



# ThinSoft

THINSOFT (HOLDINGS) INC  
博軟(控股)有限公司

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

## **Characteristics of the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. 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 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 three months and nine months ended 30 September 2008 together with the comparative figures for the corresponding periods in last financial year.

## RESULTS

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Revenue	2	<b>3,626</b>	4,219	<b>12,608</b>	12,731
Cost of sales		<b>(473)</b>	(597)	<b>(1,569)</b>	(1,794)
Gross profit		<b>3,153</b>	3,622	<b>11,039</b>	10,937
Other income	2	<b>119</b>	390	<b>446</b>	1,090
Selling and distribution expenses		<b>(151)</b>	(345)	<b>(505)</b>	(1,074)
General and administrative expenses		<b>(3,230)</b>	(2,447)	<b>(12,099)</b>	(7,775)
(Loss)/profit before tax		<b>(109)</b>	1,220	<b>(1,119)</b>	3,178
Income tax expenses	3	<b>(446)</b>	(582)	<b>(1,442)</b>	(1,720)
(Loss)/profit for the period		<b>(555)</b>	638	<b>(2,561)</b>	1,458
(Loss)/earnings per share-basic	5	<b>(HK0.11) cent</b>	HK0.13 cent	<b>(HK0.51) cent</b>	HK0.29 cent

## NOTES

### 1. Principal accounting policies and basis of preparation

The Group's unaudited quarterly financial statements 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 as modified by the revaluation of available-for-sale financial assets.

The Group's unaudited consolidated results for the nine months ended 30 September 2008 have not been audited by the Company's auditor, but have been reviewed by the Company's audit committee.

The accounting policies and basis of preparation used in the preparation of the unaudited consolidated results are consistent with those in the 2007 audited financial statements.

### 2. Revenue and other income

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services rendered in the ordinary course of the Group's activities. Revenue is shown net of allowance for return and trade discounts, and applicable goods and services taxes and after eliminating sales within the Group.

An analysis of the Group's revenue and other income is as follows:

	For the three months ended 30 September 2008		For the nine months ended 30 September 2008	
	HK\$'000	2007 HK\$'000	HK\$'000	2007 HK\$'000
Revenue:				
Sale of goods	3,626	4,219	12,608	12,731
Other income:				
Bank interest income	119	390	446	1,090
	3,745	4,609	13,054	13,821

### **3. Income tax expenses**

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 (2007: 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 18% (2007: 18%) on the estimated assessable profits arising in Singapore.

ThinSoft (USA) Inc is a wholly-owned subsidiary incorporated in the State of Delaware in the United States of America. During the period under review, 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% (2007: 15% to 39%), New York state corporate tax at a rate of 7.5% (2007: 7.5%) and California state corporate tax at a rate of 8.84% (2007: 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 nine months ended 30 September 2008 (2007: Nil).

### **5. (Loss)/Earnings per share**

The calculation of basic (loss)/earnings per share for the three months and nine months ended 30 September 2008 are based on the loss for the period attributable to ordinary equity holders of the Company of HK\$555,000 (2007: profit of HK\$638,000) and HK\$2,561,000 (2007: profit of HK\$1,458,000), and the 501,255,000 (2007: 501,255,000) and 501,255,000 (2007: 501,255,000) ordinary shares in issue during the period respectively.

No diluted (loss)/earnings per share for the three months and nine months ended 30 September 2008 and 2007 are presented as there are no outstanding share options as at 30 September 2008 and 2007.

