



Golding Soft Limited

(incorporated in the Cayman Islands with limited liability)

2002 / 2003 Interim Report



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This report, for which the directors (the “Directors”) of Golding Soft Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



HIGHLIGHTS

The turnover of the Group for the six months ended 31st December, 2002 was approximately RMB29.8 million, representing a decrease of approximately 7% as compared with the corresponding period in the previous year.

The unaudited profit from operations of the Group for the six months ended 31st December, 2002 was approximately RMB11.5 million, representing a decrease of approximately 22% as compared with the corresponding period in the previous year.

The earnings per share was RMB0.94 cents for the six months ended 31st December, 2002.



RESULTS

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

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

| | Notes | Three months ended 31st December, | | Six months ended 31st December, | |
|---|-------|--------------------------------------|--------------------------------|------------------------------------|--------------------------------|
| | | 2002 (Unaudited) RMB'000 | 2001 (Unaudited) RMB'000 | 2002 (Unaudited) RMB'000 | 2001 (Unaudited) RMB'000 |
| Turnover | 2 | 16,599 | 15,626 | 29,803 | 32,237 |
| Cost of sales | | (5,391) | (4,203) | (9,018) | (8,941) |
| Gross profit | | 11,208 | 11,423 | 20,785 | 23,296 |
| Other revenue | | 267 | 117 | 499 | 196 |
| Distribution costs | | (2,200) | (2,278) | (4,308) | (5,363) |
| Administrative expenses | | (2,556) | (1,834) | (4,466) | (2,689) |
| Other operating expenses | | (670) | (537) | (989) | (732) |
| Profit from operating activities and before tax | 3 | 6,049 | 6,891 | 11,521 | 14,708 |
| Tax | 4 | (1,181) | - | (2,147) | - |
| Net profit from ordinary activities attributable to shareholders | | 4,868 | 6,891 | 9,374 | 14,708 |
| Earnings per share - Basic (RMB) | 5 | 0.49 cents | 0.86 cents | 0.94 cents | 1.84 cents |



CONDENSED CONSOLIDATED BALANCE SHEET

| | Notes | As at 31st December, 2002 (Unaudited) RMB'000 | As at 30th June, 2002 (Audited) RMB'000 |
|---|-------|---|---|
| <hr/> | | | |
| NON-CURRENT ASSETS | | | |
| Fixed assets | | 14,069 | 13,581 |
| <hr/> | | | |
| CURRENT ASSETS | | | |
| Trade receivables | 6 | 6,643 | 6,255 |
| Prepayments, deposits and other receivables | | 2,533 | 1,861 |
| Cash and cash equivalents | | 86,528 | 79,981 |
| | | 95,704 | 88,097 |
| <hr/> | | | |
| CURRENT LIABILITIES | | | |
| Trade payables | 7 | 493 | 246 |
| Tax payable | | 1,488 | 2,018 |
| Other payables and accruals | | 3,716 | 4,805 |
| Trade deposits received | | 1,687 | 1,804 |
| Due to a related company | | 396 | 186 |
| | | 7,780 | 9,059 |
| <hr/> | | | |
| NET CURRENT ASSETS | | 87,924 | 79,038 |
| <hr/> | | | |
| | | 101,993 | 92,619 |
| <hr/> | | | |
| CAPITAL AND RESERVES | | | |
| Issued capital | | 10,500 | 10,500 |
| Reserves | 8 | 91,493 | 82,119 |
| | | 101,993 | 92,619 |
| <hr/> | | | |

**UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

| | For the six months ended 31st December, | |
|---|--|-----------------|
| | 2002 RMB'000 | 2001 RMB'000 |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | 7,700 | 16,241 |
| NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | 499 | 196 |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES | (1,652) | (2,672) |
| NET CASH INFLOW FROM FINANCING ACTIVITIES | - | - |
| INCREASE IN CASH AND CASH EQUIVALENTS | 6,547 | 13,765 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 79,981 | 11,540 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 86,528 | 25,305 |
| ANALYSIS OF CASH AND CASH EQUIVALENTS CASH AND BANK BALANCES | 86,528 | 25,305 |



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31st December, 2002

| | Share capital RMB'000 | Share premium account RMB'000 | Statutory (accumulated reserve RMB'000 | Retained profits/ losses) RMB'000 | Total RMB'000 |
|--|-----------------------------|--|--|--|------------------|
| At 1st July, 2001 | 210 | – | 414 | 13,675 | 14,299 |
| Issue of shares | 2,100 | 60,900 | – | – | 63,000 |
| Capitalisation of share premium account to pay up in full 780,000,000 shares | 8,190 | (8,190) | – | – | – |
| Share issue expenses | – | (12,684) | – | – | (12,684) |
| Net profit for the year | – | – | – | 28,004 | 28,004 |
| At 30th June, 2002 and 1st July, 2002 | 10,500 | 40,026 | 414 | 41,679 | 92,619 |
| Net profit for the period | – | – | – | 9,374 | 9,374 |
| At 31st December, 2002 | 10,500 | 40,026 | 414 | 51,053 | 101,993 |



