



# ThinSoft

THINSOFT (HOLDINGS) INC  
博軟(控股)有限公司

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

First Quarterly Report 2006

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

## RESULTS

The board of directors of ThinSoft (Holdings) Inc (the "Company") is pleased to announce that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2006 as follows:

	Notes	For the three months ended 31 March	
		2006 HK\$'000	2005 HK\$'000
Revenue	2	5,486	3,957
Cost of sales		(1,426)	(961)
Gross profit		4,060	2,996
Other income		236	67
Distribution and selling expenses		(155)	(29)
General and administrative expenses		(3,012)	(2,271)
Profit before tax		1,129	763
Tax	3	(643)	(100)
Profit for the period		486	663
Earnings per share	5		
– Basic		HK0.10 cent	HK0.13 cent
– Diluted		HK0.09 cent	HK0.13 cent

Notes:

#### 1. PRINCIPAL ACCOUNTING POLICIES AND BASIS OF PREPARATION

The Group's unaudited quarterly results have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"), which also include all Hong Kong Accounting Standards ("HKAS") and Interpretations ("HK(SIC)-Int") and in accordance with accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The first quarterly unaudited financial statements have been prepared under the historical cost convention, except for the available-for-sale investments which are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

#### 2. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and services rendered, less discounts, returns, and applicable goods and service taxes. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

#### 3. TAX

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profits arising 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% (2005: 20%) on the estimated assessable profits arising in Singapore for the period ended 31 March 2006.

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 period ended 31 March 2006 on its estimated assessable profits arising on a world wide basis.

#### 4. 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 2006 (2005: Nil).

## 5. EARNINGS PER SHARE

### Basic

The calculation of basic earnings per share for the three months ended 31 March 2006 is based on the profit attributable to equity holders of the parent of approximately HK\$486,000 (2005: HK\$663,000) and the 501,255,000 (2005: 501,255,000) ordinary shares in issue during the three months ended 31 March 2006.

### Diluted

The calculation of the diluted earnings per share for the three months ended 31 March 2006 is based on profit attributable to equity holders of the parent of approximately HK\$486,000 (2005: HK\$663,000), and the weighted average number of 523,635,837 (2005: 520,902,857) ordinary shares in issue during the period, adjusted for the effects of all dilutive potential shares.

The weighted average of number of shares used in the calculation of diluted earnings per share is calculated based on the 501,255,000 ordinary shares in issue during the period ended 31 March 2006 plus the weighted average of 22,380,837 ordinary shares deemed to be issued at no consideration as if all of the Company's outstanding share options have been exercised.

## 6. RESERVES

	Share premium account HK\$'000	Exchange translation reserve HK\$'000	Capital reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 January 2005	8,635	1,226	6,840	(22,055)	(5,354)
Profit for the period	–	–	–	663	663
At 31 March 2005	8,635	1,226	6,840	(21,392)	(4,691)
At 1 January 2006	8,635	1,226	6,840	(13,732)	2,969
Profit for the period	–	–	–	486	486
At 31 March 2006	8,635	1,226	6,840	(13,246)	3,455

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operations review

ThinSoft's revenues continued to improve in accordance with management's expectations. Sales for the period increased to approximately HK\$5.5 million and generated a gross profit of approximately HK\$4.1 million. This top line performance put the Group at a pace which is approximately 38.6% ahead of same period of last year and is attributed to the fact that ThinSoft has developed and implemented global initiatives to enhance the Group's performance results in all geographic arenas.

There is no better evidence of this in the period under review than the Group's exceptional success in the United States where sales in the period grew approximately 65.7% when compared to the same period in the prior year. The U.S. market has rapidly become the most dynamic geographic market for the Group's suite of Thin Computing software solutions, particularly WinConnect Server XP. Additionally, in all other geographic markets combined, Group sales also increased by a robust 23.1% from the same period a year earlier.

