



First Quarterly Report 2010

**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.**

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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") presents the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the three months ended 31 March 2010 together with the unaudited comparative figures for the corresponding periods in last financial year.

### UNAUDITED CONSOLIDATED INCOME STATEMENT

		For the three months ended 31 March	
		2010	2009
	Note	HK\$'000	HK\$'000
Revenue	2	2,649	2,495
Cost of sales		(21)	(37)
Gross profit		2,628	2,458
Other income	2	2	163
Selling and distribution expenses		(130)	(169)
Administrative expenses		(3,958)	(3,328)
Provision for impairment loss of available-for-sale financial assets		–	(736)
Loss before income tax		(1,458)	(1,612)
Income tax expense	3	(53)	(85)
Loss for the period attributable to equity holders of the Company		(1,511)	(1,697)
Loss per share for loss attributable to the equity holders of the Company during the period (expressed in Hong Kong cent per share)			
Basic	5	(0.06)	(0.07)
Diluted	5	(0.06)	(0.07)
Dividend		–	–

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the three months ended 31 March	
	2010 HK\$'000	2009 HK\$'000
Loss for the period	<b>(1,511)</b>	(1,697)
Other comprehensive loss:		
Exchange translation differences	<b>(72)</b>	(558)
Revaluation deficit on available-for-sale financial assets	<b>(628)</b>	–
Total other comprehensive loss for the period, net of tax	<b>(700)</b>	(558)
Total comprehensive loss for the period attributable to equity holders of the Company	<b>(2,211)</b>	(2,255)

# NOTES

## 1. Principal accounting policies and basis of preparation

### 1.1 *Basis of preparation*

The unaudited consolidated financial information for the three months ended 31 March 2010 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

### 1.2 *Accounting policies*

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

Taxes on income in the periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2010 but does not have a material impact on the Group.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- HKFRS 9, "Financial Instruments".
- HKAS 24 (revised), "Related party disclosures".
- Amendment to HKFRS 32, "Clarification of right issue".
- Amendment to HK(IFRIC) 14, "Prepayment of a minimum funding requirement".
- HK(IFRIC) 19, "Extinguishing financial liabilities with equity instruments".
- HKFRS 1 (revised), "First-time adoption of HKFRS".
- HKFRS 3 (revised), "Business combinations" and consequential amendments to HKAS 27, "Consolidated and separate financial statements", HKAS 28, "Investments in associates" and HKAS 31, "Interests In joint ventures".
- HK(IFRIC) 17, "Distributions of non-cash assets to owners".
- HK(IFRIC) 18, "Transfers of assets from customers".
- Amendment to HKFRS 1, "Additional Exemptions for First-time Adopters".
- Amendment to HKFRS 2, "Group cash-settled share-based payment transactions".
- Amendment to HKFRS 5, "Non-current Assets held for sale and discontinued operations".
- Amendment to HKFRS 8, "Operating segments".
- Amendment to HKAS 1, "Presentation of financial statements".
- Amendment to HKAS 7, "Statement of cash flows".
- Amendment to HKAS 17, "Leases".
- Amendment to HKAS 18, "Revenue".
- Amendment to HKAS 36, "Impairment of assets".
- Amendment to HKAS 38, "Intangible assets".
- Amendment to HKAS 39, "Financial instruments: recognition and measurement".
- Amendment to HK(IFRIC) 9, "Reassessment of embedded derivatives".
- Amendment to HK(IFRIC) 16, "Hedges of a net investment in a foreign operation".

## 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:

	<b>For the three months ended 31 March</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Revenue:		
Sale of goods	<b>2,649</b>	2,495
Other income:		
Interest income	<b>2</b>	163
	<b>2,651</b>	2,658

### 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 (2009: 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% (2009: 18%) on the estimated assessable profits arising in Singapore.

### 4. Dividends

No dividend has been paid or declared by the Company or any of the companies comprising the Group during the three months ended 31 March 2010 (2009: Nil).

