

ThinSoft

THINSOFT (HOLDINGS) INC
博軟(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

FINAL RESULTS 2002

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.

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 liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, 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 announcement.

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 aspects 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.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of ThinSoft (Holdings) Inc at www.ThinSoftinc.com.

RESULTS

The board of directors (the “Board”) of ThinSoft (Holdings) Inc (the “Company”) herein present the audited consolidated profit and loss account of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2002.

		Audited Consolidated Profit and Loss account Year ended 31 December	
		2002	2001
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
TURNOVER	4	15,554,668	28,335,059
Cost of sales		(9,955,463)	(15,032,286)
Gross profit		5,599,205	13,302,773
Other income		492,307	1,122,806
Distribution and selling expenses		(1,275,472)	(297,345)
General and administrative expenses		(14,025,955)	(8,171,825)
Other operating expenses		(32,768)	(380,971)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	5	(9,242,683)	5,575,438
Finance costs, net		452,494	(472,364)
PROFIT/(LOSS) BEFORE TAX		(8,790,189)	5,103,074
Tax	6	543,587	(1,314,885)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(8,246,602)	3,788,189
EARNINGS/(LOSS) PER SHARE	8		
Basic		HK(1.72) cents	HK1.01 cents
Diluted		N/A	N/A

Notes:

1. GROUP REORGANISATION AND CORPORATE INFORMATION

The Company

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 28 September 2001. On incorporation, the Company had authorised share capital of HK\$100,000 divided into 1,000,000 shares of HK\$0.10 each, of which 1,000,000 shares were allotted and issued nil paid on 9 October 2001. Apart from the foregoing, no other transactions were carried out by the Company during the period from 28 September 2001 (date of incorporation) to 31 December 2001. Accordingly, the Company did not have any profits and losses for the period.

Group reorganisation

Pursuant to a group reorganisation (the “Group Reorganisation”) to rationalise the structure of the Group in preparation for the listing of its shares on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 27 February 2002 (the “Listing”), the Company became the holding company of the companies now comprising the Group on 23 February 2002. This was accomplished by acquiring the entire issued share capital of ThinSoft Investment Inc (“ThinSoft BVI”), which is, at the date of this announcement, the intermediate holding company of other subsidiaries, in consideration of and in exchange for the allotment and issue of a total of 1,000,000 shares of HK\$0.05 each in the share capital of the Company, credited as fully paid, to the former shareholder of ThinSoft BVI.

Corporate information

During the year, the Group’s principal activities are the development and distribution of Thin Computing solutions and related products. There were no significant changes in the nature of the Group’s principal activities during the year.

In the opinion of the directors, the ultimate holding company of the Company is IPC Corporation Ltd. (“IPC”), a company incorporated in Singapore and listed on the Singapore Exchange Securities Trading Limited.

2. BASIS OF PRESENTATION AND PREPARATION

Basis of presentation

The Group Reorganisation involved companies under common control. The consolidated financial statements have been prepared using the merger basis of accounting in accordance with SSAP 27 “Accounting for group reconstructions”. On this basis, the Company has been treated as the holding company of its subsidiaries acquired through the Group Reorganisation for the financial years presented, rather than from the date of their acquisitions on 23 February 2002. Accordingly, the

consolidated results and cash flows of the Group for the period from 1 January 2001 to 31 December 2002 include the results and cash flows of the Company and its subsidiaries with effect from 1 January 2001 or since their respective dates of incorporation, where this is a shorter period. In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole, as the principal activities of the Group were carried out by those subsidiaries prior to and after the Group Reorganisation.

All significant transactions and balances within the Group are eliminated on consolidation.

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice (“SSAPs”), 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.

3. SEGMENT INFORMATION

(a) Business segments

The following table presents revenue, profit and certain expenditure information for the Group's business segments.

