



ThinSoft

THINSOFT (HOLDINGS) INC
博軟(控股)有限公司

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

Third Quarterly Report 2006

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") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the nine months ended 30 September 2006 as follows:

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Revenue	2	5,073	3,983	15,265	12,583
Cost of sales		(961)	(825)	(3,076)	(3,008)
Gross profit		4,112	3,158	12,189	9,575
Other income		339	146	843	327
Selling and distribution expenses		(180)	(96)	(466)	(300)
General and administrative expenses		(2,213)	(2,026)	(7,987)	(6,527)
Profit before tax		2,058	1,182	4,579	3,075
Tax	3	(825)	(154)	(2,197)	(430)
Profit for the period		1,233	1,028	2,382	2,645
Earnings per share	5				
Basic		HK0.25 cent	HK0.21 cent	HK0.48 cent	HK0.53 cent
Diluted		HK0.24 cent	HK0.20 cent	HK0.46 cent	HK0.51 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 ("HKFRS"), which also include all Hong Kong Accounting Standards ("HKAS") and Interpretations ("HK(SIC)-Int") (collectively "HKFRSs") 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 unaudited third quarterly 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. The accounting policies and basis of preparation adopted in these third quarterly financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2005.

The adoption of the new HKFRSs issued which are effective for accounting periods on or after 1 January 2006 did not result in substantial changes to the accounting policies of the Group and did not have a significant impact on its results of operations and financial position.

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 30 September 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 30 September 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 30 September 2006 (2005: Nil).

5. EARNINGS PER SHARE

Basic

The calculation of basic earnings per share for the three months and nine months ended 30 September 2006 are based on the profit for the period attributable to equity holders of the parent of approximately HK\$1,233,000 and HK\$2,382,000 (2005: HK\$1,028,000 and HK\$2,645,000), respectively and the weighted average of 501,255,000 ordinary shares in issue during the three months and nine months ended 30 September 2005 and 2006.

Diluted

The calculation of the diluted earnings per share for the three months and nine months ended 30 September 2006 are based on profit for the period attributable to equity holders of the parent of approximately HK\$1,233,000 and HK\$2,382,000 (2005: HK\$1,028,000 and HK\$2,645,000), and the weighted average of 521,603,316 and 522,583,429 (2005: 520,902,857 and 520,902,857) ordinary shares in issue during the three months and nine months ended 30 September 2006, 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 for the three months and nine months ended 30 September 2006 are calculated based on the weighted average of 501,255,000 ordinary shares in issue during the three months and nine months ended 30 September 2005 and 2006 plus the weighted average of 20,348,316 (2005: 19,647,857) and 21,328,429 (2005: 19,647,857) 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	–	–	–	2,645	2,645
At 30 September 2005	8,635	1,226	6,840	(19,410)	(2,709)
At 1 January 2006	8,635	1,226	6,840	(13,733)	2,968
Profit for the period	–	–	–	2,382	2,382
At 30 September 2006	8,635	1,226	6,840	(11,351)	5,350

MANAGEMENT DISCUSSION AND ANALYSIS

Operations review

ThinSoft's global markets continue to mature. The Group's software solutions are now well established and growing in over 60 different countries. As these sales have continued to grow, management has begun to focus on gearing each new sale toward higher profitability. A good measure of the success of these leveraging efforts is reflected in the overall gains recorded in "sales profitability" on incremental sales for the periods under review.

For the three month period ended 30 September 2006, the revenue increase of HK\$1.1 million over the prior year carried with it HK\$1 million of gross profit. For the first nine months of 2006, the Group's incremental sales revenues increased over the prior year by HK\$2.7 million and generated HK\$2.6 million of additional gross profit. The Group's margin-rich software products, especially the WinConnect Server XP solution, continue to gain broad acceptance in varying markets and with a variety of end user clients. While the United States remains the single-largest of the Group's global markets, the products are penetrating other regions from South Africa to Greece to Russia to Ecuador and Colombia. The array of customers ranges from doctors to lawyers and computer companies to hospitals and on to law enforcement agencies and governments. These solutions truly over-reach all fields and disciplines.

Financial review

Turnover from the sales of software for the period ended 30 September 2006 increased by approximately 13.2% to approximately HK\$9.6 million when compared to last year of approximately HK\$8.5 million.

Overall turnover for the nine months ended 30 September 2006 increased by approximately 21.3% to approximately HK\$15.3 million when compared to last year of approximately HK\$12.6 million.

Sales in the United States amounted to approximately HK\$7 million or 45.9% of total turnover and represents the largest single geographic market for the Group for the period ended 30 September 2006.

Gross profit margin for the period ended 30 September 2006 increased to approximately 79.9% as compared with approximately 76.1% in the corresponding previous year. The increase in gross margin was attributable to increase sales of software products which have relatively higher margins.

General and administrative expenses in the period under review increased to approximately HK\$8 million when compared to approximately HK\$6.5 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 equity holders of the parent for the period under review of approximately HK\$2.4 million.

The Group continues to be in a strong financial position. Cash and bank balances as at 30 September 2006 was approximately HK\$32.9 million (2005: approximately HK\$25.2 million). There were no bank borrowings as at 30 September 2006 (2005: Nil).

OTHER INFORMATION

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

As at 30 September 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 30 September 2006, approximately 63.7% of the issued share capital of IPC was held by the public. As at 30 September 2006, IPC held approximately 74.81% (or 375,000,000 ordinary shares) of the issued share capital of the Company.

As at 30 September 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 30 September 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
Directors of the Company		
Ngiam Mia Hai Bernard	7,600,000	1.52
Ngiam Mia Hong Alfred	7,200,000	1.44
Former director of the Company		
William Michael Driscoll	3,600,000	0.72
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 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 30 September 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 positions

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 30 September 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, SALE OR REDEMPTION OF LISTED SECURITIES

During the period ended 30 September 2006, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

COMPLIANCE WITH RULES 5.48 TO 5.67 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 5.48 to 5.67 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 2006.

COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE PRACTICE

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 nine months ended 30 September 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 made.

DIRECTORS OF THE COMPANY

Executive directors of the Company as at the date of this announcement 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 announcement 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

10 November 2006