Notes:

1. Group Reorganisation and basis of presentation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 28th August, 2001 under the Companies Law of the Cayman Islands. Pursuant to 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 24th January, 2002. On 8th February, 2002, the shares of the Company were successfully listed on the GEM.

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention and in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules and with the Statements of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual audited consolidated financial statements for the year ended 30th June, 2002.

The directors is of the opinion that such accounting policies provides meaningful information for shareholders as regards the historical performance of the Group.

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



2. Segment information

For the six months ended 31st December, 2002

| | Provision of ODM software RMB'000 | Provision of proprietary packaged software RMB'000 | Provision of system solutions RMB'000 | Total RMB'000 |
|------------------------|---|--|--|------------------|
| Turnover | 13,546 | 2,131 | 14,126 | 29,803 |
| Segment result | 8,051 | 1,495 | 6,947 | 16,493 |
| Other revenue | | | | 499 |
| Unallocated expenses | | | | (5,471) |
| Profit from operations | | | | 11,521 |

For the six months ended 31st December, 2001

| | Provision of ODM software RMB'000 | Provision of proprietary packaged software RMB'000 | Provision of system solutions RMB'000 | Total RMB'000 |
|------------------------|---|--|--|------------------|
| Turnover | 14,798 | 4,971 | 12,468 | 32,237 |
| Segment result | 9,391 | 3,612 | 6,901 | 19,904 |
| Other revenue | | | | 196 |
| Unallocated expenses | | | | (5,392) |
| Profit from operations | | | | 14,708 |



For the six months ended 31st December, 2002, approximately 62% (2001: 70%) of the Group's turnover were derived from the North America market and the remaining from the PRC.

3. Profit from operating activities and before tax

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

| | Three months ended 31st December, | | Six months ended 31st December, | |
|--|--------------------------------------|-----------------|------------------------------------|-----------------|
| | 2002 RMB'000 | 2001 RMB'000 | 2002 RMB'000 | 2001 RMB'000 |
| Cost of inventories sold/services provided | 5,391 | 4,203 | 9,018 | 8,941 |
| Depreciation | 553 | 170 | 1,164 | 320 |
| And after crediting: | | | | |
| Interest income | 267 | 117 | 499 | 196 |

4. Taxation

No income tax has been provided in Hong Kong during the period under review as the Group did not generate any assessable profits arising from its operation 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.

| | Three months ended 31st December, | | Six months ended 31st December, | |
|----------------------------|--------------------------------------|-----------------|------------------------------------|-----------------|
| | 2002 RMB'000 | 2001 RMB'000 | 2002 RMB'000 | 2001 RMB'000 |
| Provision for the period | | | | |
| Hong Kong | - | - | - | - |
| Taxation outside Hong Kong | 1,181 | - | 2,147 | - |
| Tax charge for the period | 1,181 | - | 2,147 | - |

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



5. Earnings per share

The calculation of basic earnings per share for the three months and six months ended 31st December, 2002 is based on the respective Group's unaudited net profit attributable to shareholders of RMB4.9 million and RMB9.4 million and the 1,000,000,000 ordinary shares in issue during the period under review.

The calculation of basic earnings per share for the three months and six months ended 31st December, 2001 is based on the respective Group's unaudited net profit attributable to shareholders of RMB6.9 million and RMB14.7 million and the 800,000,000 ordinary shares deemed to have been issued on the assumption that the Group Reorganization and the subsequent capitalization issue of 780,000,000 shares of the Company had been effective on 1st July, 2001.

Diluted earnings per share amounts for the three and six months ended 31st December, 2002 and 2001 have not been disclosed as no potential ordinary shares or diluting events existed during these periods.