	Software		Engineering fee		Upgrade kits		Vertical market solutions		Excluded Business		Eliminations		Combined	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment revenue:														
Sales to external customers	<u>9,883,381</u>	<u>2,504,923</u>	<u>482,313</u>	<u>13,685,844</u>	<u>612,118</u>	<u>1,789,836</u>	<u>4,576,856</u>	<u>8,877,221</u>	-	<u>1,477,235</u>	-	-	<u>15,554,668</u>	<u>28,335,059</u>
Segment results	<u>225,886</u>	<u>948,140</u>	<u>(2,214,461)</u>	<u>814,741</u>	<u>(1,276,491)</u>	<u>677,472</u>	<u>(776,109)</u>	<u>3,360,122</u>	-	<u>14,429</u>	-	-	<u>(4,041,175)</u>	<u>5,814,904</u>
Interest and unallocated gains													<u>492,307</u>	<u>1,122,806</u>
Unallocated expenses													<u>(5,693,815)</u>	<u>(1,362,272)</u>
Profit/(loss) from operating activities													<u>(9,242,683)</u>	<u>5,575,438</u>
Finance costs													<u>452,494</u>	<u>(472,364)</u>
Profit/(loss) before tax													<u>(8,790,189)</u>	<u>5,103,074</u>
Tax													<u>543,587</u>	<u>(1,314,885)</u>
Net profit/(loss) from ordinary activities attributable to shareholders													<u>(8,246,602)</u>	<u>3,788,189</u>

(b) Geographical segments

The following table presents revenue information for the Group's geographical segments.

	Hong Kong and China		Europe		The United States		Singapore		Asia Pacific except Hong Kong, China and Singapore		Others		Eliminations		Combined	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment revenue:																
Sales to external customers	<u>4,706,969</u>	<u>232,200</u>	<u>2,761,348</u>	<u>6,798,300</u>	<u>3,963,308</u>	<u>489,215</u>	-	<u>14,523,900</u>	<u>2,054,597</u>	<u>3,706,600</u>	<u>2,068,446</u>	<u>2,584,844</u>	-	-	<u>15,554,668</u>	<u>28,335,059</u>
Intersegment transfers	-	-	-	-	-	-	<u>3,354,000</u>	<u>3,510,000</u>	-	-	-	-	<u>(3,354,000)</u>	<u>(3,510,000)</u>	-	-
Total	<u>4,706,969</u>	<u>232,200</u>	<u>2,761,348</u>	<u>6,798,300</u>	<u>3,963,308</u>	<u>489,215</u>	<u>3,354,000</u>	<u>18,033,900</u>	<u>2,054,597</u>	<u>3,706,600</u>	<u>2,068,446</u>	<u>2,584,844</u>	<u>(3,354,000)</u>	<u>(3,510,000)</u>	<u>15,554,668</u>	<u>28,335,059</u>

4. TURNOVER

Turnover represents the net invoiced sales and services rendered, less discounts, returns, and applicable goods and services taxes.

5. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	2002	2001
	HK\$	HK\$
Costs of inventory sold and services provided	9,955,463	15,032,286
Auditors' remuneration	344,830	465,121
Depreciation	96,689	174,622
Research and development costs:		
Deferred expenditure amortised	5,091,721	1,819,157
Current year expenditure	505,924	3,875,196
	5,597,645	5,694,353
Minimum lease payments under operating leases in respect of land and buildings to:		
The ultimate holding company	298,687	243,905
A related company	782,150	–
An independent third party	152,537	480,254
	1,233,374	724,159
Provision for inventory obsolescence	51,600	–
Provision for doubtful debts:		
Trade	–	–
Non-trade	–	380,971
Exchange loss/(gains), net	448,383	(351,624)
Interest income on bank balances and time deposits	(410,407)	(771,182)

6. TAX

	Group	
	2002	2001
	HK\$	HK\$
Current:		
Hong Kong	–	–
Outside Hong Kong	<u>202,100</u>	<u>1,314,885</u>
	202,100	1,314,885
Overprovision in previous year	<u>(745,687)</u>	<u>–</u>
	<u>(543,587)</u>	<u>1,314,885</u>

Hong Kong profits tax has not been provided (2001: Nil) as the Group did not generate any assessable profits in Hong Kong during the year.

