Annual Report 2003

Golding Soft Limited

(incorporated in the Cayman Islands with limited liability)

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

NON-EXECUTIVE DIRECTOR
Mr. Gao Junhua

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC
Golding Technology Building
Soft Park, Huoju Avenue
Nanchang State Hi-tech Industry Development Zone
Nanchang City, Jiangxi Province
PRC

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, AICPA

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
DBS Bank (Hong Kong) Ltd
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
Computershare Hong Kong Investor Services Limited
Rooms 1901-5
19th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

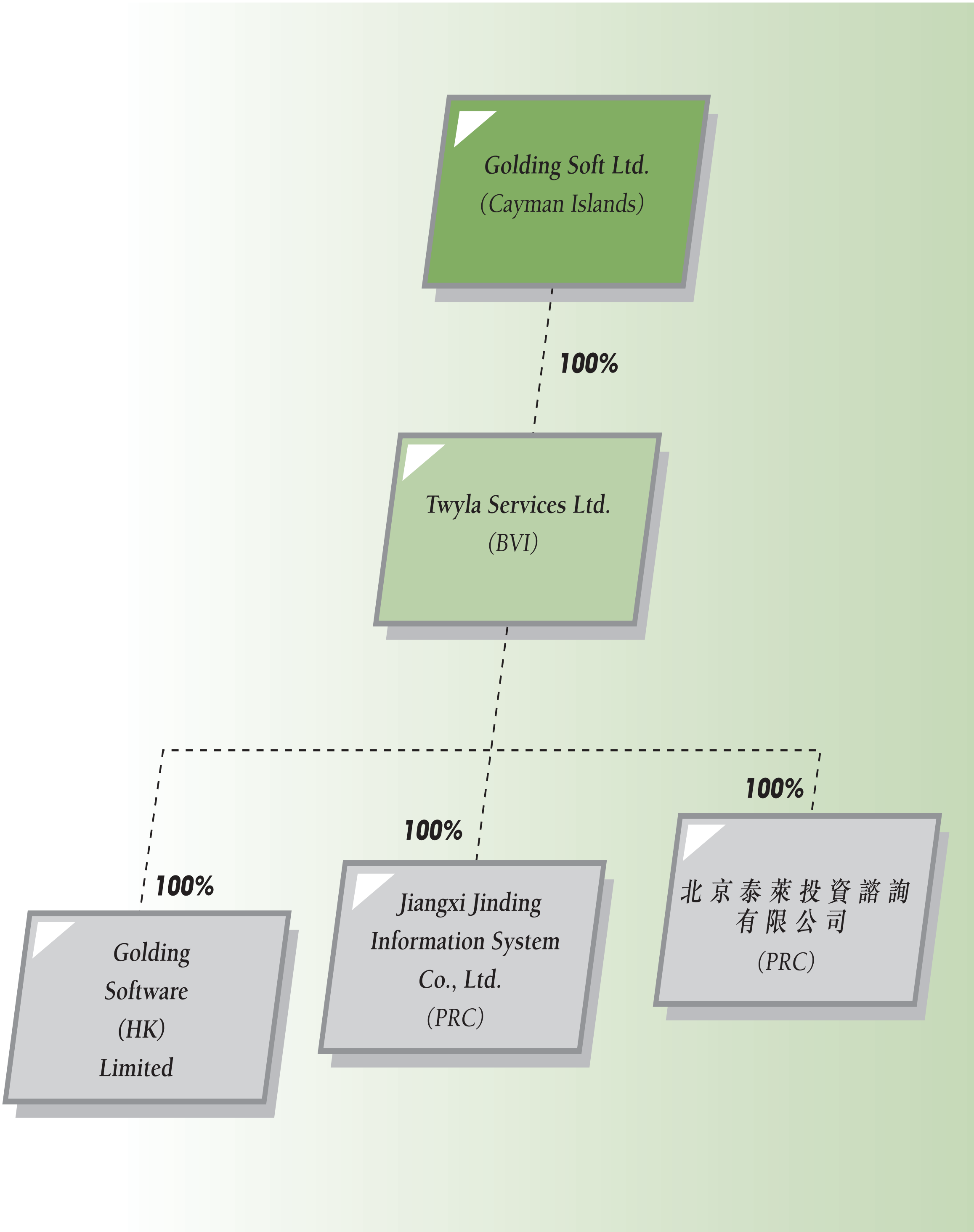
AUDIT COMMITTEE
Mr. Chan Ngai Sang, Kenny
Mr. Xing Fengbing
Mr. Xin Qian

SPONSOR
Core Pacific – Yamaichi Capital Limited

WEBSITE ADDRESS
www.goldingsoft.com

GROUP STRUCTURE

The following chart sets out the structure of the Group:



CHAIRMAN'S STATEMENT

On behalf of the board of directors of the Company (the "Board"), I am pleased to present to our shareholders the annual report of Golding Soft Limited and its subsidiaries (collectively "the Group") for the year ended 30 June 2003.

