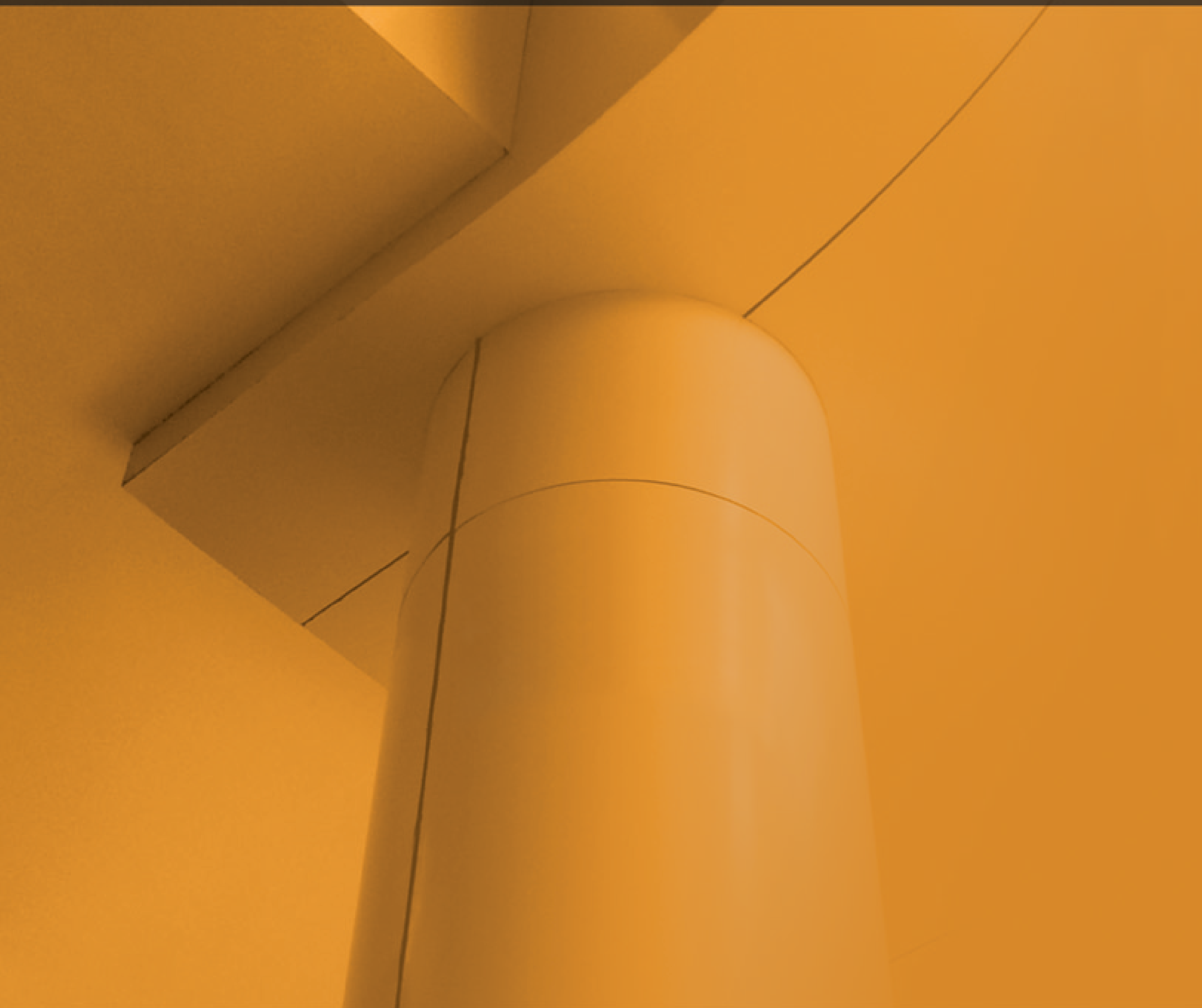
Golding Soft Limited

(incorporated in the Cayman Islands with limited liability)



2002 Annual 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.

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS
Mr. Li Jiahui
Mr. Wen Ruifeng
Mr. Xin Qian

NON-EXECUTIVE DIRECTORS
Mr. Gao Junhua

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Chan Ngai Sang, Kenny
Mr. Xing Fengbing

REGISTERED OFFICE
Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

COMPANY SECRETARY
Mr. Ng Kai Cheung, *AICPA*

AUTHORIZED REPRESENTATIVES
Mr. Wen Ruifeng
Mr. Ng Kai Cheung

COMPLIANCE OFFICER
Mr. Xin Qian

QUALIFIED ACCOUNTANT
Mr. Ng Kai Cheung, *AICPA*

AUDITORS
Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS
Bank of China (Hong Kong) Limited
Dao Heng Bank
Bank of Communications
Industrial and Commercial Bank of China
Nanchang Commercial Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Bank of Bermuda (Cayman) Limited
3rd Floor
36C Bermuda House
P.O. Box 513 G.T.
Dr. Roy's Drive
George Town
Grand Cayman
Cayman Islands
British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Central Registration Hong Kong Limited
Rooms 1901-5,
19/F., Hopewell Centre, 183 Queen's Road East
Hong Kong

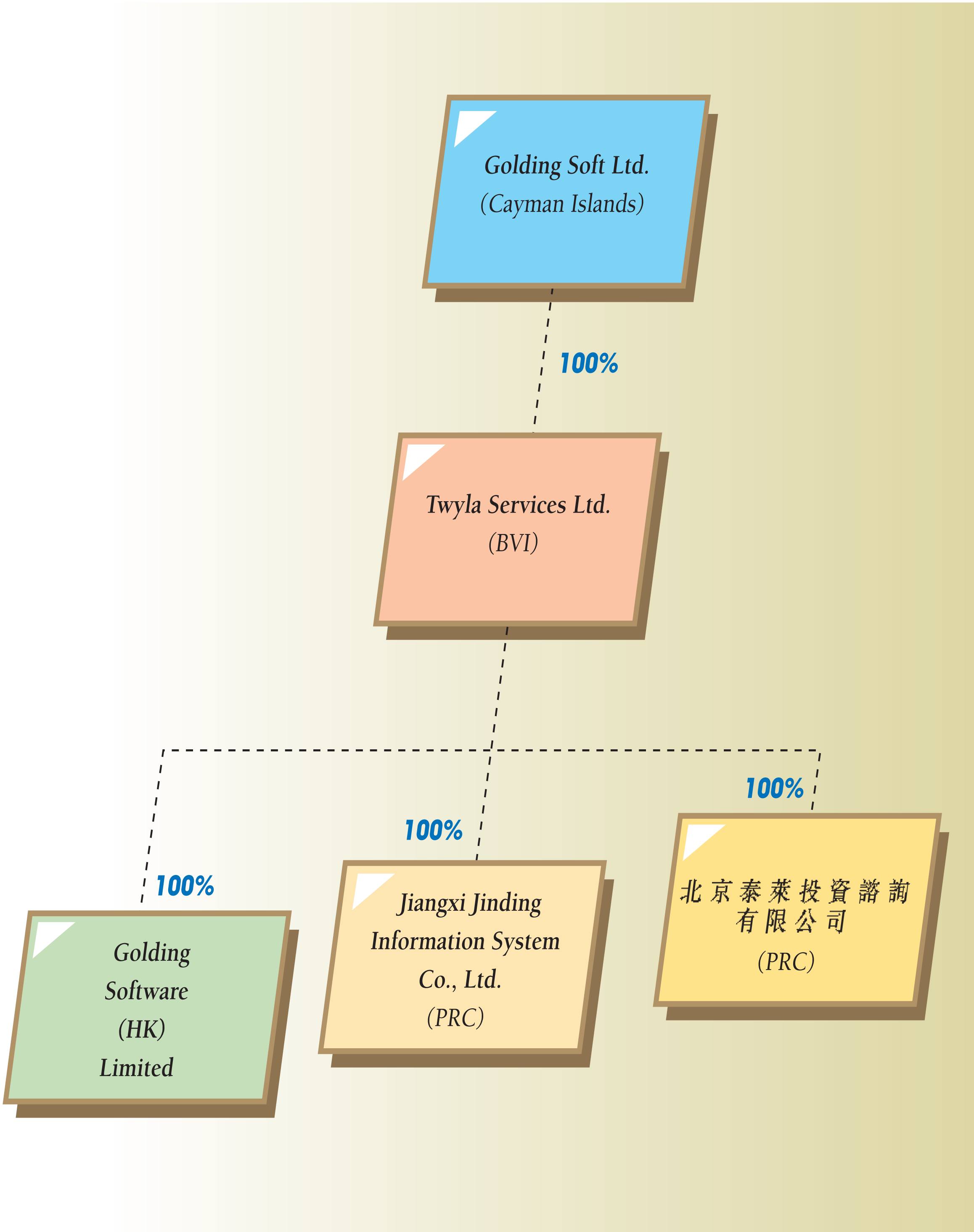
AUDIT COMMITTEE
Mr. Chan Ngai Sang
Mr. Xing Fengbing
Mr. Xin Qian

