

# ThinSoft

THINSOFT (HOLDINGS) INC  
博軟(控股)有限公司

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

## 2005 FIRST QUARTERLY RESULTS

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*This announcement, 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 the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## **FINANCIAL HIGHLIGHTS**

- The Group's turnover was approximately HK\$4 million, an increase of 14.3% over the same quarter in last year.
- Gross profit margin for the period ended 31 March 2005 increased to 75.7% as compared with 4.1% in the corresponding previous period.
- The Group consequently registered a profit attributable to shareholders for the period under review of approximately HK\$0.7 million as compared to loss of approximately HK\$2.6 million in the corresponding previous period.
- Earnings per share was approximately HK0.13 cent for the period ended 31 March 2005.
- The directors do not recommend the payment of any dividends for the period under review.

## 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 2005 as follows:

		<b>For the three months ended 31 March</b>	
	<i>Notes</i>	<b>2005 HK\$'000</b>	<b>2004 HK\$'000</b>
Turnover	2	<b>3,957</b>	3,461
Cost of sales (before amortisation of deferred development expenditure)		<u><b>(961)</b></u>	<u>(1,547)</u>
Gross profit before amortisation of deferred development expenditure		<b>2,996</b>	1,914
Amortisation of deferred development expenditure		<u>–</u>	<u>(1,773)</u>
Gross profit		<b>2,996</b>	141
Other income		<b>67</b>	16
Distribution and selling expenses		<b>(29)</b>	(21)
General and administrative expenses		<u><b>(2,271)</b></u>	<u>(2,763)</u>
Profit/(loss) before tax		<b>763</b>	(2,627)
Tax	3	<u><b>(100)</b></u>	<u>–</u>
Net profit/(loss) from ordinary activities attributable to shareholders		<u><b>663</b></u>	<u>(2,627)</u>
Earnings/(loss) per share	4		
– Basic		<u><b>HK0.13 cent</b></u>	<u>HK(0.52)cent</u>
– Diluted		<u><b>HK0.13 cent</b></u>	<u>N/A</u>

Notes:

## 1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice 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. TURNOVER

Turnover represents the net invoiced value of goods sold and services rendered, less discounts, returns, and applicable goods and services taxes. All significant transactions among the companies comprising the Group have been eliminated on consolidation.

## 3. TAX

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the period ended 31 March 2005 (2004: Nil).

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% (2004: 20%) on the estimated assessable profits arising in Singapore for the period ended 31 March 2005.

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 periods ended 31 March 2004 and 2005, on its estimated assessable profits arising on a world wide basis.

## 4. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the period ended 31 March 2005 of approximately HK\$663,000 (2004: net loss of approximately HK\$2,627,000), and the weighted average of 501,255,000 (2004: 501,251,868) ordinary shares in issue during the period ended 31 March 2005.

The calculation of diluted earnings per share for the period ended 31 March 2005 is based on the net profit from ordinary activities attributable to shareholders of approximately HK\$663,000 and 520,902,857 ordinary shares in issue during the period.

Diluted loss per share amounts for the period ended 31 March 2004 has not been presented, as the share options outstanding during the period had an anti-dilutive effect on the basic loss per share for the period.

## 5. 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 2005 (2004: Nil).

## 6. RESERVES

	Share premium <i>HK\$'000</i>	Exchange translation reserve <i>HK\$'000</i>	Capital (accumulated reserve <i>HK\$'000</i>	Retained profits/ losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2004	8,634	606	6,840	(14,364)	1,716
Loss for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>(2,627)</u>	<u>(2,627)</u>
At 31 March 2004	<u>8,634</u>	<u>606</u>	<u>6,840</u>	<u>(16,991)</u>	<u>(911)</u>
At 1 January 2005	8,635	1,226	6,840	(22,055)	(5,354)
Profit for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>663</u>	<u>663</u>
At 31 March 2005	<u>8,635</u>	<u>1,226</u>	<u>6,840</u>	<u>(21,392)</u>	<u>(4,691)</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Operations review

ThinSoft is a leading provider of thin computing solutions to worldwide markets. The Group's intellectual property comprises BeTwin, WinConnect and WinConnect Server XP software suites which significantly improve the total costs of owning and maintaining information technology infrastructures in small, medium and large corporate enterprise environments. Bloated, expensive and unmanageable corporate desktop PC environments have become monsters that IT executives can no longer control. They are locked into an almost-constant struggle to manage applications, upgrade software patches and maintain machines scattered throughout the company. This has led to spiralling total costs of ownership. Analysts at IT market research company Gartner estimate that, although the average cost of a typical corporate desktop is just HK\$6,000, the lifetime cost of each machine is likely to be nearer HK\$29,000. The weary IT industry is now turning to thin computing solutions such as the Group's for cost relief and because the Group had the vision to recognize how compelling thin computing solutions would ultimately be in IT environments, it is now beginning to fully realize the fruits of its early investments in these technologies.

For the period under review, the Group successfully delivered an impressive increase in sales over the prior year while managing to reduce the cost of sales as well as general and administrative expenses. As a result of these successes the Group was able to report record gross margins and gross profit contributions as well as a net profit attributable to shareholders for the first quarter.

The success of the Group's products is accelerating in its various geographic markets as a result of favourable client experiences with ThinSoft's solutions spread through user communities. In addition, the Group made special efforts to increase its presence in existing markets by nurturing established distributor and reseller relationships, and adding new relationships in key markets. The group gains marked advantages through these relationships as the distributors make major efforts to promote ThinSoft products throughout their territories. A premier European distributor of the Group's products is eSeSIX in Germany. Through their participation at CeBit, the world's largest annual electronics trade show held in Hannover,

Germany, they actively displayed and marketed ThinSoft's flagship products. At the same time, the Group continued to promote the use of BeTwin, WinConnect and WinConnect Server XP in the Education, Healthcare, Retail and Financial sectors through similar relationships and exhibitions.

