

# 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 2007

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

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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 nine months ended 30 September 2007 as follows:

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Revenue	2	<b>4,219</b>	5,073	<b>12,731</b>	15,265
Cost of sales		<b>(597)</b>	(961)	<b>(1,794)</b>	(3,076)
Gross profit		<b>3,622</b>	4,112	<b>10,937</b>	12,189
Other income		<b>390</b>	339	<b>1,090</b>	843
Selling and distribution expenses		<b>(345)</b>	(180)	<b>(1,074)</b>	(466)
General and administrative expenses		<b>(2,447)</b>	(2,213)	<b>(7,775)</b>	(7,987)
Profit before tax		<b>1,220</b>	2,058	<b>3,178</b>	4,579
Tax	3	<b>(582)</b>	(825)	<b>(1,720)</b>	(2,197)
Profit for the period		<b>638</b>	1,233	<b>1,458</b>	2,382
Earnings per share	5				
Basic		<b>HK0.13 cent</b>	HK0.25 cent	<b>HK0.29 cent</b>	HK0.48 cent
Diluted		<b>N/A</b>	HK0.24 cent	<b>N/A</b>	HK0.46 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, which also include Hong Kong Accounting Standards and Interpretations and in accordance with 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.

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 30 September 2007.

ThinSoft (USA) Inc is a wholly-owned subsidiary incorporated in the State of Delaware in the United States of America and operating in the states 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 30 September 2007 (2006: Nil).

## 5. EARNINGS PER SHARE

### Basic

The calculation of basic earnings per share for the three months and nine months ended 30 September 2007 are based on the profit for the period attributable to ordinary equity holders of the Company of approximately HK\$638,000 (2006: HK\$1,233,000) and HK\$1,458,000 (2006: HK\$2,382,000), respectively and the weighted average of 501,255,000 ordinary shares in issue during the three months and the nine months ended 30 September 2007 and 2006.

### Diluted

No diluted earnings per share for the three months and nine months ended 30 September 2007 are presented as there are no outstanding share options as at 30 September 2007.

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 ordinary equity holders of the Company of approximately HK\$1,233,000 and HK\$2,382,000, and the weighted average of 521,603,316 and 522,583,429 ordinary shares in issue during the period, adjusted for the effects of all dilutive potential shares.

The weighted average 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 periods plus the weighted average of 20,348,316 and 21,328,429 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	(13,733)	2,968
Profit for the period	–	–	–	2,382	2,382
At 30 September 2006	8,635	1,226	6,840	(11,351)	5,350
At 1 January 2007	8,635	2,490	6,840	(8,956)	9,009
Exchange realignment	–	632	–	–	632
Profit for the period	–	–	–	1,458	1,458
<b>At 30 September 2007</b>	<b>8,635</b>	<b>3,122</b>	<b>6,840</b>	<b>(7,498)</b>	<b>11,099</b>

## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATIONS REVIEW

ThinSoft is in the final stages of evolving from its origins as a hybrid software and hardware supplier to a software-only solutions provider. And, while the interim effects on revenues and overall performance are less than desirable, Group management firmly believes the long term benefits will far outweigh the short term costs.

Software-only sales continue to trend positively even though they have been dampened somewhat this year by the Company's end user's reluctance to fully embrace Microsoft's new Vista operating system. This has caused the Company's customer base to temporarily defer their buying decision until they gain the necessary confidence in Vista. As this takes place, ThinSoft's Vista-ready software suites should gain higher velocity in their upward sales trends.

In a major new marketing undertaking, Group management has initiated high level sales efforts in the United States with major Point-of-Service (POS) providers for the deployment of software solutions that are specifically tailored for this industry. The ThinSoft solutions have been successfully tested and qualified for these possible future deployments of this nature.

### FINANCIAL REVIEW

Turnover from the sales of software for the period ended 30 September 2007 increased by approximately 7.1% to approximately HK\$10.3 million when compared to last year of approximately HK\$9.6 million.

Overall turnover for the nine months ended 30 September 2007 decreased by approximately 16.6% to approximately HK\$12.7 million when compared to last year of approximately HK\$15.3 million as the result of decreases in sales of upgrade kits and vertical market solutions from which profit margins are relatively narrower than software.

Sales in Europe amounted to approximately HK\$6 million or 47.3% of total turnover and represents the largest single geographic market for the Group for the period ended 30 September 2007.

Gross profit margin for the period ended 30 September 2007 increased to approximately 85.9% as compared with approximately 79.8% in the corresponding previous period. The increase in gross margin was attributable to increased sales of software products which have relatively higher margins.

Selling and distribution expenses in the period under review increased to approximately HK\$1.1 million when compared to approximately HK\$0.5 million incurred in the previous corresponding period. The increase was mainly the result of higher costs incurred in various trade exhibitions in the period under review.

General and administrative expenses in the period under review decreased to approximately HK\$7.8 million when compared to approximately HK\$8.0 million incurred in the previous corresponding period. The decrease was the result of continuing cost containment efforts instituted by senior Group management.

The Group consequently registered a profit attributable to ordinary equity holders of the Company for the period under review of approximately HK\$1.5 million.

The Group continues to be in a strong financial position. Cash and bank balances as at 30 September 2007 totalled approximately HK\$30 million (2006: approximately HK\$32.9 million). There were no bank borrowings as at 30 September 2007 (2006: Nil).

## OTHER INFORMATION

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

As at 30 September 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	(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 2007, approximately 63.7% of the issued share capital of IPC was held by the public. As at 30 September 2007, IPC held approximately 74.81% (or 375,000,000 ordinary shares) of the issued share capital of the Company.

As at 30 September 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 30 September 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 30 September 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 30 September 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 30 September 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.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period ended 30 September 2007, 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 2007.

## 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 Rules 5.28 and 5.33 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 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

5 November 2007