SPONSOR
Core Pacific – Yamaichi Capital Limited

WEB-SITES
www.goldingsoft.com

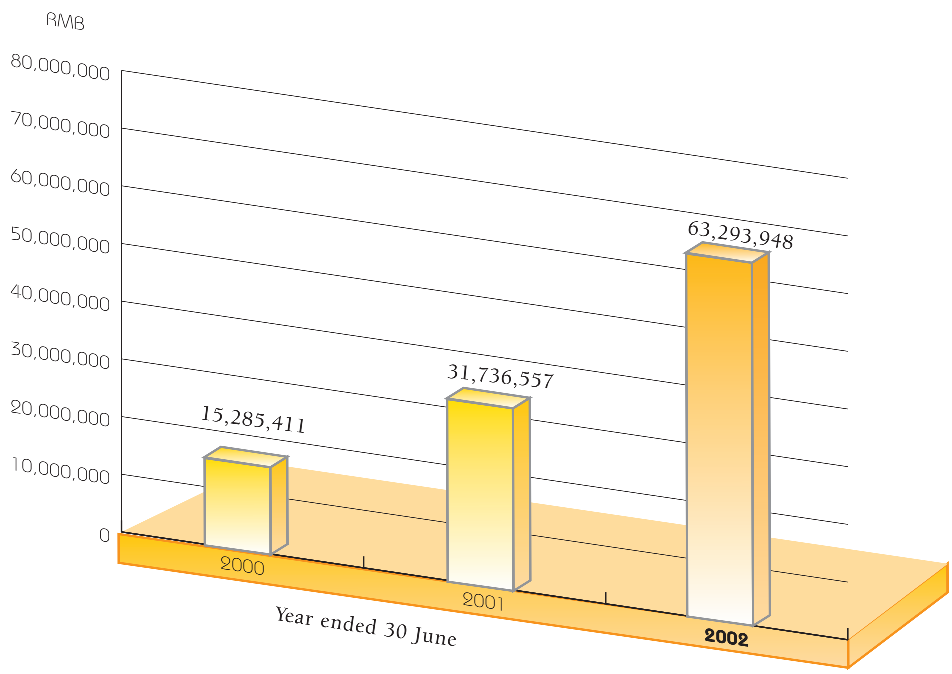
GROUP STRUCTURE

The following chart sets out the structure of the Group:

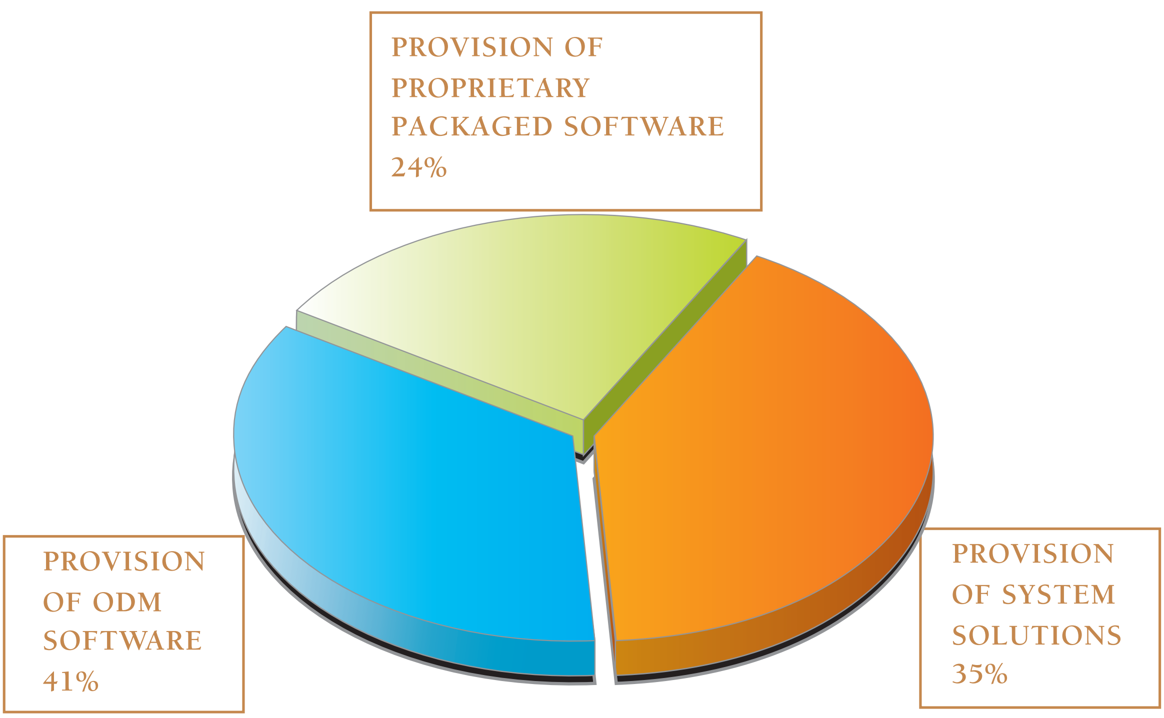


FINANCIAL HIGHLIGHT

TURNOVER



TURNOVER ANALYSIS FOR THE YEAR ENDED 30 JUNE, 2002



CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board"), I am pleased to present to our shareholders the first annual report of Golding Soft Limited and it subsidiaries (collectively "the Group") for the year ended 30 June, 2002.

It has been one of the most challenging years for the IT software industry all over the world and the Group has not been an exception. The global economic downturn and slump in the US economy, accentuated by the incident of September 11, have taken all their toll on the industry.

Despite the adverse environment, the Group was able to continue its record of revenue growth for the past financial years. It reaffirms the resilience of the Group's business model and the enduring nature of the value-based relationships that the Group has developed and sustained with its various business partners.

During the first year of listing on the GEM, the Group propelled its revenue to a record high of RMB63 million, as compared to RMB32 million in 2001. The profit attributable to shareholders for the year amounted to RMB28 million with basic earnings per share of approximately RMB3.19 cents.

In the coming years, the Group's most important task is how to treat the adverse global circumstances as an opportunity to restructure and move towards becoming a finely aligned, integrated, end-to-end services providers in all keys areas of the IT space.

Nowadays, a deeper understanding of the needs of various clients is more important than ever before. Firstly, competition is much more intense, and there are enough global software services providers to nibble at anybody's market share. Secondly, the days of "me-too" IT spends are over. The economics downturn has accelerated a process of change where corporate clients are very careful about their IT spending. They expect to rapidly maximize returns on such expenditure, and

CHAIRMAN'S STATEMENT

provide quick and demonstrable cost savings, while improving their customer satisfaction. Third, the focus is rapidly shifting towards working fewer, more reliable vendors that can deliver, implement and maintain a full range of IT services.

In this scenario, the future growth of the Group depends on being a best-in-class, end-to-end solution provider and the Group has begun work towards achieving that goal. For instance, an investment up to RMB10 million has been used for the establishment of a new research and development centre in Nanchang City, the PRC. This new research and development centre started its operations at February 2002 and will enable the Group to increase its software development capacity so as to provide a larger and more comprehensive scale of IT service.

PROSPECTS AND APPRECIATION

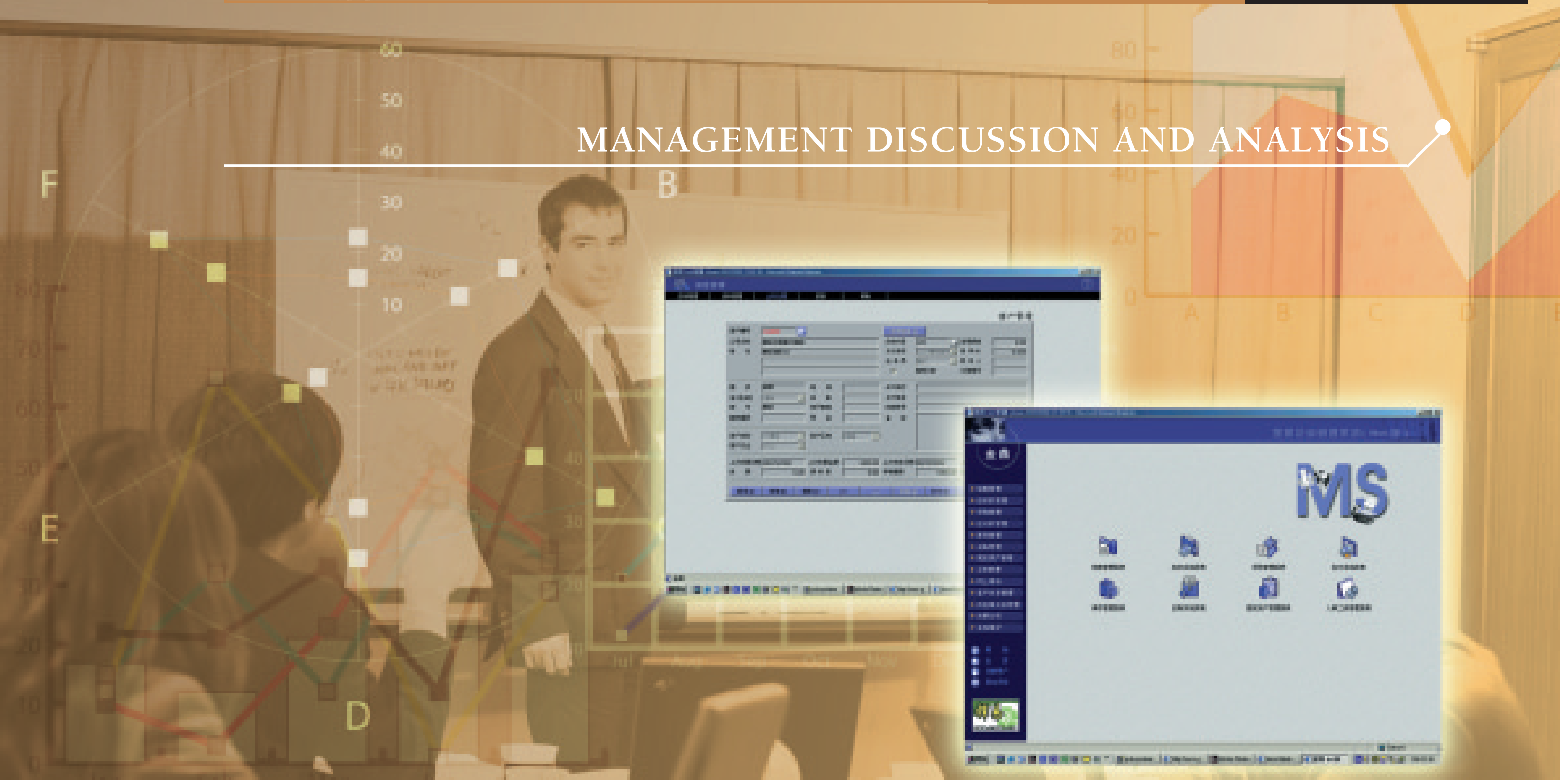
Judging from the recent US economics statistics, the recovery of US economy is still uncertain. Since US is our major market, the Group expects more pressure on the growth in US business in the coming years. However, the Group believes that the continual growth of PRC economy and the PRC's accession into the World Trade Organisation will raise the demand for the Group's products and services. Coupled with the Group's newly established research and development centre in Nanchang, PRC, the Group is prepared to meet more challenges ahead.