6. Trade receivables

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of 1 month, extending up to 3 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:

| | At 31st December, 2002 RMB'000 | At 30th June, 2002 RMB'000 |
|----------------|-----------------------------------|-------------------------------|
| Within 1 month | 4,027 | 4,434 |
| 1 to 2 months | 1,708 | 1,121 |
| 2 to 3 months | 853 | 695 |
| Over 3 months | 55 | 5 |
| | 6,643 | 6,255 |



7. Trade payables

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

| | At 31st December, 2002 RMB'000 | At 30th June, 2002 RMB'000 |
|----------------|-----------------------------------|-------------------------------|
| Within 1 month | 493 | 246 |

8. Reserves

| | Share premium account RMB'000 | Statutory reserve RMB'000 | Retained profits/ (accumulated losses) RMB'000 | Total RMB'000 |
|--|--|---------------------------------|--|------------------|
| At 1st July, 2001 | – | 414 | 13,675 | 14,089 |
| Issue of shares | 60,900 | – | – | 60,900 |
| Capitalisation of share premium account to pay up in full | | | | |
| 780,000,000 shares | (8,190) | – | – | (8,190) |
| Share issue expenses | (12,684) | – | – | (12,684) |
| Net profit for the year | – | – | 28,004 | 28,004 |
| At 30th June, 2002 and 1st July, 2002 | 40,026 | 414 | 41,679 | 82,119 |
| Net profit for the period | – | – | 9,374 | 9,374 |
| At 31st December, 2002 | 40,026 | 414 | 51,053 | 91,493 |



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 31st December, 2002, the accumulated total of Jiangxi Jinding had reached 50% of its registered capital and no appropriation was made for the period under review. 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 did not generate any profit, no appropriation was made to the statutory reserve.

INTERIM DIVIDEND

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

FINANCIAL REVIEW

The global economics environment continues to be challenging so that the Group has recorded a decline of turnover of approximately 7% to RMB29.8 million for the six months ended 31st December, 2002, as compared to the previous corresponding period in 2001. Turnover of the provision of ODM software and proprietary packed software decreased by 9% and 57% to approximately RMB13.5 million and RMB2 million respectively while that of system solutions increased by 13% to RMB14 million as compared to the previous corresponding period in 2001.

The gross profit margin decreased to approximately 69.7% from 72.2% as compared to the corresponding period in previous year. The decrease in gross profit margin was mainly attributed to a decrease in average price sold due to intense competition and poor market condition in North America generally.

Profit from operating activities amounted to approximately RMB11.5 million which represented a decrease of 22% as compared with the previous corresponding period in 2001. The Group's net profit attributable to shareholders for the six months ended 31st December, 2002 decreased by approximately 36% to approximately RMB9.4 million.

Approximately 62% of the total turnover were generated from North America and the remaining were from PRC during the period under review.



Liquidity and financial resources

The Group generally finances its operation with internally generated cash flow. As at 31st December, 2002, the Group had cash and bank balances amounting to a total of approximately RMB86 million (30th June, 2002: RMB80 million) and the Group had a net current assets of approximately RMB88 million (30th June, 2002: RMB79 million).

With these resources, the Group is confident that it 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 six months ended 31st December, 2002 and 2001.

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 31st December, 2002 and 2001, the Group did not have any bank borrowing or long term debts and accordingly, gearing ratio of the Group is zero.

Material acquisitions/disposals and significant investment

The Group had no material acquisitions, disposals of subsidiaries and affiliated companies and significant investment during the six months ended 31st December, 2002 and 2001.

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 six months ended 31st December, 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 31st December, 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 31st January, 2002.

Employee information

For the six months ended 31st December, 2002, the staff cost, excluding directors' remuneration, amounted to approximately RMB8.9 million (2001: RMB8.4 million) while the directors' remuneration amounted to approximately RMB1.1 million (2001: RMB0.4 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 employees has increased from 150 to 182.

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.



BUSINESS REVIEW

During the period under review, the Group continued its business model comprising three inter-related and synergistic business, namely provision of ODM software, proprietary packaged software and system solutions, backed by an extensive library of software modules which can be customized to suit specific industries.

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 46% of the Group's total turnover for the six months ended 31st December, 2002. The customers from North American market contributed to approximately 74% of this segment's turnover and the remaining were from the PRC. The Group has been actively negotiating with two giant US technology vendors which can offer large, high-volume deals, more complex and significant ODM software projects to the Group. In addition, the Group expects these global technology vendors will bring repeated business to the Group and their software products are latest enough to help the Group to keep abreast with the advanced technological developments and trends in the global IT Industry.

Provision of proprietary packaged software

The turnover of this segment recorded a large decrease of 57% during the period under the review. The decrease was mainly due to the decrease in the quantity of proprietary packaged software sold in North America market. On the other hand, the Group has successfully upgraded its web-based software, Zee web, to version 3.0 for the PRC Market. This Zee web 3.0 new version has been strengthened to cater for a wider use of different industries. In addition, Interoffice 3.0 packaged software has also been developed specially for using in civil services.