### **Financial review**

The Group's overall turnover for the period ended 31 March 2005 increased by 14.3% to approximately HK\$4 million when compared to that of the corresponding period in last year of approximately HK\$3.5 million. Approximately 70% of the turnover was attributable from the sales of software which amounted to approximately HK\$2.8 million during the period ended 31 March 2005.

Europe is the largest single geographic market for the Group, where turnover for the period ended 31 March 2005 amounted to approximately HK\$1.9 million or 47% of total sales.

Gross profit margin for the period ended 31 March 2005 increased to a record level, 75.7% as compared with 4.1% in the corresponding previous period as the costs of sales from 1 January, 2005 are no longer burdened by the amortisation of deferred development expenditures which were fully accounted for by the end of 2004.

General and administrative expenses in the period under review decreased by 17.8% to approximately HK\$2.3 million when compared to approximately HK\$2.8 million incurred in the corresponding previous period. The decrease was the result of continuing cost containment efforts instituted by senior Group management.

In summary, as the IT industry continues to realize the compelling arguments supporting thin computing solutions and the Group benefits from its early belief and investments in these technologies, in combination with its continued strong sales, marketing and cost containment efforts, the Group is pleased to report a profit attributable to shareholders for the period under review of approximately HK\$0.7 million.

The Group continues to be in a strong financial position. Cash and bank balances as at 31 March 2005 was approximately HK\$23.3 million (2004: approximately HK\$20.2 million). There were no bank borrowings as at 31 March 2005 (2004: Nil).

### **OTHER INFORMATION**

#### **Directors' interests in contracts**

No director had a material beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company or any of its subsidiaries and fellow subsidiaries was a party during the period under review.

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

At 31 March 2005, 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 the Rule 5.46 of the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of the Stock Exchange (the “GEM Listing Rules”), were as follows:

*Long positions in ordinary shares of the Company:*

<b>Directors of the Company</b>	<b>Type of interest</b>	<b>Percentage of the Company’s issued share capital as at 31 March 2005</b>
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. At the balance sheet date, approximately 65.7% of the issued share capital of IPC is held by the public. At the date of this announcement, IPC holds 74.81% (or 375,000,000 ordinary shares) of the issued share capital of the Company.

As at the balance sheet date, 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 the date of this announcement, 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 22.2% of the issued share capital of IPC.

*Interest in underlying shares of the Company:*

Share options granted under the Pre-Scheme (*Note*):

<b>Directors of the Company</b>	<b>Number of share options beneficially directly held by the directors and outstanding as at 31 March 2005</b>	<b>Percentage of the Company’s issued share capital as at 31 March 2005</b>
Ngiam Mia Hai Bernard	7,600,000	1.52%
Ngiam Mia Hong Alfred	7,200,000	1.44%
<b>Directors of subsidiaries</b>		
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%
William Michael Driscoll	3,600,000	0.72%

*Note:* Pursuant to the pre-IPO share option scheme (“Pre-Scheme”) adopted by the Company on 2 February 2002, the Company had granted pre-IPO share options to 26 employees (including all executive directors of the Company) of the Group to subscribe for a total of 52,600,000 shares, representing in aggregate approximately 10.52% of the issued share capital of the Company immediately following the completion of the Placing and the capitalization issue, at a subscription price ranging from 20% to 70% of the listing issue price of HK\$0.40 per share. No further share options would be granted under the Pre-Scheme after listing of the Company’s shares on the GEM. All these share options may be exercised on or before 2 February 2007. On 2 February 2002, a further share option scheme (“Post-Scheme”) was approved. The purpose of the Post-Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group’s operations. No options were granted under the Post-Scheme during the period under review.

Save as disclosed above, as at 31 March 2005, 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 the Rule 5.46 of the GEM Listing Rules.

### **Directors’ rights to acquire shares**

Save as disclosed under the heading “Directors’ and chief executive’s interests and short positions in shares, underlying shares and debentures”, at no time during the period 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**

At 31 March 2005, 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 in ordinary shares of the Company:*

<b>Name</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company’s issued share capital</b>
IPC	Directly beneficially owned	375,000,000	74.81%

Save as disclosed above, as at 31 March 2005 and to the best knowledge of the directors, there was no person (other than the directors and chief executive of the Company) whose interests are set out in the section “Directors’ and chief executive’s interests and short positions 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.

## **Competition and conflict of interests**

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any businesses that competes or may compete, either directly or indirectly, with the business of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during 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 period under review.

## **Compliance with Rules 5.34 to 5.45 of the GEM Listing Rules**

The Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules for the period ended 31 March 2005.

## **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 throughout the period ended 31 March 2005. Having made specific enquiry of all directors, the Company's directors have complied with such code of conduct and required standard of dealings throughout the period ended 31 March 2005.

## **Audit Committee**

The Company established an audit committee with written terms of reference in compliance with Rule 5.28 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 Lee Chung Mong, Mr Chen Tzyh Trong and Mr Yeung Chi Hung. All of them are the independent non-executive directors of the Company. The Group's unaudited results for the period ended 31 March 2005 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, Mr Ngiam Mia Hong Alfred and the independent non-executive directors of the Company as at the date of this announcement are Mr Lee Chung Mong, Mr Chen Tzyh Trong and Mr Yeung Chi Hung.

ON BEHALF OF THE BOARD  
**Ngiam Mia Hai Bernard**  
*Chairman*

Hong Kong, 10 May 2005

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting and on the website of the Company at [www.thinsoftinc.com](http://www.thinsoftinc.com).*