Finally, on behalf of the Board, I would like to take this opportunity to express my gratitude to all members of the Board and staff for their dedication and combination to the Group and to those who have continuously supported us. We will make our best efforts in developing our business to produce goods economics results and better returns for our shareholders.

Li Jiahui
Chairman

Hong Kong, 19 September 2002

MANAGEMENT DISCUSSION AND ANALYSIS



The following sections provide a detailed review and analysis of results and segmental performance of the financial year ended 30 June, 2002.

FINANCIAL REVIEW

The Group recorded a historical turnover of approximately RMB63 million representing a sharp surge of 99% as compared with the previous year. The amount of gross profit also increased by 94% to approximately RMB46 million. During the year under review, the gross profit margin was approximately 73%. Profit from operating activities amounted to approximately RMB31 million which represented a sharp increase of 99% as compared with the previous year. The Group's net profit attributable to shareholders for the year under review amounted to approximately RMB28 million as compared with approximately RMB15 million for the previous year.

Turnover of the Group's provision of ODM software, proprietary packaged software and system solutions recorded growth rates of approximately 90%, 64% and 151% respectively for the year ended 30 June, 2002 when compared with the previous financial year.

Approximately 66% of the Group's total turnover was generated from North America and the remaining was from PRC during the year under review. Despite the incidents of "911" and the slump in the US economy, one of our major markets, 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 year. For PRC market, the Group believes that with the high economics growth rate and the entry of WTO, the PRC enterprises have increased their investment to update their software solutions in order to meet foreign customers' needs and compile with international requirement.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

The Group generally finances its operation with internally generated cash flow. As at 30 June, 2002, the Group had cash and bank balances, including proceeds from the new issue of shares in February 2002, amounting to a total of approximately RMB80 million (2001: RMB12 million) and the Group had a net current assets of approximately RMB79 million (2001: RMB12 million).

With these resources, the Board believes that the Group has adequate capital resources to finance its business objectives as stated in the Prospectus.

Charges on the Group's asset

The Group did not have any charges on its assets, during the year under review.

Gearing ratio

The Group expresses its gearing ratio (if any) as a percentage of bank borrowing and long term debts over total assets. As at 30 June, 2002 and 2001, the Group did not have any bank borrowing or long term debts.

Material acquisitions/disposals and significant investment

The Group had no material acquisitions, disposals of subsidiaries and affiliated companies and significant investment during the year ended 30 June, 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

Treasury policies and capital structure

Any surplus fund derived from operating activities will be strategically placed in savings account which secures the Group's liquidity position in meeting its daily operating needs.

Exposure to exchange rate risks

During the year ended 30 June, 2002 and 2001, the Group conducted its business transactions principally in US Dollars or Renminbi, all of which were relatively stable during the year under review. The Group considered that as the exchange rate risks of the Group is considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

Contingent liabilities

As at 30 June, 2002, the Group did not have any significant contingent liabilities.

Details of future plans for material investment or capital assets

At present, the Group has no future plan for material investment or capital assets other than those mentioned in the Group's prospectus dated 31 January, 2002.

Employee information

For the year ended 30 June, 2002, the staff cost, excluding directors' remuneration, amounted to approximately RMB18.3 million (2001: RMB8.7 million) while the directors' remuneration amounted to approximately RMB1.4 million (2001: RMB0.7 million). The employee remuneration is commensurate with individual performance and experience. The increase in staff cost (excluding directors' remuneration) was resulted from the fact that the number of employee has increased from 127 to 206 and some of the high pay individuals have been employed.

To maintain the standard of Group's services and for staff development, the Group provided comprehensive training programs for its staff.

The Group had adopted a share option scheme whereby certain employees may be granted options to acquire shares.

MANAGEMENT DISCUSSION AND ANALYSIS

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 and drug stores in PRC, trading and IT services in North America.

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 41% of the Group's turnover for the year ended 30 June, 2002. During the year under review, the Group has successfully expanded its US client base, which represented approximately 70% of total ODM turnover and the remaining are PRC clients. The Group benefited from providing ODM software to US technology vendors since (i) these premium clients' software products could help the Group to keep abreast with the latest technological developments and trends in the global IT industry, and (ii) the Group could continue to develop and maintain its library of software modules using the end products of ODM software.

Provision of proprietary packaged software

This business segment recorded a significant growth and accounted for 24% of the Group's turnover for the year ended 30 June, 2002. The Group's web-based business management software products are highly recognized by PRC software market and continued to sell well in North America especially in the Silicon Valley, USA. Also, the versions for these web-based software, Zee web (for PRC) and Ezacc e-Business Solutions (for North America), have been strengthened and upgraded so as to incorporate the most updated technologies and applications to meet the evolving needs of our customers.

Provision of system solutions

This business segment showed a healthy growth and accounted for 35% of the Group's turnover for the year ended 30 June, 2002. 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. To support its turnkey projects, the Group also provides IT strategic consultancy and after sales services such as training to customers in relation to the use of the systems developed by the Group and the provision of maintenance services.

The capability of handling system solutions projects to the customers has proven that the Group is marching towards being a complete end-to-end solutions provider.

Sales and marketing

In line with the Group's promotion plans, the Group held a series of promotion activities in PRC and North America during the year. 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 "Zee Web" and "金鼎軟件" were gradually established among PRC customers. In North America market, the Group has participated in various trade shows and successfully attracted the order of new US clients.

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. In addition, the Group has also set up two subsidiaries in Hong Kong and Beijing, PRC respectively. The HK subsidiary is to explore the East Asia Market and has been actively discussing with many potential IT partners for strategic alliances. For Beijing subsidiary, it will act as the direct marketing arm of the Group to promote the Group's products and services in Northern China, especially Beijing, PRC.

In PRC, the Group has arranged visits of well-known Government officials to the Group's new headquarters in Nanchang City, the PRC in order to promote its public awareness. During the year under review, the Group has successfully secured new projects from Jiangxi government entities namely as 江西省人事廳, 江西省檢察院, 江西省公安交警大隊.

RESEARCH AND DEVELOPMENT

During the year 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 large and more comprehensive IT services and support to existing and potential customers which require a larger and comprehensive scale of IT service. This can be reflected from the sharp increase in turnover during the fourth quarter.

In addition, innovation is the soul of the Group. The Group believes that keeping pace with market trends and technological advancement is the only way to equip the Group to meet the challenges ahead. For the year ended 30 June, 2002, the Group has focused on developing new specific application software products to meet different market demands, most of them have completed and launched to the market. Some of the Group's products are: (i) the specialized software products for department stores; and (ii) the GSP-based management system software for the drug stores. Finally, the Group has commenced the development of middle ware for accessing and linking different database systems of the remote offices of multinational corporations to the application software systems and expects to be completed in the next year.

As at 30 June, 2002, the Group has a pool of 147 IT professionals serving North America and PRC customers.

MANAGEMENT DISCUSSION AND ANALYSIS

STRATEGIC ALLIANCES

The Group's strategic partnerships with PRC renowned educational institutions including Tsinghua University, Nanchang University and Jiangxi University of Finance and Economics not only improves the Group's research and development capabilities but also allows it to have access to and recruit top level IT professionals in PRC. During the year under review, the Group has also arranged seminar on information technology in conjunction with Nanchang University and Jiangxi University of Finance and Economics in the PRC. In June 2002, the Group has entered into an agreement with "東華理工大學" to jointly set up an international software educational institution which is the first one providing internationally recognized program in Jiangxi province and will recruit experienced oversea professors for teaching.