ThinSoft Pte Ltd, a company incorporated in Singapore, is subject to Singapore income tax. Singapore income tax has been provided at the rate of 22% (2001: 24.5%) on the estimated assessable profits arising in Singapore for the year ended 31 December 2002.

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% (2001: 8%) for the year ended 31 December 2002, on its estimated assessable profits arising on a world wide basis.

There was no unprovided deferred tax in respect of the year (2001: Nil). The principal component of the Group's deferred tax asset not recognised in the financial statements amounted to HK\$365,939 (2001: HK\$1,754) and related to accelerated capital allowances.

7. DIVIDENDS

The directors do not recommend the payment of any dividends in respect of the year.

8. EARNINGS/(LOSS) PER SHARE

The basic earnings/(loss) per share for the year is calculated based on the consolidated net loss from ordinary activities attributable to shareholders of the Company for the year of HK\$8,246,602 (2001: net profit of HK\$3,788,189) and 480,136,986 shares (2001: 375,000,000 shares) deemed to have been issued and issuable during the year on the assumption that the Group Reorganisation and the subsequent capitalisation issue of 372,000,000 shares of the Company had been effective on 1 January 2000. The weighted average number of shares used in the current year's loss per share calculation also includes the 125,000,000 shares issued on the public listing.

No diluted loss per share is presented for the year ended 31 December 2002 because the share options outstanding had an anti-dilutive effect on the basic loss per share for the year.

The diluted earnings per share amount for the year ended 31 December 2001 has not been shown as there were no dilutive potential ordinary shares issued for the year ended 31 December 2001.

9. CAPITAL AND RESERVES

	Issued capital HK\$	Share premium account HK\$	Exchange translation reserve HK\$	Capital reserve HK\$ <i>(Note a)</i>	Retained profits/ (accumulated losses) HK\$	Total HK\$
At 1 January 2001	–	–	389,531	6,840,000	1,659,105	8,888,636
Arising on consolidation of subsidiaries with functional currencies other than Hong Kong dollars	–	–	(436,593)	–	–	(436,593)
Net gains and losses not recognised in the profit and loss account	–	–	(436,593)	–	–	(436,593)
Arising on acquisition of ThinSoft BVI	50,000	–	–	–	–	50,000
Applied in payment of 2,000,000 shares allotted nil paid on incorporation	100,000	–	–	–	–	100,000
Net profit for the year	–	–	–	–	3,788,189	3,788,189
At 31 December 2001 and 1 January 2002	150,000	–	(47,062)	6,840,000	5,447,294	12,390,232
Arising on consolidation of subsidiaries with functional currencies other than Hong Kong	–	–	20,300	–	–	20,300
Net gains and losses not recognised in the profit and loss account	–	–	20,300	–	–	20,300
Capitalisation issue	18,600,000	(18,600,000)	–	–	–	–
New issue of shares	6,250,000	43,750,000	–	–	–	50,000,000
Share issuance expenses	–	(16,649,052)	–	–	–	(16,649,052)
Net loss for the year	–	–	–	–	(8,246,602)	(8,246,602)
At 31 December 2002	25,000,000	8,500,948	(26,762)	6,840,000	(2,799,308)	37,514,878

Note:

- (a) The capital reserve of the Group represents the difference between the aggregate nominal value of share capital of subsidiaries acquired by the Company and the nominal value of share capital of the Company issued as consideration in exchange therefor.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Business objectives for the year ended 31 December 2002 as stated in the prospectus of the Company (“Prospectus”) dated 19 February 2002

Actual business progress during the year under review

Product and Technology

Product enhancement and continue development:

BeTwin 98/ME for Windows 98/98SE and Windows ME

Upgrading of the BeTwin 98/ME product for compatibility with new software driver releases for important peripheral devices as well as maintaining compatibility with Microsoft Windows 98/98SE and Windows ME operating system software updates.

