



Golding Soft Limited

(incorporated in the Cayman Islands with limited liability)

2001 Interim Report

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 sector 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 a 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 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 (the “Directors”) of Golding Soft Limited (the “Company”) 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 (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. 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.

HIGHLIGHTS

- The turnover of the Group for the six months ended 31st December, 2001 was approximately RMB32.2 million, representing an increase of approximately 127% as compared with the corresponding period in the previous year.
- The unaudited profit from operations of the Group for the six months ended 31st December, 2001 was approximately RMB14.7 million, representing an increase of approximately 142% as compared with the corresponding period in the previous year.
- The earnings per share was RMB1.84 cents for the six months ended 31st December, 2001.

RESULTS

The board (the "Board") of Directors is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the "Group") for the three months and the six months ended 31st December, 2001, together with the unaudited comparative figures for the corresponding periods in 2000 as follows:

	Notes	Three months ended 31st December,		Six months ended 31st December,	
		2001 (Unaudited) RMB'000	2000 (Unaudited) RMB'000	2001 (Unaudited) RMB'000	2000 (Unaudited) RMB'000
Turnover	2	15,626	7,876	32,237	14,184
Cost of sales		(4,203)	(2,289)	(8,941)	(3,948)
Gross profit		11,423	5,587	23,296	10,236
Other revenue		117	27	196	78
Distribution costs		(2,278)	(1,257)	(5,363)	(2,696)
Administrative expenses		(1,834)	(598)	(2,689)	(1,289)
Other operating expenses		(537)	(135)	(732)	(263)
Profit from operations	3	6,891	3,624	14,708	6,066
Finance costs		-	-	-	-
Profit before taxation		6,891	3,624	14,708	6,066
Taxation	4	-	-	-	-
Net profit for the period		6,891	3,624	14,708	6,066
Earnings per share					
- Basic (RMB)	5	0.86 cents	0.45 cents	1.84 cents	0.76 cents

- other than the net profit attributable to shareholders, the Group had no recognised gains or losses for the periods reported. Accordingly, a combined statement of recognised gains and losses is not presented.

CONDENSED COMBINED BALANCE SHEET

	<i>Notes</i>	At 31st December, 2001 (Unaudited) RMB'000	At 30th June, 2001 (Audited) RMB'000
NON-CURRENT ASSETS			
Fixed Assets		4,915	2,563
CURRENT ASSETS			
Account receivable	6	3,683	1,970
Prepayments and deposits and other current assets		1,341	938
Bank and cash balances		25,305	11,540
		30,329	14,448
CURRENT LIABILITIES			
Account payables	7	188	159
Accrued liabilities and other payables		4,973	2,321
Deposit received		1,077	233
		6,238	2,713
NET CURRENT ASSETS		24,091	11,735
NET ASSETS		29,006	14,298
CAPITAL AND RESERVES			
Share capital		1	1
Reserves		29,005	14,297
SHAREHOLDERS' FUNDS		29,006	14,298

CONDENSED COMBINED CASH FLOW STATEMENT

	For the six months ended 31st December, 2001 (Unaudited) RMB\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	16,241
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	196
TAX PAID, NET	–
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<u>(2,672)</u>
NET CASH INFLOW BEFORE FINANCING	13,765
NET CASH INFLOW FROM FINANCING	<u>–</u>
INCREASE IN CASH AND CASH EQUIVALENTS	13,765
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>11,540</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>25,305</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	
Bank and cash balances	<u><u>25,305</u></u>

Notes:

1. Group Reorganisation and Basis of Presentation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 28th August, 2001 under the Companies Law of the Cayman Islands. Pursuant to reorganisation to rationalise the structure of the Group in preparation of the listing of the Company's shares (the "Reorganisation") on Growth Enterprise Market ("GEM"), the Company became the ultimate holding company of the Group on 24th January, 2002. The Company's shares have been listed on GEM since 8th February, 2002.

The unaudited combined results have been prepared using the merger basis of accounting as a result of a Group's Reorganisation completed on 24th January, 2002. Under this basis, the Company is treated as if it has always been the holding company of its subsidiaries rather than from the date of acquisition. Accordingly, the unaudited combined results of the Group for the six months ended 31st December, 2000 and 2001 (the "Relevant Period") include the results of the Company and its subsidiaries with effect from 1st July, 2000 or since their respective dates of incorporation, where this is a shorter period.