HUMAN RESOURCES

The numbers of the Group's employees (including the Directors) are set out as follows:

	As at 30 June, 2002	As at 30 June, 2001
Research and development and technical support	**147**	68
Sales and Marketing	**47**	46
Management, finance and administration	**18**	15
Total	**212**	129

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

	Business Objective up to 30 June, 2002 as stated in Prospectus	Actual business progress
Sales and marketing	To set up one subsidiary branch office in each of Beijing Municipality, Shanghai Municipality and Guangzhou, the PRC and another one in the Silicon Valley, the US.	Two subsidiaries, 北京泰萊投資諮詢有限公司 and Golding Software (HK) Ltd, are set up in Beijing Municipality and Hong Kong respectively.
	To appoint more authorized agents and alliance partners to enhance the distribution network of the Group.	Additional authorized agents and alliance partners have been appointed in PRC and US to enhance the distribution network of the Group.
	To advertise and promote the Group's proprietary packaged software through (i) the Group's authorized agents and alliance partners; (ii) direct marketing by the Group's sales and marketing team; and (iii) attending or organizing conferences and seminars.	All advertisement and promotion activities have been carried out as planned.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

	Business Objective up to 30 June, 2002 as stated in Prospectus	Actual business progress
Research and development	To evaluate opportunities to establish co-operation arrangements with more educational institutions/business partners in East Asia and North America.	In June 2002, the Group has entered into an agreement with "東華理工大學" to jointly set up an international software educational institution in Jiangxi provinces.
		Discussion with the potential business partners (an IT solution provider) in North America is in progress.
	To commence development of middle ware to complement the Group's business solutions.	The Group has commenced the development of middle ware and expects to be completed in the next year.
	To commence development of supply relationship management modules for use in the Group's products.	The supply relationship management modules has been developed and used in the Group's products.
	Complete development of specific application software products for department stores and drug stores.	Both specific application software products for department stores and drug stores has been developed and launched.
Quality assurance and award	To be certified as CMM level 3 compliant.	The Group intends to make such applications in the next year.
Acquisitions	To evaluate opportunities for possible mergers and acquisitions in North America and/or East Asia which will complement the Group's businesses.	The Group has evaluated a number of mergers and acquisitions opportunities but due to the uncertainty on profitability and pay-back period, the Group has decided to take a cautious approach and has not yet identified a suitable target company.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

USE OF PROCEEDS FROM THE PLACING OF NEW SHARES

The proceeds from the Company's issue of new shares at the time of its listing on the GEM in February 2002, after deduction of related issuance expenses, amounted to approximately HK$50 million. During the year ended 30 June, 2002, the net proceeds were applied in the following areas:

– approximately HK$4.6 million was used for research and development (including establishment of new R&D centre, computer equipment and accessories and recruitment of IT professionals);

– approximately HK$2.1 million was used for establishment of branch offices;

– approximately HK$1.7 million was used for the improvement of the Group's quality assurance system; and

– the balance of HK$41.6 million has been mainly placed on short term time deposits with banks in Hong Kong for future use as identified by the Group's business plans.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

EXECUTIVE DIRECTORS

Mr. Li Jiahui (李佳輝), aged 42, is the chairman of the board of Directors of the Company, an executive Director and one of the founders of the Group. Mr. Li is responsible for the overall strategic planning and development of the Group. Mr. Li graduated from Wuhan Technical Institute (武漢工學院) with a university diploma in machinery design and manufacturing in 1982 and has also pursued studies in Japan. Mr. Li has substantial working experience in business planning and development and the IT industry.

Mr. Wen Ruifeng (溫瑞峰), aged 38, is an executive Director, chief executive officer and one of the founders of the Group. Mr. Wen is mainly responsible for the management of the daily operations of the Group. He has over 10 years of management experience in various sectors of the IT industry gained from a number of multinational corporations including Sony Corporation group in Japan and Quantum Corporation in the US. Mr. Wen holds a bachelor's degree in computer science and a master's degree in management engineering from Tsinghua University (清華大學) and a master's degree in business administration from University of Virginia in the US.

Mr. Xin Qian (辛謙), aged 37, is an executive Director and one of the founders of the Group. Mr. Xin is in charge of the sales and marketing department and research and development department of the Group. He has over 12 years of experience in the IT industry. Prior to founding the Group, Mr. Xin had worked in a number of multinational companies in the Silicon Valley, the US in which he was involved in full range software development process including system design and integration and software development. Mr. Xin holds a bachelor's degree in accounting from San Francisco State University in the US.

NON-EXECUTIVE DIRECTOR

Mr. Gao Junhua (高俊華), aged 40, is a non-executive Director. He has served as the Technical Adviser of Guangzhou Municipality, the PRC since December 1999. From 1986 to 1992, he was a software engineer at Guangzhou Marine & Shipping Design Research Institute (廣州船舶及海洋工程設計院). He received a master's degree in shipping and marine engineering from Shanghai Jiao Tong University (上海交通大學) in 1986. Mr. Gao joined the Group in January 2002. Mr. Gao is also an executive director of Cytech.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Ngai Sang Kenny (陳毅生), aged 37, is an independent non-executive Director. He is presently a partner and founder of Kenny Chan & Co.. He has more than 10 years of experience in accounting, tax, auditing and corporate finance and has participated in a number of mergers and acquisitions and public flotation assignments. Mr. Chan holds a bachelor's degree in commerce from the University of New South Wales in Australia and is a member of the Institute of Chartered Accountants of New Zealand, Australia CPA, Hong Kong Society of Accountants and Taxation Institute of Hong Kong. Mr. Chan was appointed as an independent non-executive Director in January 2002.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Xing Fengbing (邢鳳炳), aged 62, is an independent non-executive Director and is currently an editorial writer of the Hong Kong Commercial Daily. Mr. Xing has substantial experience in journalism in Hong Kong and the PRC and has worked in The People's Daily (人民日報) and Shenzhen Special Zone Daily (深圳特區報). He holds a bachelor's degree in journalism from Qinan University (暨南大學) in the PRC. Mr. Xing was appointed to be an independent non-executive Director in January 2002.

SENIOR MANAGEMENT

Mr. Ng Kai Cheung, Martin (吳啟章), aged 32, is the financial controller, qualified accountant and company secretary of the Company. He is responsible for the overall financial control, accounting and company secretarial matters of the Group. Mr. Ng has over seven years of experience in auditing, accounting and finance. Prior to joining the Group in July 2001, he was the finance manager and company secretary of a company listed on GEM. Mr. Ng graduated from Lingnan University in Hong Kong with a major in finance in 1994. He is also a member of the American Institute of Certified Public Accountants.

Mr. Huang Boqi (黃伯麒), aged 37, is the vice president of the Group and is responsible for the administration of the Group. Prior to joining the Group in October 1998, Mr. Huang has over 10 years of experience in corporate management including international sales and marketing and corporate management. Mr. Huang holds a bachelor's degree in engineering from South China Technical Institute (華南工學院) and a master's degree in economics from Jiangxi University of Finance (江西財經大學) in the PRC. Mr. Huang was designated by the Jiangxi Provincial People's Government (江西省人民政府) and Jiangxi Provincial Young Entrepreneurs Association (江西省青年企業協會) as an Elite Young Entrepreneur of Jiangxi Province (江西省傑出青年企業家) in 2000.

Mr. Du Jianqiang (杜建強), aged 33, is the chief technology officer of the Group. He is responsible for the overall control of the development and design of the Group's IT products and services. Prior to joining the Group in April 1999, Mr. Du has over seven years of experience in software design, development and management. Mr. Du holds a bachelor's degree in engineering from Tsinghua University (清華大學) and a master's degree in mechanical engineering from Central China University of Technology (華中理工大學). Mr. Du was designated by Nanchang Science Technology Commission (南昌科學技術委員會) as one of the Top Ten Young Technology Elites of Nanchang City (南昌市十大青年科技明星) and the Jiangxi Provincial People's Government (江西省人民政府) as a Model Labour of Jiangxi Province (江西省勞動模範) in July 2000 and September 2000 respectively.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Tu Haining (涂海寧), aged 37, is the manager of IT support of the Group. He joined the Group in October 1998 and is mainly responsible for the Group's IT support to its customers. Mr. Tu has substantial experience in development of software, system analysis and design in Jiangxi Kehuan Electronic Technology Co., Ltd. (科環電子技術有限公司) and Nanchang University (南昌大學) in the PRC. Mr. Tu holds a bachelor's degree in mechanical engineering from Wuhan Aquatics Engineering College (武漢水運工程學院), a master's degree in mechanical engineering from Harbin Industry University (哈爾濱工業大學) and a doctor of philosophy's degree in machinery design from Central China University of Technology (華中理工大學).

REPORT OF THE DIRECTORS

The directors are pleased to present their report and the audited financial statements of the Company and the Group for the year ended 30 June, 2002. The shares of the Company were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "SEHK") on 8 February, 2002.

GROUP REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 28 August, 2001. Pursuant to a reorganisation scheme (the "Group Reorganisation") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the GEM, the Company became the holding company of the companies now comprising the Group on 24 January, 2002. Further details of the Group Reorganisation and of the subsidiaries acquired pursuant thereto are set out in notes 1 and 21 to the financial statements.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are the provision of original design manufacturing ("ODM") software, the sale of proprietary packaged software and the provision of system solutions. There were no significant changes in the nature of the Group's principal activities during the year.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 30 June, 2002 is set out in note 4 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 30 June, 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 28 to 57.

The directors do not recommend the payment of any dividend in respect of the year ended 30 June, 2002.

REPORT OF THE DIRECTORS

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new shares at the time of its listing on the GEM in February, 2002, after deduction of related issuance expenses, amounted to approximately HK$50 million. These proceeds were fully applied during the year ended 30 June, 2002 in accordance with the proposed applications set out in the Company's listing prospectus, as follows:

– approximately HK$4.6 million was used for research and development;

– approximately HK$2.1 million was used for establishment of branch offices;

– approximately HK$1.7 million was used for the improvement of the Group's quality assurance system; and

– the balance of HK$41.6 was applied as additional working capital of the Group and has been mainly placed on short term time deposits with banks in Hong Kong.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last three financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 58. This summary does not form part of the audited financial statements.

FIXED ASSETS

Details of movements in the fixed assets of the Company and the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 21 to the financial statements.