BeTwin 2000 for Windows 2000

Upgrading of the BeTwin 2000 product for compatibility with new software driver releases for important peripheral devices as well as maintaining compatibility with Microsoft Windows 2000 and 2000 Professional operating system software updates.

BeTwin XP for Windows XP

Upgrading of the BeTwin XP product for compatibility with new software driver releases for important peripheral devices as well as maintaining compatibility with Microsoft Windows XP Professional operating system software updates.

BeTwin Bundle Software Designs	Upgrading of the BeTwin product for compatibility with certain key hardware components that will allow for bundling of BeTwin software with the hardware. This project will enhance the Group's ability to broaden its marketing efforts.
WinConnect for Linux desktop platform	Upgrading of the WinConnect product to support serial port interconnect capability as well as ensuring the WinConnect product's compatibility with the latest Microsoft operating systems software updates.
Remote Desktop Protocol and Server for Windows platform	Development project undertaken to enable multiple Windows platform Remote Desktop connections to a Windows XP PC. Completed during the year under review.
License Server	Development project undertaken to enhance the Group's ability to serve its customers by implementing a licensing server with greatly improved license issuance and license security capabilities.
WinConnect – Local Drive Support	Development project undertaken to add local drive system management capability under Remote Desktop Protocol. Expected completion in mid-2003.
WinConnect VX	Development project undertaken to enable the standard WinConnect to support multiple users when used under the VNC and X-Windows environment. Expected completion in mid-2003.
China Project	Development project undertaken to port WinConnect to work on the indigenous Chinese developed and manufactured ARCA 1 and ARCA 2 processors.
WinConnect audio performance	Development project undertaken to improve the WinConnect audio performance. Expected completion in mid-2003.

WinConnect RDP 5.2	Development project undertaken to enhance WinConnect to support RDP 5.2 specification.
WinConnect Copy Protection	Development project undertaken to enhance WinConnect copy protection.
Customize BeTwin for Acer Veriton Corporate PC	Development project undertaken to customize BeTwin for Acer's Veriton Corporate PC. Expected completion in mid-2003.
Customize BeTwin for USB Audio Bub and USB-to-PS/2 Converter	Development project undertaken to design, develop, test and release a uniquely customized Universal Serial Bus Audio Hub and USB-to-PS/2 Converter that will enhance USB Connectivity for BeTwin software. Expected completion in mid-2003.
Copy Protection BeTwin	Development project undertaken to enhance the copy protection capabilities of BeTwin to enhance the protection of the Group's intellectual property. Expected completion in mid-2003.

Marketing

Education & Training – To nurture and cultivate market acceptance of BeTwin and/or WinConnect	<p>Construction of BeTwin and WinConnect customer site tables for sales and marketing reference contacts. Provide training to resellers during the year under review. Research of SFA (Sales Force Administration) system. During the year under review, the Group was successfully developed and implementation of:</p> <ul style="list-style-type: none"> – Direct Sales Channel Strategic Initiatives; – Retail Sales Channel Strategic Initiatives; – Retail sales packaging scheme; – US Education system sales strategy; and – Value Added Reseller sales strategy. <p>Implementation of sales and marketing lead opportunity reporting systems during the period under review.</p>
---	--

Implementation of sales presentation materials for all channels.

Affiliates Program Link

Project undertaken to provide an Affiliates Program where links to cooperating strategic partners websites from the Group website is enable and was completed during the year.

Reseller Program

Project undertaken to provide “BETWIN SOLUTIONS” program on the Group’s website. Allied resellers will be able to offer a combined hardware/software (BeTwin) solution.

Customer Support Services Network

Implementation of first line customer support function. Implementation of engineering support center for second line customer support.

Brand Awareness

Continue to create brand name awareness through promotional activities, marketing campaigns and conferences to strengthen established footholds and penetrate further into each of the education and training centres, retail stores, SOHO and SMEs.