## 6. Reserves

	Share premium HK\$'000	Capital reserve HK\$'000	Currency translation reserve HK\$'000	Available- for-sale financial assets HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2007	8,635	6,840	2,490	–	(8,956)	9,009
Currency translation differences	–	–	112	–	–	112
Profit for the period	–	–	–	–	820	820
At 30 June 2007	8,635	6,840	2,602	–	(8,136)	9,941
Currency translation differences	–	–	520	–	–	520
Profit for the period	–	–	–	–	638	638
At 30 September 2007	8,635	6,840	3,122	–	(7,498)	11,099
At 1 January 2008	11,347	6,840	3,652	439	(8,585)	13,693
Currency translation differences	–	–	1,119	–	–	1,119
Reverse fair value adjustments recognised in previous year	–	–	–	(439)	–	(439)
Loss for the period	–	–	–	–	(2,006)	(2,006)
At 30 June 2008	11,347	6,840	4,771	–	(10,591)	12,367
Currency translation differences	–	–	(1,075)	–	–	(1,075)
Loss for the period	–	–	–	–	(555)	(555)
<b>At 30 September 2008</b>	<b>11,347</b>	<b>6,840</b>	<b>3,696</b>	<b>–</b>	<b>(11,146)</b>	<b>10,737</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## Operation review

For the nine months ended 30 September 2008, the Group continued to engage in the development of software products. Sales of its flagship software products have increased five percent over the same period last year and, consistent with this better concentration in software sales, the Group's gross profit margins increased by 1.7% year-on-year. However, as a result of the decrease in fair value of available-for-sale financial assets and increase of professional and relevant expenses incurred for the change of shareholdings of the Company, the Group overall results turned from a profit of approximately HK\$1.5 million for the nine months ended 30 September 2007 to a loss of approximately HK\$2.6 million for the nine months ended 30 September 2008.

The Group's key business is to provide software solutions to a wide variety of customers in virtually all of the significant economies of the globe – particularly Europe and the United States. Through continuous improvements to its website and attendance and support of key trade shows around the world the Group will continue to promote its compelling marketing message, that is, ThinSoft software solutions improve the Total Cost of Ownership of PC investments by allowing many users to access a host computer for concurrent use of its resources. In the case of WinConnect Server XP, as many as twenty one remote users can access a host PC from separate remote locations.

Given the current and foreseeable economic climate, this most efficient use of computing resources clearly provides the Group's clients with a means of maximizing the benefits of their IT investments.

In addition, the management will conduct a review of financial position and operations of the Group in order to formulate long-term strategy for the Group and explore other business/investment opportunities for enhancing its future development and strengthening its revenue bases.

## Financial review

Turnover from the sales of software for the nine ended 30 September 2008 increased by approximately 5% to approximately HK\$10.8 million when compared to the same period of last year of approximately HK\$10.3 million.

Overall turnover for the nine months ended 30 September 2008 slightly decreased by approximately 1% to approximately HK\$12.6 million when compared to the corresponding previous period of approximately HK\$12.7 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\$6.5 million or 51.5% of total turnover and represents the largest single geographic market for the Group for the period ended 30 September 2008.

Gross profit margin for the period ended 30 September 2008 increased to approximately 87.6% as compared with approximately 85.9% 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 decreased to approximately HK\$0.5 million when compared to approximately HK\$1.1 million incurred in the corresponding previous period.

General and administrative expenses in the period under review increased to approximately HK\$12.1 million when compared to approximately HK\$7.8 million incurred in the corresponding previous period. The increase mainly attributed to the provision for impairment of fair value on available-for-sale financial assets and professional and relevant expenses incurred for the change of shareholdings of the Company amounted to approximately HK\$2.1 million and HK\$1 million respectively.

The Group consequently registered a loss attributable to shareholders for the nine months ended of approximately HK\$2.6 million.

The Group continues to be in a strong financial position. Cash and bank balances as at 30 September 2008 totalled approximately HK\$30.6 million (2007: approximately HK\$30.0 million). There were no bank borrowings as at 30 September 2008 (2007: Nil).

## **Employees**

As at 30 September 2008, the Group had 15 employees. The aggregate remuneration of the Group's employees, including that of the directors, for the period under review and the previous period amounted to approximately HK\$5.58 million and approximately HK\$4.35 million respectively. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

Each of the executive and non-executive directors has entered into a service contract with the Company respectively for the term of two years commencing from 11 August 2008 and expiring on 10 August 2010, being terminable by not less than 3-month and 1-month respective notice in writing served by either party.