### 5. Loss per share

	Ordinary shares of HK\$0.05 each		Ordinary shares of HK\$0.01 each	
	No. of shares	HK\$	No. of shares	HK\$
Authorised:				
At 31 March 2009	2,000,000,000	100,000,000	–	–
Share subdivision ( <i>Note a</i> )	(2,000,000,000)	(100,000,000)	10,000,000,000	100,000,000
<b>At 31 March 2010</b>	<b>–</b>	<b>–</b>	<b>10,000,000,000</b>	<b>100,000,000</b>
Issued and fully paid:				
At 31 March 2009	501,255,000	25,062,750	–	–
Reduction of par value of ordinary shares due to share subdivisions ( <i>Note a</i> )	(501,255,000)	(25,062,750)	2,506,275,000	25,062,750
Issuance of new shares ( <i>Note b</i> )			120,000,000	1,200,000
<b>At 31 March 2010</b>	<b>–</b>	<b>–</b>	<b>2,626,275,000</b>	<b>26,262,750</b>

*Note a:*

Pursuant to an ordinary resolution passed on 4 November 2009, each of the existing issued and unissued ordinary shares of HK\$0.05 each in the share capital of the Company was subdivided into five ordinary shares of HK\$0.01 each (the "Share Subdivision"), which was approved by the shareholders of the Company and became effective on 5 November 2009.

*Note b:*

Pursuant to the announcement dated 2 February 2010, 120,000,000 ordinary shares were issued and subscribed. After the completion of the subscription, there were 2,626,275,000 shares in issue.

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company for the three months ended 31 March 2010 of approximately HK\$1,511,000 (2009: loss of approximately HK\$1,697,000) by the weighted average number 2,582,275,000 (2009: 2,506,275,000) ordinary Shares in issue during the period.

No diluted loss per share for the three months ended 31 March 2010 and 2009 are presented as there are no outstanding share options as at 31 March 2010 and 2009.



## 6. Reserves

	Attributable to the equity holders of the Company						
	Share capital HK\$'000	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 equity HK\$'000
Balance at 1 January 2009	25,063	11,347	6,840	3,624	–	(13,031)	33,843
<b>Comprehensive income</b>							
Loss for the period	–	–	–	–	–	(1,697)	(1,697)
<b>Other comprehensive income</b>							
Currency translation differences	–	–	–	(558)	–	–	(558)
Impairment loss of available-for-sale financial assets	–	–	–	–	–	–	–
Total other comprehensive loss	–	–	–	(558)	–	–	(558)
Total comprehensive loss	–	–	–	(558)	–	(1,697)	(2,255)
Balance at 31 March 2009	25,063	11,347	6,840	3,066	–	(14,728)	31,588
Balance at 1 January 2010	25,063	11,347	6,840	3,895	3,136	(20,466)	29,815
Issuance of new shares	1,200	72,722	–	–	–	–	73,922
<b>Comprehensive income</b>							
Loss for the period	–	–	–	–	–	(1,511)	(1,511)
<b>Other comprehensive income</b>							
Currency translation differences	–	–	–	(72)	–	–	(72)
Revaluation deficit on available-for-sale financial assets	–	–	–	–	(628)	–	(628)
Total other comprehensive loss	–	–	–	(72)	(628)	–	(700)
Total comprehensive loss	–	–	–	(72)	(628)	(1,511)	(2,211)
<b>Balance at 31 March 2010</b>	<b>26,263</b>	<b>84,069</b>	<b>6,840</b>	<b>3,823</b>	<b>2,508</b>	<b>(21,977)</b>	<b>101,526</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## Operation review

As the Group emerges from economically strained times owing to the global recession, the focus in the first quarter of 2010 has been on positioning its products and marketing efforts toward other potential targets that will bear fruits in subsequent fiscal periods. There was a slight uptick in revenues in the quarter from the same period a year ago – approximately 6 percent. More important, however, is that Management is redoubling its efforts to seek a broader and deeper customer base around the world. Our core beliefs are that the benefits gained from the use of the Group's products are ubiquitous and can be adopted by any number of applications – from personal to business and from small to large environments. Our mission at ThinSoft is to evangelize these core beliefs in key geographic and functional markets and thus bring about increase revenues and performance in the future.