Upgrading of research and development

Increase of headcount of technical engineers, depending on the progress of product development and technological research from time to time.

Development project undertaken for Sharp Laboratories in the US for a new, yet-to-be-released-or-announced Sharp product that is contractually protected under non-disclosure agreement. This project ports ThinSoft’s WinConnect to the NanoX graphics environment for Personal Digital Assistants. The project makes use of outside engineering resources as an alternative to adding increased headcount as it has been determined to be a much more cost effective delivery system for the project. The development was completed in the fourth quarter of 2002.

HNT/Share Zaurus

Development project undertaken in the US and the UK to enable the use of ThinSoft's WinConnect software product on HNT and Sharp Zaurus Personal Digital PDAs by porting ThinSoft's WinConnect to the Qt graphics environment for HNT and for the Sharp Zaurus PDA. The project made use of outside engineering resources as an alternative to adding increased headcount as it has been determined to be a much more cost effective delivery system for the project. The development work was completed during the year under review.

Customize BeTwin for Acer Aspire Home PC

Development project undertaken to customize BeTwin for Aspire Home PC. It was completed during the year under review.

Sun Solaris Project – aka WinConnect S

Project undertaken in cooperation with Sun Microsystems Inc to create a unique WinConnect product for compatibility with Sun Microsystems' Solaris operating system environment.

VPC Project

Project undertaken to design, develop and implement the BeTwin software solution for the Proview's product, Virtual Personal Computer (VPC). It was completed during the year under review.

Technical Alliances/Collaboration

Explore the opportunities in forming technical alliances with international high-tech and/or research companies.

Explore the possibilities and feasibility of collaborating with outside consultancy experts in working out the concept of corporate re-engineering via Thin Client technology.

Enhancement of e-commerce Platform

Upkeeping of existing platform. In particular, will be made to continue to revamp and/or the existing transactions on its e-Commerce trading website.

Implementation of Automated email responses to customers efforts for on-line website enhance purchases.

Migration to Verisign merchant charge authorization system for more effective transaction security and verification processes.

Implementation of capability to capture customer information from website purchases and inquiries.

Developed website customer database.

Upgraded the website registration system.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW

The Group was principally engaged in the development and distribution of Thin Computing solutions and related products during the year under review.

The Group anticipated the uncertain global market conditions and the consequently weak IT consumer spending trend to continue in the year under review. As such, the Group implemented a series of strategic investments for strengthening its operational fundamentals that will enable further market penetration and propel growth in the long-term prospective. The strategies were aimed at reinforcing and fuelling the Group's engine of growth in terms of:

- expanding the breadth and depth of the global distribution network;
- enhancing the e-commerce platform and stepping up e-marketing activities;
- promoting product awareness and enhancing reputation through participation in key tradeshows;
- continuously delivering new innovative suites of Thin Computing solutions to facilitate and enable market penetration into existing and newer markets; and
- establishing strategic and relevant business alliances in key market sectors.

For the year under review, turnover from the sales of the flagship Thin Computing software solutions in 2002 increased significantly by four-fold to approximately HK\$9.9 million. The increase was a positive reflection of the Group's overall product and marketing strategies implemented.

Group turnover in 2002 was approximately HK\$15.6 million when compared to approximately HK\$28.3 million in 2001 as the turnover in the previous year accounted for approximately HK\$13.7 million engineering fee provided to customers. Turnover from engineering fees decreased to approximately HK\$0.5 million in 2002. As such, gross profit decreased to approximately HK\$5.6 million for the year ended 31 December 2002 when compared to approximately HK\$13.3 million for the year ended 31 December 2001.

General and administrative expenses rose from approximately HK\$8.2 million to approximately HK\$14 million in the year under review. The increase was mainly due to the strategic sales and marketing expenses associated with driving and promoting the new suites of BeTwin and WinConnect software solutions, investments associated with implementing the strategies of expanding the breadth and depth of the e-commerce platform and e-marketing activities, and including the necessary investments in research and development to deliver new and upgraded suites of derivative products. Further, the Group incurred additional, routine and mandatory expenses incurred after the shares of the Company was listed on the GEM on 27 February 2002.

