Golding Soft Limited

(incorporated in the Cayman Islands with limited liability)

2003 Third Quarterly 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.

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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 nine months ended 31st March, 2003 was approximately RMB36.6 million, representing a decrease of approximately 17% as compared with the corresponding period in the previous year.

The unaudited profit from operations of the Group for the nine months ended 31st March, 2003 was approximately RMB10.3 million, representing a decrease of approximately 47% as compared with the corresponding period in the previous year.

The earnings per share was RMB0.82 cents for the nine months ended 31st March, 2003.

RESULTS

The board of Directors (the "Board") is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the "Group") for the three months and nine months ended 31st March, 2003, together with the unaudited comparative figures for the corresponding periods in 2002 as follows:

UNAUDITED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31st March, 2003 (Unaudited) RMB'000	Three months ended 31st March, 2002 (Unaudited) RMB'000	Nine months ended 31st March, 2003 (Unaudited) RMB'000	Nine months ended 31st March, 2002 (Unaudited) RMB'000
Turnover	2	6,777	11,771	36,580	44,008
Cost of sales		(3,405)	(3,170)	(12,423)	(12,111)
Gross profit		3,372	8,601	24,157	31,897
Other revenue		242	167	741	363
Distribution costs		(1,878)	(1,991)	(6,186)	(7,354)
Administrative expenses		(2,266)	(1,702)	(6,732)	(4,391)
Other operating expenses		(678)	(471)	(1,667)	(1,203)
Profit/(loss) from operating activities and before tax	3	(1,208)	4,604	10,313	19,312
Tax	4	–	(829)	(2,147)	(829)
Net profit/(loss) from ordinary activities attributable to shareholders		(1,208)	3,775	8,166	18,483
Earnings/(loss) per share – Basic (RMB)	5	(0.12) cents	0.41 cents	0.82 cents	2.21 cents

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

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

2. **Segment information**

For the nine months ended 31st March, 2003

	Provision of ODM software RMB'000	Provision of proprietary packaged software RMB'000	Provision of system solutions RMB'000	Total RMB'000
Turnover	16,347	2,635	17,598	36,580
Segment result	9,604	1,721	8,545	19,870
Other revenue				741
Unallocated expenses				(10,298)
Profit from operations				10,313

For the nine months ended 31st March, 2002

	Provision of ODM software RMB'000	Provision of proprietary packaged software RMB'000	Provision of system solutions RMB'000	Total RMB'000
Turnover	18,328	10,062	15,618	44,008
Segment result	11,532	6,795	7,897	26,224
Other revenue				363
Unallocated expenses				(7,275)
Profit from operations				19,312

For the nine months ended 31st March, 2003, approximately 53% (2002: 70%) of the Group's turnover were derived from the North America market and the remaining from the PRC.

3. **Profit/loss from operating activities and before tax**

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

	Three months ended 31st March,		Nine months ended 31st March,	
	2003 RMB'000	2002 RMB'000	**2003 RMB'000**	2002 RMB'000
Charging:				
Cost of inventories sold/ services provided	**3,405**	3,170	**12,423**	12,111
Depreciation	**626**	342	**1,708**	662
And after crediting:				
Interest income	**(241)**	(167)	**(740)**	(363)

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 March,		Nine months ended 31st March,	
	2003	2002	**2003**	2002
	RMB'000	RMB'000	**RMB'000**	RMB'000
Provision for the period				
Hong Kong	**–**	–	**–**	–
Taxation outside Hong Kong	**–**	829	**2,147**	829
Tax charge for the period	**–**	829	**2,147**	829

No deferred tax has been provided as the Group did not have any significant timing differences at 31st March, 2003 (2002: Nil).

5. **Earnings/(loss) per share**

The calculation of basic earnings/(loss) per share for the three months and nine months ended 31st March, 2003 is based on the respective Group's unaudited net profit/(loss) attributable to shareholders of approximately RMB(1.2) million and RMB8.2 million and the 1,000,000,000 ordinary shares in issue during the periods under review.

The calculation of basic earnings per share for the three months and nine months ended 31st March, 2002 is based on the respective Group's unaudited net profit attributable to shareholders of approximately RMB3.8 million and RMB18.5 million and on the weighted average number of 915,555,556 ordinary shares and 837,956,204 ordinary shares deemed to be in issue.

Diluted earnings/(loss) per share amounts for the three and nine months ended 31st March, 2003 and 2002 have not been disclosed as no potential ordinary shares or diluting events existed during these periods.

6. **Reserves**

	Share premium account RMB'000	Statutory reserve RMB'000	Retained profits 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 nine months ended 31st March, 2002	–	–	18,483	18,483
At 31st March, 2002	40,026	414	32,158	72,598
At 1st July, 2002	40,026	414	41,679	82,119
Net profit for the period	–	–	8,166	8,166
At 31st March, 2003	40,026	414	49,845	90,285

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 March, 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 nine months ended 31st March, 2003 (the nine months ended 31st March 2002: Nil).

FINANCIAL REVIEW

For the nine months ended 31st March, 2003, the Group's consolidated turnover amounted to approximately RMB36.6 million, representing a decrease of 17% as compared previous corresponding period in 2002. Turnover of the provision of ODM software and proprietary package software decreased by 11% and 74% to approximately RMB16 million and RMB3 million respectively and turnover of system solutions increased by 13% to approximately RMB18 million as compared to the previous corresponding period in 2002.

During the nine months period under review, the gross profit margin decreased from 72% to 66% as compared to the corresponding period in previous year. The decrease in gross profit margin was mainly attributed to continuous pricing pressure due to intense competition and the challenging global economic environment.