Provision of system solutions

During the period under review, a slight increase of 13% in this segment's turnover was observed when compared with the corresponding period for the last year. The increase is largely attributable to the increase in the IT projects secured from PRC enterprises which could offset the continuous postponement in IT spending for the multinational companies in the US. For PRC market, in addition to the municipal agencies in Jiangxi province, PRC, the Group has successfully secured 2 new PRC enterprises, one of which is the top-ten enterprise in Jiangxi province, namely as 景德鎮開門子集團. The Group is helping this new customer to develop and implement a comprehensive IT system that optimize its whole production process, sales and logistic management as well as financial management.



Sales and marketing

To raise brand awareness and introduce the latest development, the Group participated actively in over 3 leading exhibitions in North America and PRC. The Group also advertised in major IT magazines, issued press releases, and conducted seminars jointly with leading University in PRC and product training for authorized agents and alliance partners to increase publicity.

Responding to the global economics recession, the Group applied new pricing strategy and incentives schemes to North America market to boost up the sales. In PRC, the Group's marketing staff actively visited clients and held business review meetings and technical training workshops periodically.

RESEARCH AND DEVELOPMENT

In November 2002, the Group has completed the development of middle ware which can complement the Group's business solutions and supply relationship management modules in the software products. Another new product G-EIP 1.0 which constructs enterprise information portal has been completed and launched in November 2002 and used by some customers. The Group adopts UML (Unified Model Language) to design above platform. Database independent platform has been basically completed. During the period under review, the Group has commenced development of Zee web 4.0 Platform, which will include production process management for manufacturers and Interoffice 4.0 platform with an emphasis on security management.

As at 31st December, 2002, the Group has a pool of about 139 IT professionals serving the both North America and PRC customers.

OUTLOOK

The global economic climate remains prudent, especially in US where is further threatened by the possible war of Middle East. Therefore the Group expects more pressure on the US business in the next quarter. However, to meet with the challenges ahead, the Group will constantly review its cost structure and overall productivity so as to generate promising returns to the shareholders.



COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

| | Business objective up to 31st December, 2002 as stated in Prospectus | Actual business progress |
|---------------------|--|---|
| Sales and marketing | <ol style="list-style-type: none">1. to set up one subsidiary/branch office in each of Hong Kong, Taipei, Taiwan respectively.2. to appoint more authorized agents and alliance partners to enhance the distribution network of the Group.3. to advertise and promote the Group's proprietary packaged software, in particular, Zee web 3.0 and Interoffice 3.0 through<ol style="list-style-type: none">(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. | <p>Golding Software (HK) Limited, are set up in Hong Kong. The plan for Taipei and Taiwan office is being reviewed.</p> <p>Additional authorized agents and alliance partners have been appointed in PRC and US to enhance the distribution network of the Group.</p> <p>All advertisement and promotion activities have been carried out as planned.</p> |



| | Business objective up to 31st December, 2002 as stated in Prospectus | Actual business progress |
|--------------------------|--|---|
| Research and development | <ol style="list-style-type: none"> 1. to evaluate opportunities to establish co-operation arrangements with more educational institutions/ business partners in East Asia and North America. 2. to commence development of Zee web 4.0 Platform (which will include production process management for manufacturers) and Interoffice 4.0 platform (with an emphasis on security management). 3. complete development of middle ware to complement its business solutions and supply relationship management modules for use in the Group's products. 4. to participate in the early development stage of certain software products with global technology vendors. | <p>Discussion with NanChang Vocational Technology University (南昌職工科技大學) to jointly set up an IT vocational - training institution.</p> <p>The Group has commenced the development of Zee web 4.0 Platform and Interoffice 4.0 platform.</p> <p>The development of middle ware has been completed and used in the Group's products.</p> <p>Negotiations have been in progress with two global technology vendors in US so as to secure large and significant ODM projects.</p> |



Business objective up to 31st December, 2002 as stated in Prospectus

5. to commence construction of the second building (with a gross floor area of approximately 5,000 sq.m. in Nanchang City, the PRC under the Group's enhancement of research and development plan) for use as its research and development centre.

Actual business progress

The plan to construct second building has not yet commenced since the existing research and development centre is still not operating at full capacity.

Quality assurance and award

1. to formalize the Group's software development process in compliance with CMM level 4 standards.

The Group has not yet to be certified as CMM level 3 so that formalization of the Group's software development process in compliance with CMM level 4 has not started. But the Group is now trying to formalize its software development process so as to attain CMM level 3 standards first.

Acquisitions

1. 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 not identified any target companies for mergers and acquisitions during the period under review.