As at the date of this report, no share options have been granted under the post-IPO share option scheme adopted by the Company on 2 February 2002.

Other remuneration and benefits, including retirement benefits scheme, remained at appropriate level.

Save as disclosed hereof, no information on relation to the Group's performance has changed materially from information disclosed in the Company's 2007 annual report.

## OTHER INFORMATION

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

As at 30 September 2008, none of the directors or chief executive of the Company had an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance ("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' INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2008, the following person had interests and/or short positions in the shares and underlying shares of the Company which was recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

#### Long position in ordinary shares of the Company

Name	Capacity	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Inno Smart Group Limited ("Inno Smart") (note 1)	Beneficial interest	375,000,000	74.81%
Strong Choice Investments (Holdings) Ltd ("Strong Choice") (note 2)	Interest of controlled corporation	375,000,000	74.81%

Name	Capacity	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Yu Won Kong, Dennis ("Mr. Yu") (note 2)	Beneficial interest	14,440,000	2.88%
	Interest of a controlled corporation	375,000,000	74.81%
Ho Siu Lan Sandy ("Ms. Ho") (note 2)	Family interest	389,440,000	77.69%
Billion Sky Resources Limited ("Billion Sky") (note 3)	Interest of a controlled corporation	375,000,000	74.81%
Yue Wai Keung ("Mr. Yue") (note 3)	Interest of a controlled corporation	375,000,000	74.81%
Man Wing Tuen ("Ms. Man") (note 3)	Family interest	375,000,000	74.81%

Notes:

1. Inno Smart is owned as to 50% by Strong Choice and 50% by Billion Sky. For the purpose of Part XV of the SFO, each of Strong Choice and Billion Sky is deemed to be interested in the shares of the Company held by Inno Smart.
2. Strong Choice is wholly owned by Mr. Yu (the executive director of the Company). Ms. Ho is the spouse of Mr. Yu. For the purpose of Part XV, Mr. Yu is deemed to be interested in the shares of the Company which Strong Choice is interested in and Ms. Ho is deemed to be interested in the shares of the Company which Mr. Yu is interested in.
3. Billion Sky is wholly owned by Mr. Yue (the executive director of the Company). Ms. Man is the spouse of Mr. Yue. For the purpose of Part XV, Mr. Yue is deemed to be interested in the shares of the Company which Billion Sky is interested in and Ms. Man is deemed to be interested in the shares of the Company which Mr. Yue is interested in.

Save as disclosed above, as at 30 September 2008, there was no person 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 2008, 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 the required standard of dealings and the Company's code of conduct regarding securities transactions by the directors throughout the nine months period ended 30 September 2008.

## **COMPETING INTEREST**

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.

## **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 2008 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 has been made.

## REMUNERATION COMMITTEE

In accordance with the Code of CG Practice, the Company has established its remuneration committee ("Remuneration Committee") with written terms of reference. The Remuneration Committee comprises three independent non-executive directors of the Company, namely, Mr. Chen Tzyh-Trong, Mr. Lee Chung Mong and Mr. Yeung Chi Hung.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for directors' remuneration and reviewing the specific remuneration packages of all executive directors by reference to corporate goals and objectives resolved by the Board from time to time.

## DIRECTORS OF THE COMPANY

Executive directors of the Company as at the date of this report are Mr. Yu, Dennis Won Kong and Mr. Yue Wai Keung; the non-executive directors are Mr. Chan Kwan Pak and Mr. Lam Kit Sun; and the independent non-executive directors are Mr. Chen Tzyh-Trong, Mr. Lee Chung Mong, and Mr. Yeung Chi Hung.

ON BEHALF OF THE BOARD

**Mr. Yu, Dennis Won Kong**

*Director*

Hong Kong, 11 November 2008