During the year, there were no convertible securities, options, warrants or similar rights, issued or granted by the Company or its subsidiaries.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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 year.

REPORT OF THE DIRECTORS

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 22 to the financial statements.

DISTRIBUTABLE RESERVES

At 30 June, 2002, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to RMB38,016,732. This includes the Company's share premium account of HK$40,026,000 at 30 June, 2002, which may be distributed in the form of fully paid bonus shares, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Li Jiahui ("Mr. Li")	(appointed on 3 September, 2001)
Mr. Wen Ruifeng ("Mr. Wen")	(appointed on 3 September, 2001)
Mr. Xin Qian ("Mr. Xin")	(appointed on 3 September, 2001)

Non-executive directors:

Mr. Gao Junhua	(appointed on 23 January, 2002)
Mr. Xing Fengbing*	(appointed on 23 January, 2002)
Mr. Chan Ngai Sang, Kenny*	(appointed on 23 January, 2002)

* Independent non-executive directors

In accordance with article 108(A) of the Company's articles of association, Mr. Xin will retire by rotation and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 16 to 18 of the annual report.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of the three executive directors has entered into a service contract on 24 January, 2002 with the Company for an initial term of three years commencing from 7 February, 2002, which will continue thereafter until terminated by either party giving not less than three months' notice in writing.

The two independent non-executive directors and the non-executive director have been appointed for a term of two years expiring on 23 January, 2004.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save for the transactions in connection with the Group Reorganisation in preparation for the listing of the Company's shares on the GEM, no director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

At 30 June, 2002, the interests of the directors in the share capital of the Company, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Name of director	Type of interest	Number of issued ordinary shares of HK$0.01 each held in the Company
Mr. Li	Personal	189,000,000
Mr. Wen	Corporate *(Note)*	249,000,000
Mr. Xin	Corporate *(Note)*	249,000,000

Note:

These shares are registered in the name of Unrivaled Beauty Profits Limited ("Unrivaled Beauty"). Mr. Wen and Mr. Xin are the owners of 47% and 38%, respectively, of the issued share capital of Unrivaled Beauty. Under the SDI Ordinance, Mr. Wen and Mr. Xin are 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 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 OR DEBENTURES

At no time during the year 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 children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include employees or proposed employees of the Group, the Company's directors, including non-executive directors, suppliers of goods or services to the Group, customers of the Group, persons or entities who provide technology support to the Group, shareholders of any of the Group companies, and any other participants determined by the Company's directors as having contributed or may contribute by way of joint venture or business alliances to the development and growth of the Group. The Scheme became effective on 24 January, 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of securities which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Group may not in aggregate exceed 30% of the Company's shares in issue from time to time. The total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Scheme and any other share option scheme of the Group) to be granted under the Scheme and any other share option scheme of the Group may not in aggregate exceed 10% of the Company's shares in issue.

The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive, management shareholder or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (continued)

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of grant of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the SEHK closing price of the Company's shares on the date of the offer of the share options; (ii) the average SEHK closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares.

Further details of the Scheme are set out in the Company's prospectus dated 31 January, 2002.

Up to the date of this report, no options have been granted or agreed to be granted under the Scheme.

SUBSTANTIAL SHAREHOLDERS

At 30 June, 2002, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	*Notes*	Number of shares held	Percentage of the Company's share capital
Cytech Investment Limited ("Cytech Investment")	(a)	312,000,000	31.2
Benep Management Limited ("Benep")	(a)	312,000,000	31.2
Cytech Software Limited ("Cytech")	(a)	312,000,000	31.2
ESP Associates Limited	(b)	312,000,000	31.2
Wang Xiaochuan	(b)	312,000,000	31.2
Unrivaled Beauty	(c)	249,000,000	24.9
Mr. Li		189,000,000	18.9
Mr. Wen	(c)	249,000,000	24.9
Mr. Xin	(c)	249,000,000	24.9

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDERS' (continued)

Notes:

(a) 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 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.

(b) 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.

(c) 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.

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 pursuant to Section 16(1) of the SDI Ordinance.

SPONSOR'S INTERESTS

As at 30 June, 2002, neither Core Pacific-Yamaichi Capital Limited (the "Sponsor"), nor any of its respective directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company or of any members of the Group, or had any right to subscribe for or to nominate persons to subscribe for the securities of the Company or of any members of the Group.

Pursuant to a sponsor agreement dated 31 January, 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 8 February, 2002 to 30 June, 2004.

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 businesses of the Group, or has any other conflict of interests with the Group.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS

During the year, Twyla Services Limited, a subsidiary of the Company, entered into an operating lease arrangement (the "Licence Agreement") in respect of the Group's office premises in Hong Kong, and paid rentals to Cytech Software (HK) Limited, which is a wholly-owned subsidiary of Cytech, a substantial shareholder of the Company. The Licence Agreement lasts for two years and has total minimum lease payments of HK$840,000. The independent non-executive directors have confirmed that the transaction was entered into in the ordinary and usual course of business of the Company. The monthly rentals were calculated by reference to open market rentals for similar premises. Further details of the transaction are set out in note 27 to the financial statements.

AUDIT COMMITTEE

The audit committee was established in accordance with the requirements of the GEM Listing Rules on 24 January, 2002, and comprises Mr. Xin and the two independent non-executive directors, Mr. Chan Ngai Sang, Kenny and Mr. Xing Fengbing. The primary duties of the 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 of directors. Two meetings were held during the current financial year.

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 8 February, 2002.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

By Order of the Board
Golding Soft Limited
Li Jiahui
Chairman

Hong Kong
19 September, 2002

REPORT OF THE AUDITORS

ERNST & YOUNG

To the members
Golding Soft Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 28 to 57 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June, 2002 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
19 September, 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 30 June, 2002

		Year ended 30 June,	
		2002	2001
	Notes	RMB	RMB
TURNOVER	5	63,293,948	31,736,557
Cost of sales		(16,868,235)	(7,751,584)
Gross profit		46,425,713	23,984,973
Other revenue	5	560,658	215,485
Selling and distribution costs		(8,676,134)	(5,415,221)
Administrative expenses		(6,288,063)	(2,714,383)
Other operating expenses		(1,240,860)	(638,788)
PROFIT FROM OPERATING ACTIVITIES	6	30,781,314	15,432,066
Tax	9	(2,776,873)	–
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	10, 22	28,004,441	15,432,066
Earnings per share – Basic *(RMB)*	12	3.19 cents	1.93 cents

Other than the net profit for the year attributable to shareholders, the Group had no recognised gains or losses. Accordingly, a statement of recognised gains and losses is not presented in the financial statements.

CONSOLIDATED BALANCE SHEET

30 June, 2002

	Notes	2002 RMB	2001 RMB
NON-CURRENT ASSETS			
Fixed assets	13	13,580,647	2,563,064
CURRENT ASSETS			
Trade receivables	15	6,254,798	1,969,857
Prepayments, deposits and other receivables	16	1,860,974	938,041
Cash and cash equivalents	17	79,980,877	11,540,086
		88,096,649	14,447,984
CURRENT LIABILITIES			
Trade payables	18	246,344	159,268
Tax payable		2,017,943	–
Other payables and accruals	19	4,804,682	2,320,560
Trade deposits received		1,803,600	232,750
Due to a related company	20	185,816	–
		9,058,385	2,712,578
NET CURRENT ASSETS		79,038,264	11,735,406
		92,618,911	14,298,470
CAPITAL AND RESERVES			
Issued capital	21	10,500,000	210,000
Reserves	22	82,118,911	14,088,470
		92,618,911	14,298,470

Xin Qian
Director

Wen Ruifeng
Director

CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 June, 2002

	Notes	2002 RMB	2001 RMB
NET CASH INFLOW FROM OPERATING ACTIVITIES	23(a)	30,536,377	14,866,898
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		560,658	110,604
Net cash inflow from returns on investments and servicing of finance		560,658	110,604
TAX			
Tax paid in the mainland of the PRC		(758,930)	–
Tax paid		(758,930)	–
INVESTING ACTIVITIES			
Purchases of fixed assets		(12,213,314)	(2,151,310)
Net cash outflow from investing activities		(12,213,314)	(2,151,310)
NET CASH INFLOW BEFORE FINANCING ACTIVITIES		18,124,791	12,826,192
FINANCING ACTIVITIES	23(b)		
Proceeds from issue of share capital		63,000,000	–
Share issue expenses		(12,684,000)	–
Repayment of a loan from a director and his affiliate		–	(2,475,000)
Repayment of advances from directors		–	(3,516,683)
Net cash inflow/(outflow) from financing activities		50,316,000	(5,991,683)
INCREASE IN CASH AND CASH EQUIVALENTS		68,440,791	6,834,509
Cash and cash equivalents at beginning of year		11,540,086	4,705,577
CASH AND CASH EQUIVALENTS AT END OF YEAR		79,980,877	11,540,086
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		38,799,525	11,540,086
Time deposits with original maturity of less than three months when acquired		41,181,352	–
		79,980,877	11,540,086

BALANCE SHEET

30 June, 2002

	Notes	RMB
NON-CURRENT ASSETS		
Investments in subsidiaries	14	210,000
CURRENT ASSETS		
Due from subsidiaries	14	50,398,172
CURRENT LIABILITIES		
Other payables and accruals	19	2,091,440
NET CURRENT ASSETS		48,306,732
		48,516,732
CAPITAL AND RESERVES		
Issued capital	21	10,500,000
Reserves	22	38,016,732
		48,516,732

Xin Qian
Director

Wen Ruifeng
Director

NOTES TO FINANCIAL STATEMENTS

30 June, 2002

1. CORPORATE INFORMATION AND GROUP REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 28 August, 2001. The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, the British West Indies.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are the provision of original design manufacturing ("ODM") software, the sale of proprietary packaged software and the provision of system solutions. There were no significant changes in the nature of the Group's principal activities during the year.