Operations management deploys efforts on several marketing development fronts to ensure the success of the Group's products. The broadening demographics of its customer base show that users range from individuals and small enterprises to large corporate and government entities. The underlying value proposition enables the Group's customers to substantially reduce the Total Cost of Ownership of their IT requirements. This message is being communicated by management through their participation and sponsorship of international trade shows. It is also being spread via the internet as more and more customers embrace the Group's website.

The Group is now well positioned to continue its global growth successes and to explore and take advantage of possible strategic opportunities. Its headquarter operations in sales, engineering, technical support, administration and finance functions in Asia all oversee subordinate operations in the United States and Europe. This enables ThinSoft to compete internationally and serve its global customer base well.

### Financial review

Turnover from the sales of software for the period ended 31 March 2006 increased by approximately 7% to approximately HK\$3 million when compared to last year of approximately HK\$2.8 million.

Overall turnover for the three months ended 31 March 2006 increased by approximately 38.6% to approximately HK\$5.5 million when compared to last year of approximately HK\$4 million.

Sales in the United States amounted to approximately HK\$2.4 million or 43.6% of total turnover and represents the largest single geographic market for the Group for the period ended 31 March 2006.

Gross profit margin for the period ended 31 March 2006 slightly decreased to approximately 74% as compared with approximately 75.7% in the corresponding previous period. The slightly decrease in gross margin was attributable to increase sales of upgrade kits and vertical market solutions which have relatively lower margins than sales of software.

General and administrative expenses in the period under review increased to approximately HK\$3 million when compared to approximately HK\$2.3 million incurred in the previous corresponding period. The increase was the result of exchange difference realized during the period under review.

Net operating losses incurred in prior periods resulted in a Deferred Tax Asset of approximately HK\$3.4 million as of 31 December 2005. Therefore, while required tax provisions have been made in the period under review, no actual taxes will be paid in the USA until such time as the net operating losses have been fully utilized for tax purposes.

The Group consequently registered a profit attributable to shareholders for the period under review of approximately HK\$0.5 million.

The Group continues to be in a strong financial position. Cash and bank balances as at 31 March 2006 was approximately HK\$28.3 million (2005: approximately HK\$23.3 million). There were no bank borrowings as at 31 March 2006 (2005: Nil).

## OTHER INFORMATION

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

As at 31 March 2006, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (the "GEM") of the Stock Exchange (the "GEM Listing Rules"), were as follows:

#### Long positions in ordinary shares of the Company:

Name of director	Capacity and nature of interest	Percentage of the Company's issued share capital
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 31 March 2006, approximately 63.7% of the issued share capital of IPC is held by the public. As at 31 March 2006, IPC holds approximately 74.81% (or 375,000,000 ordinary shares) of the issued share capital of the Company.

As at 31 March 2006, 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 31 March 2006, 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:**

Share options granted under the Pre-Scheme:

	Number of share options directly beneficially held by the directors and outstanding	Approximate percentage of the Company's issued share capital
<b>Directors of the Company</b>		
Ngiam Mia Hai Bernard	7,600,000	1.52
Ngiam Mia Hong Alfred	7,200,000	1.44
<b>Former director of the Company</b>		
William Michael Driscoll	3,600,000	0.72
<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, as at 31 March 2006, 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.

**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" above, at no time during the period under review 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.



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

As at 31 March 2006, the following person 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	Approximate 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 2006, there was no person (other than the directors and chief executive of the Company whose interests are set out under the paragraph headed "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.

### 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 three months ended 31 March 2006.

### COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

Save as to deviations stated in the annual report of the Company for the year ended 31 December 2005, the Company applied the principles and complied with all the code provisions as set out in the Code on Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules throughout the period under review.

### AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with 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 three months ended 31 March 2006 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.

## **DIRECTORS OF THE COMPANY**

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

ON BEHALF OF THE BOARD

**Ngiam Mia Hai Bernard**

*Chairman*

Hong Kong

11 May 2006