Distribution and selling expenses also increased from approximately HK\$0.3 million in the corresponding previous year to approximately HK\$1.3 million for the year under review.

The Group consequently registered a loss attributable to shareholders of approximately HK\$8.2 million for the year under review.

USE OF PROCEEDS

The Company was listed on the GEM of the Stock Exchange on 27 February 2002 through a placement of 125,000,000 shares (“Placing”). The net proceeds from the Placing after deduction of the relevant expenses incurred were approximately HK\$33 million. During the year under review, the Group utilized approximately HK\$21.1 million for various purposes as detailed below; which were in line with the expected use of net proceeds as described in the Prospectus dated 19 February 2002.

- Approximately HK\$3 million was used in product enhancement and launching new products;
- Approximately HK\$4 million was used to promote the Group’s products;
- Approximately HK\$1.8 million was used to upgrade the research and development facilities;
- Approximately HK\$1.5 million was used to enhance the Internet platform/website and service support platform;
- Approximately HK\$7.8 million was used to repay the convertible note; and
- Approximately HK\$3 million was used as general working capital.

The remaining net proceeds at 31 December 2002 was approximately HK\$12 million. The directors intend to use the net proceeds in the manner as disclosed in the Prospectus dated 19 February 2002.

CAPITAL STRUCTURE

The shares of the Company were listed on the GEM of the Stock Exchange on 27 February 2002. There has been no change in the capital structure of the Company since that date to 31 December 2002. The capital of the Company comprises only ordinary shares. The Company and the Group has no borrowing and long-term debts.

SIGNIFICANT INVESTMENT

As at 31 December 2002, the Group did not have any significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS/FUTURE PLANS FOR MATERIAL INVESTMENT

Apart from the Group reorganisation to rationalise the structure of the Group in preparation for listing of the shares of the Company on the GEM, details of which had been set out in the Prospectus dated 19 February 2002, there had been no material acquisitions and disposals during the year. At present, the Company and the Group have no plans for material investments or capital assets other than those set out in the Prospectus dated 19 February 2002.

GEARING RATIO

As at 31 December 2002, the Group did not have any long-term debts and its shareholders' funds amounted to approximately HK\$37.5 million. In this regard, the Group had a net cash position and its gearing ratio should be zero (net debt to shareholders' funds) as at 31 December 2002.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally financed its operations with internally generated cash flows, balance of proceeds from Placing and bank loans.

As at 31 December 2002, the Group had cash and cash equivalents of HK\$17.1 million as compared to HK\$7.4 million as at 31 December 2001.

FOREIGN EXCHANGE EXPOSURE

It is the Group's policy to borrow in local currencies to minimise currency risk.

CHARGES ON GROUP ASSETS

As at 31 December 2002, the Group did not have any charges on its assets.

CONTINGENT LIABILITY

The Group did not have any significant contingent liabilities as at 31 December 2002.

EMPLOYEES

As at 31 December 2002, the Group had 26 full-time employees. The aggregate remuneration of the Group's employees, including that of the directors, for the year under review and the previous year amounted to approximately HK\$8.7 million and approximately HK\$7.4 million respectively. The Group remunerates its employees based on their performance, experience and the prevailing industry practice.

Each of the 3 executive directors has, on 27 February 2002, entered into a director's service agreement with the Company. Under the service agreements, after each completed year of service, the remuneration payable to each of them may, subject to the discretion of the directors and they will each be entitled to a discretionary bonus provided that the audited consolidated profit after taxation and minority interests (and after the payment of such bonus) but before extraordinary items (the "Profit") of the Group for the relevant year exceeds HK\$10 million and further that the total amount of bonuses payable to all the directors for such year shall not exceed 5% of the Profit.