Pursuant to a reorganisation scheme (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 Company became the holding company of the companies now comprising the Group on 24 January, 2002. This was accomplished by acquiring the entire issued share capital of Twyla Services Limited ("Twyla"), the intermediate holding company of the Group, in consideration of and in exchange for (i) the issue and allotment of an aggregate of 10,000,000 new shares in the Company, credited as fully paid, to the former shareholders of Twyla; and (ii) the credit as fully paid of the 10,000,000 shares of HK$0.01 each in the Company allotted and issued nil paid. Further details of the Group Reorganisation are set out in note 21 to the financial statements and in the Company's prospectus dated 31 January, 2002.

On 8 February, 2002, the shares of the Company were listed on the GEM.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

- Interpretation 12: "Business combinations – subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs and Interpretations are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. The adoption of this revised SSAP has no significant effect on the financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, and therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 25 to the financial statements.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. The adoption of this revised SSAP has no significant effect on the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. The adoption of this SSAP does not have a significant effect on the financial statements.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have not been significant for these financial statements.

NOTES TO FINANCIAL STATEMENTS

30 June, 2002

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPS") (continued)

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The new SSAP 30 has had no major impact on these financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures in the preparation and presentation of consolidated financial statements, and has had no significant impact on the preparation of these financial statements.

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and consolidation

The consolidated financial statements have been prepared using the merger basis of accounting as a result of the Group Reorganisation. On this basis, the Company has been treated as the holding company of its subsidiaries throughout the period from 1 July, 2000, rather than from the date of their acquisition pursuant to the Group Reorganisation on 24 January, 2002. Accordingly, the consolidated results and cash flows of the Group for each of the two years ended 30 June, 2002 include the results and cash flows of the Company and its subsidiaries with effect from 1 July, 2000 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 of the Group as a whole.

All significant intercompany transactions and balances within the Group are eliminated in the preparation of the consolidated financial statements.

The financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, 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.

A comparative Company balance sheet has not been presented because the Company did not exist at 30 June, 2001.

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

NOTES TO FINANCIAL STATEMENTS

30 June, 2002

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of assets over the following estimated useful lives:

Leasehold land and buildings	The shorter of the lease terms and 20 years
Leasehold improvements	The shorter of the lease terms and 5 years
Computer equipment	5 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	5 years

The gain or loss on disposal of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Research and development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are amortised using the straight-line basis over the commercial lives of the underlying products, commencing from the date when the products are put into commercial production.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue on the rendering of services is recognised based on the stage of completion of the contract, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The stage of completion of a contract is established by reference to physical completion of a particular phase of the contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences in the recognition of revenue and expenses for tax and for financial reporting purposes, to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

NOTES TO FINANCIAL STATEMENTS

30 June, 2002

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, based on the stage of completion of contracts, as further explained in the accounting policy for “contracts for services” above;

(c) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable; and

(d) maintenance fee income, on a time proportion basis over the maintenance period.

Foreign currencies

The Group’s principal operations are conducted in the People’s Republic of China (the “PRC”). Accordingly, the financial statements have been prepared in Renminbi (“RMB”), being the functional currency of the Company’s principal subsidiaries. Transactions denominated in currencies other than RMB are translated into RMB at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated into RMB at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of non-PRC subsidiaries are translated into RMB at applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Retirement benefits scheme

The employees of the Company’s subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. Contributions under the scheme are charged to the profit and loss account as incurred.

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the ODM segment engages in the design and development of ODM software for various business enterprises and government authorities, including software development key research and study, business consultancy, system design, coding, system testing and installation;

(b) the proprietary packaged software segment includes the research and development of proprietary packaged software for various business applications such as business management, financial management, office automation and e-commerce; and

(c) the system solutions segment provides total information technology solutions, including strategic consultancy, design and development of software, system networking and systems integration for business management, distribution of computer hardware, maintenance and upgrading services.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

NOTES TO FINANCIAL STATEMENTS

30 June, 2002

4. SEGMENT INFORMATION (continued)

(a) Business segments

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

	ODM		Proprietary packaged software		System solutions		Consolidated	
	2002 RMB	2001 RMB	2002 RMB	2001 RMB	2002 RMB	2001 RMB	2002 RMB	2001 RMB
Segment revenue: Sales to external customers	25,864,002	13,635,725	15,075,215	9,200,908	22,354,731	8,899,924	63,293,948	31,736,557
Segment results	16,614,929	8,700,274	10,813,300	6,579,086	12,218,790	4,378,316	39,647,019	19,657,676
Interest income and unallocated gains							560,658	215,485
Unallocated expenses							(9,426,363)	(4,441,095)
Profit from operating activities							30,781,314	15,432,066
Tax							(2,776,873)	–
Net profit from ordinary activities attributable to shareholders							28,004,441	15,432,066
Segment assets	2,817,948	1,076,300	914,878	360,157	2,521,972	533,400	6,254,798	1,969,857
Unallocated assets							95,422,498	15,041,191
Total assets							101,677,296	17,011,048
Segment liabilities	1,321,345	–	–	–	728,599	392,018	2,049,944	392,018
Unallocated liabilities							7,008,441	2,320,560
Total liabilities							9,058,385	2,712,578

An analysis of capital expenditure and depreciation charge for the business segments has not been presented because the majority of the related fixed assets are used by more than one segment.

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following summary presents revenue, profit and certain asset and expenditure information for the Group's geographical segments.

Group

	North America		The PRC*		Consolidated	
	2002	2001	2002	2001	2002	2001
	RMB	RMB	RMB	RMB	RMB	RMB
Segment revenue:						
Sales to external customers	41,648,032	22,535,214	21,645,916	9,201,343	63,293,948	31,736,557
Segment results	28,443,336	15,456,775	11,203,683	4,200,901	39,647,019	19,657,676
Other segment information:						
Segment assets	4,201,129	1,513,100	97,476,167	15,497,948	101,677,296	17,011,048
Capital expenditure	–	–	12,213,314	2,151,310	12,213,314	2,151,310

* The PRC includes Hong Kong.

NOTES TO FINANCIAL STATEMENTS

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5. TURNOVER

Turnover represents the net invoiced value of goods sold and services rendered, after allowances for returns and trade discounts, where applicable.

An analysis of turnover and other revenue is as follows:

	2002 RMB	2001 RMB
Turnover		
Sale of goods	17,527,742	10,852,374
Rendering of services	45,766,206	20,884,183
	63,293,948	31,736,557
Other revenue		
Interest income	560,658	110,604
Forfeited deposits	–	104,881
	560,658	215,485
	63,854,606	31,952,042

6. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities is arrived at after charging/(crediting):

	2002 RMB	2001 RMB
Cost of inventories sold/cost of services provided	16,868,235	7,751,584
Depreciation	1,195,731	285,482
Operating lease rentals in respect of land and buildings	446,804	393,150
Auditors' remuneration	800,000	315,000
Research and development expenses	1,240,860	638,788
Staff costs (excluding directors' remuneration – note 7):		
Salaries and wages	17,345,762	7,138,836
Retirement scheme contributions	912,934	1,567,195
	18,258,696	8,706,031
Exchange gains, net	(79,653)	(72,462)
Interest income	(560,658)	(110,604)

NOTES TO FINANCIAL STATEMENTS

30 June, 2002

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on the GEM and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2002	2001
	RMB	RMB
Fees	**245,700**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**1,199,790**	672,000
	1,445,490	672,000

During the year, the three executive directors received individual emoluments of RMB 209,790, RMB495,000 and RMB495,000 (2001: Nil, RMB348,000 and RMB324,000). The non-executive director received individual fees of RMB94,500 (2001: Nil). Each of the two independent non-executive directors received individual fees of RMB75,600 (2001: Nil).

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2001: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2001: three) non-director, highest paid employees are as follows:

	Group	
	2002	2001
	RMB	RMB
Salaries, allowances and benefits in kind	**2,160,000**	202,000

The remuneration paid to each of the non-directors, highest paid employees fell within the band of nil to HK$1,000,000 for each of the years ended 30 June, 2001 and 2002.

9. TAX

No income tax has been provided in Hong Kong during the year as the Group did not generate any assessable profits arising from its operations in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2002	2001
	RMB	RMB
Current year provision:		
Hong Kong	–	–
Elsewhere in the PRC	2,776,873	–
Tax charge for the year	2,776,873	–

NOTES TO FINANCIAL STATEMENTS

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9. TAX (continued)

According to the Income Tax Law of the PRC and as approved by relevant tax authorities, Jiangxi Jinding Information System Co., Ltd. ("Jiangxi Jinding"), a wholly-owned subsidiary of the Company operating in the PRC, was exempted from the PRC corporate income tax ("CIT") for its first two profit-making years and was entitled to a 50% relief from CIT for the following three years. Accordingly, Jiangxi Jinding was exempted from CIT from 1 January, 2000 to 31 December, 2001 and is entitled to a 50% relief from CIT from 1 January, 2002 to 31 December, 2004. During the year, provisions for CIT for Jiangxi Jinding have been made at the applicable reduced tax rate on the foregoing basis.

No deferred tax has been provided as the Group did not have any significant timing differences at the balance sheet date.

10. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company, for the period from 28 August, 2001 (date of incorporation) to 30 June, 2002, was RMB2,009,268.