USE OF PROCEEDS FROM THE PLACING OF NEW SHARES

The net proceeds from the public listing had been applied in the following areas:

For the six months ended 31st December, 2002

| | Proposed HK\$ million | Actual HK\$ million |
|--|--------------------------|------------------------|
| Research and development | 4.4 | 4.1 |
| Establishment of branch offices | 2.0 | Nil |
| Improvement of the Group's quality assurance system | 2.0 | 1.8 |
| | 8.4 | 5.9 |

The remaining net proceeds of HK\$35.7 million have been placed with licensed banks in Hong Kong for future use as identified by the Group's business plans as stated in the prospectus ("business plan"). The Group does not envisage any circumstances that may lead to any material alteration to the proposed use of the net proceeds.

In accordance with the Group's business plan, the Group should set up one branch office in each of Hong Kong and Taipei, Taiwan. The Hong Kong subsidiary was set up on March 2002 so that the proceeds were applied in Period I (from 28th January, 2002 to 30th June, 2002). Also, the plan to set up Taipei office in Taiwan is being reviewed and thus the Group has not applied any proceeds in establishment of branch offices during the six months ended 31st December, 2002.



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31st December, 2002, the interests of the directors and chief executives and their respective associates in the share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong's Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

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

Note:

1. 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% of the issued share capital of Unrivaled Beauty. Under the SDI Ordinance, both Mr. Wen and Mr. Xin are individually deemed to be interested in all the Shares registered in the name of Unrivaled Beauty.

Save as disclosed above, none of the directors and chief executive or their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance at 31st December, 2002.



DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY

Substantial shareholders

Other than the interest disclosed above in respect of the directors and chief executives of the Company or their respective associates, as at 31st December, 2002, according to the register required to be kept under Section 16(i) of the SDI Ordinance the following persons will be interested in 10 per cent. or more of the Shares then in issue:

| Name | Number of Shares held | Approximate percentage shareholding |
|---|--------------------------|--|
| Cytech Investment Limited ("Cytech Investment") (Note 1) | 312,000,000 | 31.20% |
| Benep Management Limited ("Benep") (Note 1) | 312,000,000 | 31.20% |
| Cytech Software Limited ("Cytech") (Note 1) | 312,000,000 | 31.20% |
| ESP Associates Limited (Note 2) | 312,000,000 | 31.20% |
| Wang Xiaochuan (Note 2) | 312,000,000 | 31.20% |
| Unrivaled Beauty (Note 3) | 249,000,000 | 24.90% |



Notes:

1. The 312,000,000 Shares are registered in the name of Cytech Investment. Cytech Investment is a wholly owned subsidiary of Benep, which is in turn a wholly owned subsidiary of Cytech, a company whose shares are listed on the main board of the Singapore Exchange Securities Trading Limited. Accordingly, each of Cytech and Benep is interested in all the Shares in which Cytech Investment is interested pursuant to the SDI Ordinance.
2. The issued share capital of Cytech is owned as to approximately 63.81% by ESP Associates Limited and as to approximately 7.67% by Wang Xiaochuan. The issued share capital of ESP Associates Limited is in turn owned as to 70% by Wang Xiaochuan. Accordingly, each of ESP Associates Limited and Wang Xiaochuan is deemed to be interested in all the Shares in which Cytech is interested pursuant to the SDI Ordinance.
3. The 249,000,000 Shares are registered in the name of Unrivaled Beauty. The issued share capital of Unrivaled Beauty is owned as to 47%, 15% and 38% by Mr. Wen, Mr. Wen Weifeng and Mr. Xin respectively. Accordingly, each of Mr. Wen and Mr. Xin is deemed to be interested in all the Shares in which Unrivaled Beauty is interested pursuant to the SDI Ordinance.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, Core Pacific - Yamaichi Capital Ltd. ("CPYC"), none of CPYC, its directors, employees or associates (as referred to Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the securities of the Company as at 31st December, 2002.

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



BOARD PRACTICES AND PROCEDURES

During the six months ended 31st December, 2002, 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.

AUDIT COMMITTEE

The audit committee was formed on 24th January, 2002 with written terms of reference in compliance with Rules 5.23, 5.24 and 5.25 of the GEM Listing Rules. It comprises Mr. Xin and two independent non-executive Directors, Mr. Chan Ngai Seng, Kenny and Mr. Xing Fengbing. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group and to provide advice and comments to the Board. The audit committee has reviewed and approved this interim result announcement.

PURCHASE, SALES OR REDEMPTION OF SHARES

During the six months ended 31st December, 2002, neither the Company nor any of its subsidiaries purchased, sold or redeemed Company's shares.

By Order of the Board
Golding Soft Limited
Li Jiahui
Chairman

Hong Kong, 14th February, 2003