Pursuant to a pre-IPO share option scheme adopted by the Company on 2 February 2002, the Company had granted pre-IPO share options to 26 employees (including 3 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 issue price of HK\$0.40 per share.

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

OUTLOOK

In 2003, the Group's management will prudently continue to focus on:

- Driving market growth through expanding the global distribution network, increasing vertical market penetration and enhancing online presence;
- Propelling accelerated penetration through strategic business alliances; and
- Enriching the product spectrum.

Market and product accomplishments in the first quarter of 2003 indicate that the Group is on track.

In terms of market developments, the Group secured an approximately HK\$1.4 million contract with Beijing ZhongQing Elegant Technology Corporation in January 2003 to bundle its WinConnect Server XP software on the Chinese company's Power Edu line of personal computers.

In March 2003, a strategic business alliance was established for the European market. An Original Equipment Manufacture agreement was signed with leading German Thin Computing and server-based company EseSIX Computer GmbH ("EseSIX") for the Group's WinConnect software. EseSIX will also distribute the WinConnect Server XP software.

On the product front, the Group launched the Buddy B-680 Premium and Lite software suites in January this year. In February 2003, WinConnect S and WinConnect VNC were launched.

The Group expects optimal growth in 2003 in a perceptibly lingering fragile global market.

DIRECTORS' INTEREST IN SHARES

On 27 February 2002, the Company was listed on the GEM. At the balance sheet date, the interests of the directors and their associates in the listed share capital of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were set out below:

Name of director	Type of interest	Percentage of holding
Mr. Ngiam Mia Hai Bernard	other	(note)
Mr. Ngiam Mia Hong Alfred	other	(note)

Note: IPC Corporation Ltd ("IPC"), the ultimate 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 65.3% of its issued share capital is held by the public. At the date of this announcement, IPC holds approximately 75% (or 375,000,000 shares) of the issued share capital of the Company.

As at the balance 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 and each of them further owned approximately 0.001% of IPC's issued share capital as a result of the conversion shares received by each of them pursuant to a scheme of arrangement 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.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the heading "Share option scheme" in the Report of the Directors, at no time since its incorporation was the Company, its holding company or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

At 31 December 2002, the following interests of 10% or more of the issued share capital of the Company were recorded in the register of interests in shares required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Approximately percentage of holding
IPC	375,000,000	75%

Save as disclosed above, no person, other than the directors of the Company whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

SPONSOR'S INTEREST

On 27 February 2002, the shares of the Company were listed on the GEM of the Stock Exchange by way of placing of 125,000,000 new shares at an issue price of HK\$0.40. The sponsor of the Placing was ICEA Capital Limited (the "Sponsor").

Save as disclosed above, the Sponsor has confirmed, up to and as at 20 March 2003, none of the Sponsor nor its associates, directors or employees may have, as a result of the Placing, have any interest in any class of securities of the Company or any of member company of the Group (including options or rights to subscribe for such securities).

Pursuant to a sponsor agreement dated 18 February 2002 between the Company and the Sponsor, the Sponsor is entitled to receive a fee for acting as the Company's sponsor for the period from 27 February 2002 (date of commencement of the dealing in the Company's shares on the GEM) and ending on (and including) the last day of the second full (and not part thereof) financial year after the Company's Listing on the GEM.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company's shares were listed on the GEM on 27 February 2002. Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities between that date and 31 December 2002.

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 business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the listing of the Company's shares on the GEM on 27 February 2002.

AUDIT COMMITTEE

The Company established an audit committee on 2 February 2002 with written terms of reference in compliance with Rules 5.23 and 5.24 of 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 two members, Lee Chung Mong and Chen Tzyh-Trong, both are independent non-executive directors of the Company. The Group's audited results for the year ended 31 December 2002 have been reviewed by the audit committee, who was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

On behalf of the board

William Michael Driscoll

Chairman and Executive Director

Hong Kong, 21 March 2003