11. DIVIDENDS

No dividends have been paid or declared by the Company or any of the companies comprising the Group during the years presented.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of RMB28,004,441 (2001: RMB15,432,066), and the weighted average number of 878,356,164 (2001: 800,000,000) ordinary shares in issue during the year.

The weighted average number of shares used to calculate both the current and prior year's earnings per share includes the pro forma issued share capital of the Company of 800,000,000 shares deemed to have been in issue prior to the new issue of shares by way of placing as further detailed in notes 21 to the financial statements. The weighted average number of shares used to calculate the earnings per share for the current year also includes the 200,000,000 shares issued upon the listing of the Company's shares on the GEM on 8 February, 2002.

Diluted earnings per share amounts for the years ended 30 June, 2001 and 2002 have not been disclosed as no potential ordinary shares or diluting events existed during these years.

13. FIXED ASSETS

Group

	Leasehold land and buildings RMB	Leasehold improve-ments RMB	Computer equipment RMB	Furniture, fixtures and office equipment RMB	Motor vehicles RMB	Total RMB
Cost:						
At 1 July, 2001	–	167,459	2,390,001	334,296	134,376	3,026,132
Additions	5,678,247	2,945,496	2,609,212	510,650	469,709	12,213,314
At 30 June, 2002	5,678,247	3,112,955	4,999,213	844,946	604,085	15,239,446
Accumulated depreciation:						
At 1 July, 2001	–	48,613	344,063	63,875	6,517	463,068
Provided during the year	132,927	270,094	653,350	83,872	55,488	1,195,731
At 30 June, 2002	132,927	318,707	997,413	147,747	62,005	1,658,799
Net book value:						
At 30 June, 2002	5,545,320	2,794,248	4,001,800	697,199	542,080	13,580,647
At 30 June, 2001	–	118,846	2,045,938	270,421	127,859	2,563,064

In respect of the Group's leasehold land and buildings situated in the mainland of the PRC, the Group has fully settled the land premiums, in the amount of RMB4,559,000, in accordance with the terms of the relevant land use right transfer contract entered into with 南昌高新技術產業開發區管理委員會 on 28 November, 2000, and is in the process of applying for the transfer of the Certificate of Land Use Right from the relevant PRC authority.

NOTES TO FINANCIAL STATEMENTS

30 June, 2002

14. INVESTMENTS IN SUBSIDIARIES

	Company 2002 RMB
Unlisted shares, at cost	210,000

The balances with subsidiaries are interest-free, unsecured and have no fixed terms of repayment.

Particulars of the subsidiaries as at 30 June, 2002 were as follows:

Name	Place and date of incorporation/ registration and operations	Paid-up issued/ registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Twyla Services Limited	British Virgin Islands 22 May, 1997	US$100	100	–	Investment holding
Jiangxi Jinding Information System Co., Ltd. (江西金鼎信息系統有限公司)	PRC 30 April, 1999	US$100,000	–	100	Design, development and sale of computer software and systems, and the provision of computer consultancy services
Golding Software (HK) Limited	Hong Kong 27 February, 2002	HK$2	–	100	Software business
北京泰萊投資咨詢有限公司	PRC 5 June 2002	US$150,000	–	100	Investment consultancy, enterprise management consultancy and enterprise marketing strategy

15. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one month, extending up to three months for major customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management.

An aged analysis of the trade receivables as at the balance sheet date, based on invoice date is as follows:

	Group	
	2002	2001
	RMB	RMB
Within 1 month	4,433,856	920,678
1 to 2 months	1,120,790	771,105
2 to 3 months	695,016	125,357
Over 3 months	5,136	152,717
	6,254,798	1,969,857

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2002	2001
	RMB	RMB
Prepayments	446,913	687,794
Deposits and other receivables	1,414,061	250,247
	1,860,974	938,041

NOTES TO FINANCIAL STATEMENTS

30 June, 2002

17. CASH AND CASH EQUIVALENTS

	Group	
	2002	2001
	RMB	RMB
Cash and bank balances	38,799,525	11,540,086
Time deposits	41,181,352	–
Cash and cash equivalents	79,980,877	11,540,086

18. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2002	2001
	RMB	RMB
Within one month	246,344	159,268

19. OTHER PAYABLES AND ACCRUALS

	Group		Company
	2002	2001	2002
	RMB	RMB	RMB
Other payables	634,471	614,660	151,154
Accruals	4,170,211	1,705,900	1,940,286
	4,804,682	2,320,560	2,091,440

20. DUE TO A RELATED COMPANY

The amount due to a related company is unsecured, interest-free and has no fixed terms of repayment. The amount was mainly attributable to accrued rentals payable during the year. Details of which are set out in note 27 to the financial statements.

21. SHARE CAPITAL

Shares

	2002	
	HK$	RMB
Authorised:		
20,000,000,000 ordinary shares of HK$0.01 each	200,000,000	210,000,000
Issued and fully paid:		
1,000,000,000 ordinary shares of HK$0.01 each	10,000,000	10,500,000

The following changes in the Company's authorised and issued share capital took place during the period from 28 August, 2001 (date of incorporation) to 30 June, 2002:

(i) On incorporation, the authorised share capital of the Company was HK$100,000 divided into 1,000,000 shares of HK$0.10 each. On 3 September, 2001, one share was allotted and issued nil paid.

(ii) On 24 January, 2002, each of the then issued and unissued shares having a par value of HK$0.10 each in the share capital of the Company was sub-divided into 10 shares of HK$0.01 each. On the same day, 9,999,990 shares were allotted and issued nil paid.

(iii) On 24 January, 2002, the authorised share capital of the Company was increased to HK$200,000 by the creation of 10,000,000 additional shares of HK$0.01 each.

(iv) On 24 January, 2002, as part of the Group Reorganisation further described in note 1, the Company acquired the entire issued share capital of Twyla in consideration of and in exchange for which the Company (a) allotted and issued, credited as fully paid an aggregate of 10,000,000 shares of HK$0.01 each; and (b) credited as fully paid at par the 10,000,000 shares issued nil paid, comprising 10 shares sub-divided from the one share issued nil paid on 3 September, 2001 and the 9,999,990 shares issued nil paid on 24 January, 2002. The excess of the nominal value of the Company's shares issued and credited as fully paid over the nominal value of Twyla's shares then acquired, amounting to RMB209,173, was recorded as the Group's negative capital reserve (note 22).

(v) On 24 January, 2002, the authorised share capital of the Company was increased from HK$200,000 to HK$200,000,000 by the creation of a further 19,980,000,000 shares of HK$0.01 each.

NOTES TO FINANCIAL STATEMENTS

30 June, 2002

21. SHARE CAPITAL (continued)

(vi) On 24 January, 2002, a total of 780,000,000 shares of HK$0.01 each were allotted and issued, credited as fully paid at par to the holders of the shares whose names appeared on the register of members of the Company at that date, in proportion to their shareholdings, by way of the capitalisation of the sum of HK$7,800,000 (RMB8,190,000) standing to the credit of the share premium account of the Company (the "Capitalisation Issue"). This allotment and capitalisation were conditional on the share premium account being credited as a result of the new share issue to the public on 8 February, 2002.

(vii) On 8 February, 2002, 200,000,000 shares of HK$0.01 each were issued to the public by way of a new issue and placement of shares at HK$0.30 each, for a total cash consideration, before related issuing expenses, of HK$60,000,000 (RMB63,000,000).

A summary of the above changes in the issued share capital of the Company is as follows:

	Notes	Number of shares issued	Nominal value of shares issued HK$	RMB
Shares of HK$0.10 each allotted and issued nil paid on 3 September, 2001	(i)	1	–	–
Shares of HK$0.01 each sub-divided from the 1 share in issue	(ii)	10	–	–
Shares allotted and issued nil paid on 24 January, 2002	(ii)	9,999,990	–	–
On acquisition of Twyla				
– consideration shares issued	(iv)	10,000,000	100,000	105,000
– nil paid shares credited as fully paid	(iv)	–	100,000	105,000
Capitalisation Issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the public share issue	(vi)	780,000,000	–	–
Pro forma issued share capital at 30 June, 2001		800,000,000	200,000	210,000
New issue upon public listing	(vii)	200,000,000	2,000,000	2,100,000
Capitalisation of the share premium account as set out above	(vi)	–	7,800,000	8,190,000
Share capital as at 30 June, 2002		**1,000,000,000**	**10,000,000**	**10,500,000**

21. SHARE CAPITAL (continued)

Share options

The Group operates a share option scheme (the "Scheme"), further details of which are set out under heading "Share option scheme" in the Report of the Directors on pages 23 to 24.

Up to the date of this report, no share options have been granted under the Scheme.

22. RESERVES

Group

	Share premium account RMB	Capital reserve RMB	Statutory reserve RMB	Retained profits/ (accumulated losses) RMB	Total RMB
At 1 July, 2000	–	(209,173)	326,548	(1,460,971)	(1,343,596)
Net profit for the year	–	–	–	15,432,066	15,432,066
Transfer to statutory reserve	–	–	86,952	(86,952)	–
Transfer to retained profits	–	209,173	–	(209,173)	–
At 30 June, 2001 and 1 July, 2001	–	–	413,500	13,674,970	14,088,470
Issue of shares	60,900,000	–	–	–	60,900,000
Capitalisation of share premium account to pay up in full 780,000,000 shares	(8,190,000)	–	–	–	(8,190,000)
Share issue expenses	(12,684,000)	–	–	–	(12,684,000)
Net profit for the year	–	–	–	28,004,441	28,004,441
At 30 June, 2002	**40,026,000**	**–**	**413,500**	**41,679,411**	**82,118,911**

In accordance with the Law of the PRC on Wholly-Owned Foreign Investment Enterprises, the Company's subsidiaries established in the PRC are 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 the respective subsidiaries' registered capital and thereafter any further appropriation is optional. As at 30 June, 2002, the accumulated total of Jiangxi Jinding had reached 50% of its registered capital and no appropriation was made for the year. In respect of the Company's other subsidiary established in the PRC, 北京泰萊投資諮詢有限公司, as it was newly incorporated during the year and did not generate any material revenue, no appropriation was made to the statutory reserve.