Profit from operating activities amounted to approximately RMB10 million which represented a decrease of 47% as compared with the corresponding period in 2002. The Group's net profit attributable to shareholders for the nine months ended 31st March, 2003 decreased by approximately 56% to approximately RMB8 million.

Approximately 53% of the total turnover were generated from North America and the remaining were from PRC during the period under review.

BUSINESS REVIEW

During the period under review, the software market in North America continued to face a difficult and depressed economic environment. In addition, the uncertainty created by the possible war in Iraq, which in fact has happened in the mid of March 2003, has further caused the Group's major clients, US technology vendors and multinational companies, to cancel, reduce or defer their software development projects, which are adversely affecting the Group's main stream of income in the North America market. For PRC market, though the blooming economy continues, the outbreak of SARS pneumonia at the end of March 2003 impacted the PRC software industry negatively.

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

Provision of ODM software

Despite the slowdown in North America market, the Group has successfully secured a new giant US technology vendor that would become a strategic partner in the Group's future significant ODM software projects. On the other hand, to enhance competitiveness in the outsourcing software market, the Group has been investing in building domain skills and consulting capabilities in order to differentiate itself by exhibiting better understanding of the need of the clients' business.

Provision of proprietary packaged software

For PRC market, since the launching of Interoffice 3.0 packaged software is well received by many civil agents in Jiangxi province, the Group has commenced to upgrade its version to 4.0. However, the intense competition in packaged software market in North America has caused the bad performance of the Group's Ezacc 3.0.

Provision of system solutions

During the period under review, the number of IT projects executed by the Group decreased owing to the continuous postponement in IT spending for the multinational companies in the North America market. For PRC market, in addition to the strengthened presence in government sector in Jiangxi province, there is also an enhanced presence in private manufacturing sector. The Group is working with a new PRC private enterprise to ensure the performance, scalability and availability of its manufacturing system as well as to provide enhanced functionality.

Establishment of software vocational institution

During the quarter under review, the Group has successfully set up a software vocational institution, namely 江西金鼎科技職業技能培訓學院, jointly with Nanchang Vocational Technology University（南昌職工科技大學）. The institute would provide both the academic qualification and practical vocational training to its IT students. The first lecture started in mid April, 2003.

Sales & marketing

Seminars, workshops and roadshows were held in the North America and PRC to introduce its latest developments to the markets. The Group also participated in two major exhibitions held in the United States and Beijing, PRC.

In January 2003, the Group published and distributed a newsletter to thousands of potential customers, resellers and distributors worldwide. Feedback has been positive and the Group has commenced to negotiate with selected customers.

RESEARCH AND DEVELOPMENT

During the period under review, the Group continued to develop Zee Web 4.0 Platform, which will include production process management for manufacturers, and Interoffice 4.0 platform with an emphasis on security management and are expected to be completed in the next quarter. In addition, the Group has successfully developed Enterprise Information Portal ("EIP") system which is applied to several users and gained prize. Another product, Government Information Portal ("GIP") system, has been commenced to develop. An automation product Circuitry Measurement Instrument, which is used for railway station, is also under designing.

On the other hand, the Group's development platform has extended from .Net to J2EE while the database management system has extended from SQL to Oracle, and Module Tool has been extended to OOAD method.

As at 31st March, 2003, the Group has a pool of about 135 IT professionals serving the both North America and PRC customers.

OUTLOOK

Global uncertainty continues. On the short term, issues like the war in Iraq as well as the SARS pneumonia issue on the East Asia have lead to adverse impact of the global software industry. Furthermore, the global economics environment continues to be uncertain, which will affect the industry growth with longer sales cycles. The Group has been reviewing the overall financial implications resulting from the above factors towards the Group and will continue to monitor the situation and respond accordingly. Finally, the Group will continue to execute its business plan and is committed to delivering results and creating long-term shareholders values.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31st March, 2003, the interests of the directors, chief executives and their associates in the share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Hong Kong's Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

	Number of Shares				
Director	Corporate interests	Personal interests	Family interests	Other interests	Total 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 or their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance at 31st March, 2003.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY

Substantial shareholders

As at 31st March, 2003, the following persons were interested in 10 per cent. or more of the shares then in issue for the purpose of the SDI Ordinance:

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

Notes:

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

2. The issued share capital of Cytech is owned as to approximately 38.81% by ESP Associates Limited and as to approximately 7.67% by Wang Xiaochuan. The issued share capital of ESP Associates Limited is in turn owned as to 70% by Wang Xiaochuan. Accordingly, each of ESP Associates Limited and Wang Xiaochuan is deemed to be interested in all the Shares in which Cytech is interested pursuant to the SDI Ordinance.

3. The 249,000,000 shares are registered in the name of Unrivaled Beauty. The issued share capital of Unrivaled Beauty is owned as to 47%, 15% and 38% by Mr. Wen, Mr. Wen Weifeng and Mr. Xin respectively. Accordingly, each of Mr. Wen and Mr. Xin is deemed to be interested in all the Shares in which Unrivaled Beauty is interested pursuant to the SDI Ordinance.

COMPETING INTEREST

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group 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 itself, its directors, employees or associates had any interest in the securities of the Company as at 31st March, 2003.

Pursuant to the sponsor 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 pursuant to the terms and conditions set out therein.

BOARD PRACTICES AND PROCEDURES

During the nine months ended 31st March, 2003, 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 and 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 third quarter result announcement.

PURCHASE, SALES AND REDEMPTION OF SHARES

During the nine months ended 31st March, 2003, neither the Company nor any of its subsidiaries purchased, sold and redeemed the Company's shares.

By Order of the Board
Golding Soft Limited
Li Jiahui
Chairman

Hong Kong, 14th May, 2003