



# **Golding Soft Limited**

*(incorporated in the Cayman Islands with limited liability)*

**2002 Third Quarterly Report**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET 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 nine months ended 31st March, 2002 was approximately RMB44 million, representing an increase of approximately 105% as compared with the corresponding period in the previous year.
- The unaudited profit from operations of the Group for the nine months ended 31st March, 2002 was approximately RMB19.3 million, representing an increase of approximately 99% as compared with the corresponding period in the previous year.
- The earnings per share was RMB2.21 cents for the nine months ended 31st March, 2002.

## RESULTS

The board of Directors (the "Board") is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the "Group") for the three months and the nine months ended 31st March, 2002, together with the unaudited comparative figures for the corresponding periods in 2001 as follows:

	Notes	Three months ended 31st March,		Nine months ended 31st March,	
		2002 (Unaudited) RMB'000	2001 (Unaudited) RMB'000	2002 (Unaudited) RMB'000	2001 (Unaudited) RMB'000
Turnover	2	11,771	7,334	44,008	21,518
Cost of sales		<u>(3,170)</u>	<u>(1,638)</u>	<u>(12,111)</u>	<u>(5,586)</u>
Gross profit		8,601	5,696	31,897	15,932
Other revenue		167	51	363	129
Distribution costs		(1,991)	(1,138)	(7,354)	(3,834)
Administrative expenses		(1,702)	(714)	(4,391)	(2,003)
Other operating expenses		<u>(471)</u>	<u>(229)</u>	<u>(1,203)</u>	<u>(492)</u>
Profit from operations		4,604	3,666	19,312	9,732
Finance costs		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit before taxation		4,604	3,666	19,312	9,732
Taxation	3	<u>(829)</u>	<u>-</u>	<u>(829)</u>	<u>-</u>
Net profit for the period		<u>3,775</u>	<u>3,666</u>	<u>18,483</u>	<u>9,732</u>
Earnings per share					
- Basic (RMB)	4	<u>0.41 cents</u>	<u>0.46 cents</u>	<u>2.21 cents</u>	<u>1.22 cents</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 nine months ended 31st March, 2001 and 2002 (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

### 2. Turnover

An analysis of turnover is as follows:

	Three months ended 31st March,		Nine months ended 31st March,	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
Provision of ODM software	3,530	3,461	18,328	8,320
Provision of proprietary packaged software	5,091	2,115	10,062	5,906
Provision of system solutions	3,150	1,758	15,618	7,292
	<u>11,771</u>	<u>7,334</u>	<u>44,008</u>	<u>21,518</u>

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

### 3. Taxation

	Three months ended 31st March,		Nine months ended 31st March,	
	2002 RMB'000	2001 RMB'000	2002 RMB'000	2001 RMB'000
The charges comprises PRC income tax	<u>829</u>	<u>-</u>	<u>829</u>	<u>-</u>

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 applicable to Jiangxi Jinding is 33%, which consists of income tax from the state government of 30% and local bureau tax of 3%. Accordingly, Jinding is subject to the reduced usual income tax rate of 15% as well as 3% local bureau tax for the three months ended 31st March 2002.

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

#### 4. Earnings per share

The calculation of basic earnings per share for each of the three months and nine months ended 31st March, 2002 is based on the respective Group's unaudited net profit attributable to shareholders of approximately RMB3,775,000 and RMB18,483,000 and on the weighted average number of 915,555,556 shares and 837,956,204 shares in issue during the Periods.

The calculation of basic earnings per share for each of the three months and nine months ended 31st March, 2001 is based on the respective Group's unaudited net profit attributable to shareholders of approximately RMB3,666,000 and RMB9,732,000 and on the number of 800,000,000 shares that would have been in issue throughout the period on the assumption that the Group Reorganisation has been completed as mentioned in note 1 of this report.

There is no dilutive potential ordinary shares during the three months and nine months ended 31st March, 2001 and 2002. Accordingly, no diluted earnings per share has been presented.

## RESERVES

	Share Premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	PRC Statutory reserve <i>RMB'000</i>	Retained Profit <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 July 2001	–	–	414	13,884	14,298
Issue of new shares	60,900	–	–	–	60,900
Capitalisation of share premium account to pay up in full 780,000,000 shares	(8,190)	–	–	–	(8,190)
Share issuance expenses	(12,684)	–	–	–	(12,684)
Capital reserve arising from Group Reorganisation	–	(209)	–	–	(209)
Profit for the period	–	–	–	18,483	18,483
As at 31 March 2002	<u>40,026</u>	<u>(209)</u>	<u>414</u>	<u>32,367</u>	<u>72,598</u>

In accordance with the Law of the PRC on wholly-owned foreign investment enterprises, Jiangxi Jinding is required to appropriate an amount of not less than 10% of the profit after tax to the statutory reserve, until the accumulated total has reached 50% of its registered capital and thereafter any further appropriation is optional. As at 30th June, 2001, the accumulated total had reached 50% of the Jiangxi Jinding's registered capital and thereafter any further appropriation is optional.

## INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the nine months ended 31st March, 2002 (the nine months ended 31st March 2001 : Nil).

## FINANCIAL REVIEW

The financial results of the Group for the first nine months ended 31st March 2002 showed remarkable growth and improvements as compared to the corresponding period in the previous year. During the period under review, turnover of the Group amounted to approximately RMB44 million, representing an increase of approximately 105% as compared to the corresponding period in the previous year. The Group's operating profit for the nine months ended 31st March, 2002 increased by approximately 98% to approximately RMB19 million. The management believe that the satisfactory results was largely attributable to the continuous trend of North American corporations to outsource software development process to lower cost service providers such as those in PRC. In addition, the demand for well-functioned yet cost-effective packaged business management software has boosted the demand from the North American market for the Group's ODM and proprietary software. Also, in PRC, the increasing expenditure on business management software for PRC enterprises has further boosted the growth of the Group.

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

## RESEARCH AND DEVELOPMENT

During the period under review, the Group has established a new research and development centre in Nanchang, PRC. This enables the Group to increase its software development capacity to provide comprehensive services and support to existing and potential customers which require a larger and comprehensive scale of IT support. In addition, the Group has commenced the development of retail and pharmaceutical industry Group's business solutions and expects to be finished within a short period. For the development of new and enhanced modules in the Group's proprietary packaged software products, the Group has also started to develop the civil service management modules for use in municipal agencies in Jiangxi, PRC.

## BUSINESS REVIEW

The ODM and proprietary business application software services offered by the Group have overwhelming influence over various sectors such as the government entities, department stores in PRC, trading and IT services in North America.

In line with the Group's promotion plans, the Group held a series of promotion activities in PRC during the third quarter. Through media, exhibitions and press conferences, the Group presented their products and services to existing and potential clients so that the Group's brand awareness of "Ezacc" and "金鼎軟件" were gradually established among PRC customers.

In regards of sales channels and business development, the Group has continued to develop a comprehensive network of authorized agents and alliance partners in North America and the PRC to promote and market the Group's services and products.

Approximately 70% of the Group's total turnover were generated from North America and the remaining were from PRC during the period under review. Despite the incidents of "911" in the United States ("US"), one of our major market, the Group could still perform well. It is because the wages costs in PRC have been significantly lower than wages costs in the US and Europe for comparably skilled IT professionals so that the services and products offered by the Group are very competitive. In additions, the US software outsourcing market continued to grow tremendously in the past nine months.

The current status of the Group's three primary business segments is as follows:

#### Provision of ODM software

This business segment continued to be the Group's major business and accounted for 42% of the Group's turnover for the nine months ended 31st March 2002.

#### Provision of proprietary packaged software

The Group's Internet based business management software are highly recognized by PRC software market and continued to be recommended to commercial enterprises by China Software Industry Association. The Group is currently focusing on development of specific application software products for department stores and drug stores and is near to completion. This business segment recorded a significant growth and accounted for 23% of the Group's turnover for the nine months ended 31st March, 2002.

#### Provision of system solutions

Owing to the intense competition in the market of provision of systems solutions for both PRC and North America, this business segment showed only a slight growth and accounted for 35% of the Group's turnover for the nine months ended 31st March, 2002.

### OUTLOOK

According to the current US economics statistics, the US economy is gradually recovered from the incident of "911". On the other hand, as the PRC joined the World Trade Organisation, there will be more opportunities in the PRC software market. Coupled with the Group's newly established software development centre in Nanchang, PRC, the management expects that better results will be achieved in the 2002.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

At 31st March, 2002, 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	Corporate interests	Number of Shares			Total 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 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 31st March, 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 31st March, 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:

<b>Name</b>	<b>Number of Shares held</b>	<b>Approximate percentage shareholding</b>
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.

### **SPONSOR'S INTERESTS**

As updated and notified by the Company's sponsor, Core Pacific – Yamaichi Capital Ltd. ("CPYC"), none of the Sponsor itself, its directors, employees or associates had any interest in the securities of the Company as at 31st March, 2002.

Pursuant to the agreement dated 31st January, 2002 entered into between the Company and CPYC. CPYC is entitled to receive an advisory fee for acting as the Company's retained sponsor for the period from 8th February, 2002 to 30th June, 2004.

### **BOARD PRACTICES AND PROCEDURES**

During the nine months ended 31st March 2002, the Company has complied with the board practices and procedures as set out in Rules 5.28 and 5.39 of the GEM Listing Rules.

### **AUDIT COMMITTEE**

The audit committee was formed on 24th January, 2002 and comprise of Mr. Xin and two independent non-executive Directors, Mr. Chan Ngai Seng, Kenny and Mr. Xing Fengbing. 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 third quarter result report.

### **PURCHASE, SALES AND REDEMPTION OF SHARES**

During the nine months ended 31st March, 2002, neither the company nor any of its subsidiaries sold and redeemed Company's shares.

By Order of the Board  
**Golding Soft Limited**  
**Ng Kai Cheung**  
*Company Secretary*

Hong Kong, 13 May, 2002