NOTES TO FINANCIAL STATEMENTS

30 June, 2002

22. RESERVES (continued)

The negative capital reserve of the Group resulting from the Group Reorganisation, as set out in note 1 and further detailed in note 21 to the financial statements above, represents the excess of the nominal value of the share capital of the Company issued and credited as fully paid, over the nominal value of the share capital of the subsidiary then acquired by the Company. The balance was transferred to retained profits during the year ended 30 June, 2001.

Company

	Share premium account RMB	Accumulated losses RMB	Total RMB
At 28 August, 2001 (date of incorporation)	–	–	–
Issue of shares	60,900,000	–	60,900,000
Capitalisation of share premium account to pay up in full 780,000,000 shares	(8,190,000)	–	(8,190,000)
Share issue expenses	(12,684,000)	–	(12,684,000)
Net loss for the year	–	(2,009,268)	(2,009,268)
At 30 June, 2002	**40,026,000**	**(2,009,268)**	**38,016,732**

(a) The share premium account of the Company includes shares issued at a premium upon the listing of the Company's shares on the GEM. Under the Companies Law of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(b) As at 30 June, 2002, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to RMB38,016,732, subject to the restrictions stated in note (a) above.

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) **Reconciliation of profit from operating activities to net cash inflow from operating activities**

	2002 RMB	2001 RMB
Profit from operating activities	30,781,314	15,432,066
Interest income	(560,658)	(110,604)
Depreciation	1,195,731	285,482
Increase in prepayments, deposits and other receivables	(922,933)	(765,339)
Increase in trade receivables	(4,284,941)	(1,172,119)
Increase in trade payables	87,076	159,268
Increase in other payables and accruals	2,484,122	1,074,252
Increase/(decrease) in trade deposits received	1,570,850	(36,108)
Increase in an amount due to a related company	185,816	–
Net cash inflow from operating activities	30,536,377	14,866,898

(b) **Analysis of changes in financing during the year**

	Issued capital (including share premium) RMB	Loans from directors RMB	Due to a director and his affiliate RMB
Balance at 1 July, 2000	210,000	3,516,683	2,475,000
Cash outflow from financing activities	–	(3,516,683)	(2,475,000)
Balance at 30 June, 2001 and 1 July, 2001	210,000	–	–
Cash inflow from financing activities	50,316,000	–	–
Balance at 30 June, 2002	**50,526,000**	–	–

NOTES TO FINANCIAL STATEMENTS

30 June, 2002

24. CONTINGENT LIABILITIES

At the balance sheet date, the Company and the Group did not have any significant contingent liabilities.

25. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office premises under operating lease arrangements with leases negotiated for terms of two years.

At 30 June, 2002, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2002 RMB	2001 RMB (Restated)
Within one year	441,000	236,500
In the second to fifth years, inclusive	257,250	–
	698,250	236,500

SSAP 14 (Revised), which was adopted during the year, requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases have been restated to accord with the current year's presentation.

26. COMMITMENTS

Capital commitments

	Group	
	2002	2001
	RMB	RMB
Contracted, but not provided for the procurement of leasehold land and buildings	**–**	4,873,600

At the balance sheet date, neither the Group, nor the Company had any significant commitments.

27. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the year:

		2002	2001
	Notes	**RMB**	RMB
Operating lease rentals paid to a related company	(i)	**177,186**	–
Service fees paid to related companies	(ii)	**–**	268,711

Notes:

(i) The rentals were paid, in respect of the Group's office premises situated in Hong Kong, to Cytech Software (HK) Limited, which is a subsidiary of Cytech Software Limited, a substantial shareholder of the Company. The directors of the Company have confirmed that the monthly rentals were calculated by reference to open market rentals for similar premises.

(ii) The service fees for the prior year were paid to two related companies, in which a director of the Company had beneficial interests, for providing business promotion services to the Group in the PRC. The directors of the Company have confirmed that such transactions ceased after 30 June, 2001.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 September, 2002.

THREE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last three financial years is set out below.

	Year ended 30 June,		
	2002	2001	2000
RESULTS	**RMB**	RMB	RMB
TURNOVER	**63,293,948**	31,736,557	15,285,411
Cost of sales	**(16,868,235)**	(7,751,584)	(5,896,648)
Gross profit	**46,425,713**	23,984,973	9,388,763
Other revenue	**560,658**	215,485	80,009
Selling and distribution costs	**(8,676,134)**	(5,415,221)	(3,360,566)
Administrative expenses	**(6,288,063)**	(2,714,383)	(2,422,907)
Other operating expenses	**(1,240,860)**	(638,788)	(847,227)
PROFIT FROM OPERATING ACTIVITIES	**30,781,314**	15,432,066	2,838,072
Finance costs	**–**	–	(158,125)
PROFIT BEFORE TAX	**30,781,314**	15,432,066	2,679,947
Tax	**(2,776,873)**	–	–
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	**28,004,441**	15,432,066	2,679,947
ASSETS AND LIABILITIES			
TOTAL ASSETS	**101,677,296**	17,011,048	6,373,253
TOTAL LIABILITIES	**(9,058,385)**	(2,712,578)	(7,506,849)
	92,618,911	14,298,470	(1,133,596)

Note: The summary of the combined results of the Group for the two years ended 30 June, 2001 and the combined assets and liabilities of the Group as at 30 June, 2000 and 2001 has been extracted from the Company's prospectus dated 31 January, 2002. The summary was prepared from the audited financial statements of the companies then comprising the Group, as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis set out in note 3 to the financial statements. The results of the Group for the year ended 30 June, 2002 and its assets and liabilities as at that date are those set out on pages 28 and 29 of the financial statements, respectively, and are presented on the basis as set out in note 3 to the financial statements.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Golding Soft Limited (the "Company") will be held at the Ching Room, 4th Floor, the Sheraton Hong Kong Hotel, 20 Nathan Road, Tsimshatsui, Kowloon, Hong Kong on 1 November, 2002 at 10:00 a.m. to transact the following ordinary business:

1. to receive and consider the audited consolidated financial statements and reports of the directors and auditors for the year ended 30 June, 2002;

2. to re-elect directors and to fix their remuneration;

3. to re-appoint the Company's auditors and to authorize the directors to fix their remuneration;

4. to consider as special business, and if thought fit, pass with or without amendments the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

A. **THAT:**

(a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) above shall authorize the Directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) and issued by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the exercise of any options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares in accordance with the Articles of Association of the Company in force from time to time shall not exceed the aggregate of 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolutions and

NOTICE OF ANNUAL GENERAL MEETING

(d) for the purposes of this Resolution:

"Relevant Period" means the period from the date of the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company, the Companies Law of the Cayman Islands or any applicable laws to be held; and

(iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors of the Company by this Resolution;

"Rights Issue" means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors of the Company to holders of shares in the Company on the register on a fixed record date in proportion to their then holdings of shares (subject to such exclusion or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognized body or any stock exchange in any territory outside Hong Kong).

B. **THAT:**

(a) the exercise by the Directors of the Company during the Relevant Period of all powers of the Company to purchase its shares on the Stock Exchange of Hong Kong Limited or any other stock exchange on which the shares of the Company may be listed and recognized by the Securities and Futures Commission and the Stock Exchange of Hong Kong Limited for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, the Stock Exchange of Hong Kong Limited, the Company Law of the Cayman Islands and all other applicable laws in this regard, subject to paragraph (b) below, be and the same is hereby generally and unconditionally approved;

NOTICE OF ANNUAL GENERAL MEETING

(b) the aggregate nominal amount of shares which may be purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution and the authority pursuant to paragraph (a) of this Resolution shall be limited accordingly;

(c) for the purposes of this Resolution, "Relevant Period" shall have the same meaning as assigned to it under Ordinary Resolution 4.A of this notice."

C. THAT:

Conditional upon Resolutions 4.A and 4.B above being passed, the aggregate nominal amount of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors as mentioned in Resolution 4.B above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to Resolution 4.A, provided that the amount of share capital repurchased by the Company shall not exceed 10 per cent. of the total nominal amount of the share capital of the Company in issue on the date of this Resolution."

By Order of the Board
Golding Soft Limited
Li Jiahui
Chairman

Hong Kong, 24 September, 2002

Principal office in Hong Kong
Rm 3605, 36/F
Tower I, Lippo Centre
89 Queensway
Hong Kong

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, vote in his stead. A proxy need not be a member of the Company.

2. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited with the Company's branch share registrar and transfer office in Central Registration Hong Kong Limited, Rooms 1901-5, 19/F., Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the Annual General Meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending and voting in person.

3. A form of proxy for the meeting will be enclosed with the annual report.

4. If two or more persons are joint holders of a share of the Company, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the other joint holder(s). For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

5. In relation to proposed Resolution 5 above, approval is being sought from the members for the grant to the Directors of a general mandate to authorise the issue and repurchase of shares pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). The explanatory statement required by the Listing Rules of the Stock Exchange in connection with the repurchase mandate will be despatched to members together with the annual report.