with the fact that the costs of sales from 1 January 2005 are no longer burdened by the amortisation of deferred development expenditures both contributed to the higher gross profits.

General and administrative expenses in the period under review decreased by 1.9% to approximately HK\$6.5 million despite the increase in turnover. The decrease was the result of cost containment efforts instituted by senior Group management.

In summary, as the IT industry continues to recognize the compelling arguments supporting thin computing solutions and the Group benefits from its early belief and investments in these technologies, in combination with its continued strong sales, marketing and cost containment efforts, the Group is pleased to report a profit attributable to shareholders for the nine months ended 30 September 2005 of approximately HK\$2.6 million.

The Group continues to be in a strong financial position. Cash and bank balances as at 30 September 2005 was approximately HK\$25.2 million (2004: approximately HK\$21.8 million). There were no bank borrowings as at 30 September 2005 (2004: Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2005, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of 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 30 September 2005
Ngiam Mia Hai Bernard	Other	(note)
Ngiam Mia Hong Alfred	Other	(note)

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. As at 30 September 2005, approximately 63.7% of the issued share capital of IPC is held by the public. As at 30 September 2005, IPC holds approximately 74.81% (or 375,000,000 ordinary shares) of the issued share capital of the Company.

As at 30 September 2005, 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.

Ngiam Mia Je Patrick and Ngiam Mia Kiat Benjamin are the brothers of Ngiam Mia Hai Bernard and Ngiam Mia Hong Alfred. As at 30 September 2005, 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 12.2% of the issued share capital of IPC.

Interest in underlying shares of the Company:

Pursuant to a Pre-IPO share options scheme (the "Pre-Scheme") adopted by the Company on 2 February 2002, the Company had granted Pre-Scheme share options on the Company's ordinary shares to 26 employees (included all executive directors). Details of share options to subscribe for shares in the Company granted to the directors were as follows:

Directors of the Company	Number of share options beneficially and directly held by the directors and outstanding as at 30 September 2005	Percentage of the Company's issued share capital as at 30 September 2005
Ngiam Mia Hai Bernard	7,600,000	1.52
Ngiam Mia Hong Alfred	7,200,000	1.44
Directors of subsidiaries		
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, as at 30 September 2005, none of the directors or chief executive of the Company had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2005, the following company 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 positions in ordinary shares of the Company:

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 30 September 2005, there was no person or company (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 position 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.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material beneficial interest, either 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 period under review.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the headings "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures", at no time during the period 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 minor children, 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.

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 businesses that competes or may compete, either directly or indirectly, with the business of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the period under review.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the nine months ended 30 September 2005. The Company had not redeemed any of its listed securities during the nine months ended 30 September 2005.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

The Company applied the principles and, subject to the following deviations, complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix of the GEM Listing Rules throughout the period under review, except that:

A4.2 Not all directors are subject to retirement by rotation at least once every three years.

COMPLIANCE WITH RULES 5.46 TO 5.68 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.46 to 5.68 of the GEM Listing Rules. Having made specific enquiry of all directors, the Company's directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the period ended 30 September 2005.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Appendix 15 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group. The audit committee comprises three members, Mr Chen Tzyh Trong, Mr Lee Chung Mong and Mr Yeung Chi Hung. All of them are independent non-executive directors of the Company.

The Group's unaudited results for the nine months ended 30 September 2005 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

DIRECTORS OF THE COMPANY

Executive directors of the Company as at the date of this report are Mr Ngiam Mia Hai Bernard, 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, Mr Chen Tzyh Trong and Mr Yeung Chi Hung.

ON BEHALF OF THE BOARD

Ngiam Mia Hai Bernard

Chairman

Hong Kong

10 November 2005