## Financial review

Turnover for the period ended 31 March 2010 increased by approximately 6.2% to approximately HK\$2,649,000 when compared to last year of approximately HK\$2,495,000.

Gross profit margin for the period ended 31 March 2010 slightly increased to approximately 99.2% compared to 98.5% for the same period last year.

Selling and Administrative expenses for the period ended 31 March 2010 were slightly increased to HK\$4,088,000 compared to HK\$3,497,000 for the same period last year.

The Group registered a loss attributable to equity holders of the Company for the period under review of approximately HK\$1,511,000 (2009: loss of approximately HK\$1,697,000).

The Group continues to be in a healthy financial position. Cash and bank balances as at 31 March 2010 was approximately HK\$12,842,000 (2009: approximately HK\$22,837,000). There were no bank borrowings as at 31 March 2010 (2009: Nil).

On 19 January 2010, the Company entered into a placing and subscription agreement with Inno Smart Group Limited ("ISG"), the ultimate holding company of the Company, and an independent third party as the placing agent in relation to (i) the placing of 120,000,000 existing shares held by ISG, through the placing agent. The placing was completed on 2 February 2010 and (ii) the subscription of 120,000,000 new shares of the company at HK\$0.635 per share by ISG. The subscription was completed on 2 February 2010. The total proceed from this subscription is HK\$76,200,000.

Pursuant to the announcement on 5 February 2010, the Company entered into the Agreement with a third party to which the Company agreed to acquire the entire equity interest in Smooth Joy at a consideration of RMB1.4 billion (approximately HK\$1.6 billion) on 26 January 2010 (the "Acquisition"). On 26 January 2010, the Group further paid a cash amount of RMB62 million (approximately HK\$70,233,000) upon signing the Agreement. As of the 31 March 2010, the total deposit paid by the Group in relation to the acquisition is approximately HK\$82,488,000.

Please refer to the Company announcements on 14 December 2009, 27 January 2010 and 5 February 2010, for the detail of the Acquisition. The Acquisition is yet to be completed. Further details on the Acquisition will be announced by the Company at appropriate time.

## **Employees**

As at 31 March 2010, the Group had 16 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\$2.32 million and approximately HK\$2.22 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 11th August 2008 and expiring on 10th August 2010, being terminable by not less than 3-month and 1-month respective notice in writing served by either party.

Each of the independent non-executive directors has entered into a service contract with the Company for one year commencing from 30th September 2009 and expiring on 1st October 2010 unless terminated by either party giving not less than one month's notice prior written notice to the other.

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 2nd 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 2009 annual report.

## OTHER INFORMATION

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

As at 31 March 2010, 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 corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, were as follows:

Name of Directors	Beneficial owner	No. of shares held by controlled corporation	Total	Percentage of the issued share capital of the Company
Mr. Dennis Yu Won Kong (Notes 1 & 2)	3,150,000*	1,875,000,000*	1,878,150,000*	71.51
Mr. Yue Wai Keung (Notes 1 & 3)	–	1,875,000,000*	1,875,000,000*	71.39

*Notes:*

1. Inno Smart Group Limited is beneficially owned 50% by Daylight Express Investments Limited and 50% by Billion Sky Resources Limited. For the purpose of Part XV of the SFO, each of Daylight Express Investments Limited and Billion Sky Resources Limited is deemed to be interested in the shares of the Company held by Inno Smart Group Limited.