All significant transactions and balances between companies now comprising the Group have been eliminated on combination. The interim financial statements are prepared in accordance with the requirements as set out in the GEM Listing Rules and the Statement of Standard Accounting Practice 2.125 "Interim Financial Reporting" as issued by the Hong Kong Society of Accountants except that the comparative figures of the condensed combined cash flow statement have not been prepared as the Company has taken advantage of the transitional provisions set out in the GEM Listing Rules. The accounting policies and basis for the preparation of the unaudited combined interim financial statements of the Group are consistent with those used in the Accountants' Report as set out in the prospectus of the Company dated 31st January, 2002 (the "Prospectus").

2. Segmental Information

For the six months ended 31st December, 2000

	Provision of ODM software RMB'000	Provision of proprietary packaged software RMB'000	Provision of system solutions RMB'000	Total RMB'000
Turnover	<u>4,859</u>	<u>3,791</u>	<u>5,534</u>	<u>14,184</u>
Segment result	<u>3,693</u>	<u>3,198</u>	<u>3,345</u>	<u>10,236</u>
Other revenue				78
Unallocated expenses				(4,248)
Profit from operations				<u>6,066</u>

For the six months ended 31st December, 2001

	Provision of ODM software RMB'000	Provision of proprietary packaged software RMB'000	Provision of system solutions RMB'000	Total RMB'000
Turnover	<u>14,798</u>	<u>4,971</u>	<u>12,468</u>	<u>32,237</u>
Segment result	<u>10,770</u>	<u>3,980</u>	<u>8,546</u>	<u>23,296</u>
Other revenue				196
Unallocated expenses				(8,784)
Profit from operations				<u>14,708</u>

Approximately 70% of the Group's turnover were derived from the North America market, remaining are derived from the PRC.

3. Profit before taxation

Profit before taxation is arrived at after charging the following items:

	For the three months ended 31st December,		For the six months ended 31st December,	
	2001 RMB'000	2000 RMB'000	2001 RMB'000	2000 RMB'000
Cost of goods sold/services provided	<u>4,203</u>	<u>2,289</u>	<u>8,941</u>	<u>3,948</u>
Depreciation of fixed assets	<u>170</u>	<u>74</u>	<u>320</u>	<u>169</u>

4. Tax

No profits tax has been provided as the Group did not generate any assessable profits in the respective jurisdiction of the companies comprising the Group during the Relevant Periods.

According to the Income Tax Law of the PRC, Jiangxi Jinding Information System Co. Ltd (“Jiangxi Jinding”), a wholly owned subsidiary of the Company, was exempted from income tax for its first two profitable years of operations from 1st January, 2000 to 31st December, 2001. Jiangxi Jinding was also entitled to 50% relief from income tax for the following three years from 1st January, 2002 to 31st December, 2004. Upon the expiry of the tax relief period, the usual income tax rate of 33% is applicable to Jiangxi Jinding.

The Group did not have any significant unprovided deferred tax in respect of the Relevant Periods.

5. Earnings per share

The calculation of basic earnings per share is based on the Group’s unaudited net profit attributable to shareholders for each of the three months and six months ended 31st December, 2000 and 2001 of approximately RMB6,891,000 and approximately RMB14,708,000 respectively (three months and six months ended 31st December, 2000: approximately RMB3,624,000 and RMB6,066,000 respectively) and on the 800,000,000 shares deemed to have been in issue and issuable during the Relevant Periods, comprising 20,000,000 shares in issue as at the date of the Prospectus and 780,000,000 shares to be issued pursuant to the capitalisation issue as described more fully in the paragraph headed “Resolutions in writing of all shareholders of the Company passed on 24th January, 2002” in Appendix IV to the Prospectus in relation to the listing of the Company on the Stock Exchange of Hong Kong Limited dated 31st January, 2002.

There is no dilutive potential ordinary shares during the three months and six months ended 31st December, 2000 and 2001. Accordingly, no diluted earnings per share has been presented.

