

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 2007

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.

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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") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2007 as follows:

	Notes	For the three months ended 31 March	
		2007 HK\$'000	2006 HK\$'000
Revenue	2	4,801	5,486
Cost of sales		(580)	(1,426)
Gross profit		4,221	4,060
Other income		368	236
Selling and distribution expenses		(314)	(155)
Administrative expenses		(2,837)	(3,012)
Profit before tax		1,438	1,129
Tax	3	(668)	(643)
Profit for the period		770	486
Earnings per share attributable to ordinary equity holders of the Company	5		
Basic		HK0.15 cent	HK0.10 cent
Diluted		N/A	HK0.09 cent

NOTES:

1. BASIS OF PREPARATION

The first quarterly unaudited results have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") (which also include all Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, 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.

2. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and services rendered, after allowances for return and trade discounts, 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 (2006: Nil).

ThinSoft Pte Ltd, a wholly-owned subsidiary incorporated in Singapore, is subject to Singapore income tax. Singapore income tax has been provided at the rate of 20% (2006: 20%) on the estimated assessable profits arising in Singapore for the period ended 31 March 2007.

ThinSoft (USA) Inc is a wholly-owned subsidiary incorporated in the State of Delaware in the United States of America. During the period ended 31 March 2007, it has been operating in the state of New York and California in the United States of America and is subject to the United States federal income tax at progressive rates ranging from 15% to 39%, New York state corporate tax at a rate of 7.5%, and California state corporate tax at a rate of 8.84%, respectively, 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 2007 (2006: Nil).

5. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

Basic

The calculation of basic earnings per share for the three months ended 31 March 2007 is based on the profit attributable to ordinary equity holders of the Company of approximately HK\$770,000 (2006: HK\$486,000) and the 501,255,000 (2006: 501,255,000) ordinary shares in issue during the three months ended 31 March 2007.

Diluted

No diluted earnings per share for the three months ended 31 March 2007 is presented as there are no outstanding share options as at 31 March 2007.

The calculation of the diluted earnings per share for the three months ended 31 March 2006 is based on the profit attributable to ordinary equity holders of the Company of approximately HK\$486,000, and the weighted average number of 523,635,837 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 <i>HK\$'000</i>	Exchange translation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
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
At 1 January 2007	8,635	2,489	6,840	(8,955)	9,009
Profit for the period	–	–	–	770	770
At 31 March 2007	8,635	2,489	6,840	(8,185)	9,779

MANAGEMENT DISCUSSION AND ANALYSIS

Operations review

During the period under review, the management undertook a concerted effort to increase customer awareness of the Group's "software-only" solutions such as WinConnect Server in favor of product offerings which include a hardware component. The benefits of this move away from hardware elements are twofold: (1) improved product profitability as the software-only solutions generate high gross profit margin percentages; and (2) reduced logistics requirements in both component procurement and sales distribution. Turnover for the period reflect the results of these effort as sales of ThinSoft flagship software products for the period increased 20% to approximately HK\$3.6 million as compared to approximately HK\$3 million in the corresponding previous quarter and the gross profit margin percentage increased by nearly 14%.

Sales in Europe were particularly strong increasing by 35.9% to approximately HK\$2.2 million for the period under review representing around 45.7% of the total sales for the first quarter of 2007. Sales in the United States totaled approximately HK\$2.1 million and represented about 43.1% of the total sales for the quarter. The dynamics of these two strong markets are very positive for the Group's overall performance and efforts will continue to build on past successes supported by strong representation at trade shows such as Cebit 2007 at Hannover, Germany just recently attended by senior Group management.

Financial review

Turnover from the sales of software for the period ended 31 March 2007 increased by approximately 20% to approximately HK\$3.6 million when compared to last year of approximately HK\$3 million.

Overall turnover for the three months ended 31 March 2007 decreased by approximately 12.5% to approximately HK\$4.8 million when compared to last year of approximately HK\$5.5 million due to planned departure from less profitable sales of vertical market solutions.

Sales in Europe amounted to approximately HK\$2.2 million or 45.7% of total turnover and represents the largest single geographic market for the Group for the period ended 31 March 2007.

Gross profit margin for the period ended 31 March 2007 increased significantly to approximately 87.9% as compared with approximately 74% in the corresponding previous quarter. The increase in gross margin was attributable to increase sales of flagship software products which have relatively higher margins than sales of vertical market solutions.

Administrative expenses in the period under review decreased to approximately HK\$2.8 million when compared to approximately HK\$3 million incurred in the previous corresponding period. The decrease was the result of decrease in exchange difference realized in corresponding previous quarter.

The Group consequently registered a profit attributable to ordinary equity holders of the Company for the period under review of approximately HK\$0.8 million (2006: approximately HK\$0.5 million).

The Group continues to be in a strong financial position. Cash and cash equivalents as at 31 March 2007 was approximately HK\$28.4 million (2006: approximately HK\$28.3 million). There were no bank borrowings as at 31 March 2007 (2006: Nil).

OTHER INFORMATION

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

As at 31 March 2007, 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	<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. As at 31 March 2007, approximately 63.7% of the issued share capital of IPC is held by the public. As at 31 March 2007, IPC holds approximately 74.81% (or 375,000,000 ordinary shares) of the issued share capital of the Company.

As at 31 March 2007, 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 2007, 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.

Save as disclosed above, as at 31 March 2007, 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 2007, 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 2007, 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.

COMPETING INTERESTS

None of the directors or the management shareholders and their respective associates of the Company (as defined in the GEM Listing Rules) had any business or interest which competes or may compete with the business of the Group nor any other conflicts of interest with the Group during the period under review.

SECURITIES TRANSACTION BY DIRECTORS

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 throughout the period ended 31 March 2007. Having made specific enquiry of all directors, the directors have complied with the required standard of dealings and its code of conduct regarding securities transactions throughout 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 three months ended 31 March 2007.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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 2007 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 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, 8 May 2007