2. Daylight Express Investments Limited is wholly owned by Strong Choice Investments (Holding) Limited, which is in turn wholly owned by Mr. Dennis Yu Won Kong, an executive Director. For the purpose of the Part XV of SFO, Daylight Express Investments Limited is deemed to be interested in the shares of the Company which Strong Choice Investments (Holding) Limited is interested in. Mr. Dennis Yu Won Kong is deemed to be interested in the shares of the Company which Daylight Express Investments Limited is interested in.
3. Billion Sky Resources Limited is wholly owned by Mr. Yue Wai Keung, an executive Director. For the purpose of Part XV of SFO, Mr. Yue Wai Keung is deemed to be interested in the shares of the Company which Billion Sky Resources Limited is interested in.

Save as disclosed above, as at 31 March 2010, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to rules 5.46 to 5.67 of GEM Listing Rules relating to securities transactions by Directors.

As at 31 March 2010, 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:

- \* The number of ordinary shares held has been revised to reflect the subdivision of Company shares effective from 5 November 2009. Refer to NOTE 5(a) for details.

## 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 (Note 1)	Beneficial interest	1,875,000,000*	71.39%
Strong Choice Investments (Holding) Limited (Notes 1 & 2)	Interest of controlled corporation	1,875,000,000*	71.39%
Mr. Dennis Yu Won Kong (Notes 1 & 2)	Beneficial interest	3,150,000*	0.12%
	Interest of a controlled corporation	1,875,000,000*	71.39%
Ms. Ho Siu Lan Sandy (Notes 1 & 2)	Family interest	1,878,150,000*	71.51%
Billion Sky Resources Limited (Notes 1 & 3)	Interest of a controlled corporation	1,875,000,000*	71.39%
Mr. Yue Wai Keung (Notes 1 & 3)	Interest of a controlled corporation	1,875,000,000*	71.39%
Ms. Man Wing Tuen (Notes 1 & 3)	Family interest	1,875,000,000*	71.39%

### Notes:

- Inno Smart Group Limited is owned as to 50% by Daylight Express Investments Limited and 50% by Billion Sky Resources Limited. For the purpose of Part XV of the SFO, each of Daylight Express Investments Limited and Billion Sky Resources Limited is deemed to be interested in the shares of the Company held by Inno Smart Group Limited.

2. Daylight Express Investments Limited is wholly owned by Strong Choice Investments (Holding) Limited which is in turn wholly owned by Mr. Dennis Yu Won Kong. Ms. Ho Siu Lan Sandy is the spouse of Mr. Dennis Yu Won Kong. For the purpose of Part XV of the SFO, Daylight Express Investments Limited is deemed to be interested in the shares of the Company which Strong Choice Investments (Holding) Limited is interested in. Mr. Dennis Yu Won Kong is deemed to be interested in the shares of the Company which Daylight Express Investments Limited is interested in and Ms. Ho Siu Lan Sandy is deemed to be interested in the shares of the Company which Mr. Dennis Yu Won Kong is interested in.
3. Billion Sky Resources Limited is wholly owned by Mr. Yue Wai Keung. Ms. Man Wing Tuen is the spouse of Mr. Yue Wai Keung. For the purpose of Part XV of the SFO, Mr. Yue Wai Keung is deemed to be interested in the shares of the Company which Billion Sky Resources Limited is interested in and Ms. Man Wing Tuen is deemed to be interested in the shares of the Company which Mr. Yue Wai Keung is interested in.

Save as disclosed above, as at 31 March 2010, 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.

\* The number of ordinary shares held has been revised to reflect the subdivision of Company shares effective from 5 November 2009. Refer to NOTE 5(a) for details.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the three-month period ended 31 March 2010, 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 three-month period ended 31 March 2010.

## **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 condensed consolidated financial information for the three-months ended 31 March 2010 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.

### DIRECTORS OF THE COMPANY

Executive directors of the Company as at the date of this report are Mr Dennis Yu 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

**Dennis Yu Won Kong**

*Chairman*

Hong Kong  
11 May 2010