6. Trade receivable

	At 31st December, 2001 RMB'000	At 30th June, 2001 RMB'000
Trade receivable	3,683	1,970

The credit terms given to each individual customer were in accordance with the payment terms stipulated in the relevant tenders or contracts. An aged analysis of trade receivable at the reporting date is as follows:

	At 31st December, 2001 RMB'000	At 30th June, 2001 RMB'000
0 to 90 days	3,384	1,817
91 to 180 days	262	153
181 to 270 days	37	–
	3,683	1,970

7. Trade and other payables

As at 31st December, 2001, trade payables and accrued liabilities amounted to RMB5,161,000 (30th June, 2001: RMB2,480,000), including trade payable of RMB188,000 (30th June, 2001: RMB159,000). An aged analysis of trade payable at the reporting date is as follows:

	At 31st December, 2001 RMB'000	At 30th June, 2001 RMB'000
0 to 90 days	162	159
91 to 180 days	26	–
	188	159

8. Contingent liabilities

As at 31st December, 2001, the Group had no significant contingent liabilities.

INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the six months ended 31st December, 2001 (2000 : Nil).

MOVEMENT OF RESERVES

There was no movement in reserves except for the profit attributable to shareholders for the period ended 31st December, 2001.

REVIEW AND OUTLOOK

Financial Review

The turnover of the Group increased significantly to approximately RMB32.2 million for the six months ended 31st December, 2001, representing an increase of approximately 127% as compared with the corresponding period in the previous year. The Group's operating profit for the six months ended 31st December, 2001 increased by approximately 142% to approximately RMB14.7 million.

The satisfactory result for the six months ended 31st December, 2001 was largely attributable to the increasing number of US corporation outsourcing their software projects. The strong demand was because the wages costs in PRC have been significantly lower than wages costs in the United States and Europe for comparably skilled professionals. Also, our wages costs remain even lower than that in India, thus enabling the Group to secure more ODM software projects.

Approximately 70% of the total turnover were generated from North America and the remaining were from PRC.

Liquidity and financial resources

The Group generally finances its operation with internally generated cash flow. During the period under review, the Group had a net current assets of approximately RMB24 million.

The Group expresses its gearing ratio (if any) as a percentage of bank borrowing, facilities and long term debts over total assets. **As at 31st December, 2001 and to the date of this report the Group did not have any bank borrowing or long term debts. The Group did not have any charges on its assets, during the period reported.**

As most of the Group's monetary assets and liabilities are denominated in US dollars and Renminbi, the exchange rate risks of the Group is considered to be minimal.

Business Review

During the period under review, the Group provided ODM and proprietary packaged business application softwares in the PRC for overseas, principally North America, and domestic customers. By utilizing the latest Internet technologies, the Group used its developed platforms for providing products, services and solutions to its customers either at the customers' sites or from the Group's software development centre in Nanchang City, the PRC.

The Group has three primary business segments, which are as follows:

- (i) provision of ODM software. The Group usually provides SDK research and studies, business consultancy, system design, coding, testing and installation services. ODM software services is the Group's fastest growing business segment and accounted for 46% of the Group's turnover for the six months ended 31st December, 2001.
- (ii) provision of proprietary packaged software. The Group leverage its own brandnames to distribute its packaged software products to corporate enterprises through regional agents. This business segment accounted for 15% of the Group's turnover for the six months ended 31st December, 2001.
- (iii) provision of system solutions. The Group's system solutions involve the delivery of turnkey projects to its customers which include requirement studies, design, software development and programming, integration and implementation of selected hardware and software. This business segment accounted for 39% of the Group's turnover for the six months ended 31st December, 2001.

Up to 31st December 2001, the Group secured contracts amounting to approximately RMB8,000,000.

EMPLOYEE INFORMATION

During the six months ended 31st December, 2001, the total headcount of the Group was approximately 150. Remuneration packages are maintained at a competitive level and reviewed on a periodical basis. Bonus are awarded to certain employees according to the assessment of individual performance.

BUSINESS OBJECTIVE REVIEW

As this interim report covers activities up to 31st December, 2001 only, all business objectives stated in the paragraph headed "Business objectives and strategies" under the section headed "Implementation plans" of the Prospectus are still in progress and no further update is applicable.

Outlook

Other than the specific business objectives and strategies as mentioned in our Prospectus, the Group will continuously focus on our three primary business segments. Barring unforeseen circumstances, the Directors expect the Group's performance on the second half to be comparable to that of the first half.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

At 8th February, 2002, date of listing, the interests of the directors and their associates in the share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong's Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Director	Number of Shares				Total interests
	Corporate interests	Personal interests	Family interests	Other interests	
Mr. Wen Ruifeng ("Mr. Wen")	249,000,000 (Note 1)	-	-	-	249,000,000
Mr. Xin Qian ("Mr. Xin")	249,000,000 (Note 2)	-	-	-	249,000,000
Mr. Li Jiahui ("Mr. Li")	-	189,000,000	-	-	189,000,000

Notes:

1. These Shares are registered in the name of Unrivaled Beauty Profits Limited ("Unrivaled Beauty"). Mr. Wen is the owner of 47 per cent. of the issued share capital of Unrivaled Beauty. Under the SDI Ordinance, Mr. Wen is deemed to be interested in all the Shares registered in the name of Unrivaled Beauty.
2. These Shares are registered in the name of Unrivaled Beauty. Mr. Xin is the owner of 38 per cent. of the issued share capital of Unrivaled Beauty. Under the SDI Ordinance, Mr. Xin is deemed to be interested in all the Shares registered in the name of Unrivaled Beauty.

Save as disclosed above, none of the directors or their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance at 8th February, 2002.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as the share option scheme disclosed in the Prospectus Appendix IV, at no time during the period was the Company or its holding company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. None of the directors, their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company or had exercised any such rights during the period. To date, no options have been granted under the scheme.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY**Substantial shareholders**

As at 8th February, 2002, the following persons will be interested in 10 per cent. or more of the Shares then in issue for the purpose of the SDI Ordinance:

Name	Number of Shares held	Approximate percentage shareholding
Cytech Investment Limited ("Cytech Investment") (Note 1)	312,000,000	31.20%
Benep Management Limited ("Benep") (Note 1)	312,000,000	31.20%
Cytech Software Limited ("Cytech") (Note 1)	312,000,000	31.20%
ESP Associates Limited (Note 2)	312,000,000	31.20%
Wang Xiaochuan (Note 2)	312,000,000	31.20%
Unrivaled Beauty (Note 3)	249,000,000	24.90%
Mr. Li	189,000,000	18.90%
Mr. Wen (Note 3)	249,000,000	24.90%
Mr. Xin (Note 3)	249,000,000	24.90%

Notes:

1. The 312,000,000 Shares are registered in the name of Cytech Investment. Cytech Investment is a wholly owned subsidiary of Benep, which is in turn a wholly owned subsidiary of Cytech, a company whose shares are listed on the main board of the Singapore Exchange Securities Trading Limited. Accordingly, each of Cytech and Benep is interested in all the Shares in which Cytech Investment is interested pursuant to the SDI Ordinance.

2. The issued share capital of Cytech is owned as to approximately 63.81% by ESP Associates Limited and as to approximately 7.67% by Wang Xiaochuan. The issued share capital of ESP Associates Limited is in turn owned as to 70% by Wang Xiaochuan. Accordingly, each of ESP Associates Limited and Wang Xiaochuan is deemed to be interested in all the Shares in which Cytech is interested pursuant to the SDI Ordinance.
3. The 249,000,000 Shares are registered in the name of Unrivaled Beauty. The issued share capital of Unrivaled Beauty is owned as to 47%, 15% and 38% by Mr. Wen, Mr. Wen Weifeng and Mr. Xin respectively. Accordingly, each of Mr. Wen and Mr. Xin is deemed to be interested in all the Shares in which Unrivaled Beauty is interested pursuant to the SDI Ordinance.

COMPETING INTEREST

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group.

PURCHASE, SALE AND REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the Period.

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, Core Pacific – Yamaichi Capital Ltd., none of the Sponsor itself, its directors, employees or associates had any interest in the securities of the Company as at 8th February, 2002.

Pursuant to the agreement dated 31st January, 2002 entered into between the Company and Core Pacific – Yamaichi Capital Ltd. is entitled to receive an advisory fee for acting as the Company's retained sponsor for the period 28th February, 2002 to 30th January, 2004.

BOARD PRACTICES AND PROCEDURES

As at 31st December, 2001, the shares of Company has not yet listed on GEM. Therefore, the board practices and procedures at set out in Rules 5.28 and 5.39 of the GEM Listing Rules are not applicable. However, since the listing of the Company as at 8th February, 2002, the Company has complied with the Rules.

AUDIT COMMITTEE

The audit committee was formed on 24th January, 2002 and comprise of two independent non-executive Directors, Mr. Chan Ngai Seng, Kenny and Mr. Xing Fengbing and Mr. Xin. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group and to provide advice and comments to the Board. The audit committee has reviewed and approved this interim result announcement.

By Order of the Board
Golding Soft Limited
Li Jiahui
Chairman

Hong Kong, 11th February, 2002