It has been a difficult and challenging year the Group has experienced. The overall economic slowdown, except the PRC, continues to affect the health of business across the world. The Group's clients, face increasing cost pressure, are requesting their vendor-partners to share the burden. Also, the competitors, under pressure to source business and sustain operations, have taken short-term pricing measures.

Furthermore, the economic recovery in North America continues to be uncertain. The occurrence of war in Iraq and the SARS (Severe Acute Respiratory Syndrome) in East Asia have added to the uncertainty. All the above factors adversely affected the Group's performance for the year ended 30 June 2003.

However, the Group did not passively react to such challenging environment. By constantly revisiting every difficulty and challenge, the Group has focused its efforts by shaping and sizing the organization constantly to be nimble and quick, and hence, triumph in the most adverse circumstances.

IT outsourcing relationship are becoming increasingly long-term and of strategic importance. In response, clients seek robust, trusted, financially strong, high-class partners to outsource their IT requirements. To better align with client organizations, to develop multi-level relationships with clients and to strengthen its around-the-clock operations, the Group successfully re-structured the client service teams. The improved structure focuses on increasing the Group's understanding of clients' business and further reducing the time required to respond to their rapidly changing business needs. This, the Group believes is essential to realize its vision of becoming a best-in-class IT organization.

Furthermore, the Group has taken steps to increase its expertise in clients' business domains to provide effective business solutions. The Group enhanced its focus on retail, trading and manufacturing domains, leading to new clients acquisition especially in Jiangxi province, the PRC.

PROSPECT AND APPRECIATION

The uncertain economic environment in North America persists. In contrast to this, the PRC economy is in its high-growth stage. Accordingly, the Group has been reviewing its overall marketing strategy and intends to place more emphasis on the PRC software market in the coming years.

The Group's financial position remains strong with cash and cash equivalents of about RMB84.3 million as at 30 June 2003 and will continue to look for investment opportunities that provide a strategic fit for the Company's existing business and increase the profit level of the Company.

Looking forward, the Group will grow organically as well as through acquisition. Given its strong financial position and sound business model, the Group is positioned to execute its business plan and is committed to delivering results and creating long-term shareholders value.

Finally, on behalf of the Board, I would like to give my sincere thanks to our colleagues who are so dedicated and persistent during the difficult time and contribute a lot on the Group's business development. I trust their efforts can bear fruitful result in the foreseeable future.

Li Jiahui
Chairman

Hong Kong
29 August 2003

MANAGEMENT DISCUSSION AND ANALYSIS

The following sections provide a detailed review and analysis of results and segmental performance of the Group for the financial year ended 30 June 2003.

FINANCIAL REVIEW

Turnover and gross profit

The Group recorded a turnover of approximately RMB38.8 million representing a decrease of approximately 38.7% as compared with last year. Gross profit decreased by approximately 46.0% to approximately RMB25.1 million. Gross profit ratio decreased to approximately 64.6% from last year's 73.3%. The decrease in both gross profit and its ratio were mainly attributed to continuous pricing pressure arising from intense competition and the challenging global economic environment.

Selling and distribution costs

The selling and distribution costs for the year were approximately RMB7.3 million, a decrease of approximately 15.6% from last year. The decrease in selling and distribution costs was mainly due to the reduced commissions paid to authorized agents and alliance partners and the contraction of number of Group's selling & marketing staff from 44 to 16.

Administrative expenses

The administrative expenses for the year was approximately RMB8.8 million, an increase of approximately 40.6% from last year. The increase in administrative expenses was mainly due to additional listing related fees, namely sponsor fee, share registrar fee and annual listing fee, and the increase in directors' emoluments after listing on the GEM.

Net profit attributable to shareholders

Net profit attributable to shareholders for the year amounted to approximately RMB4.5 million as compared with approximately RMB28.0 million for last year.

Liquidity and financial resources

The Group generally finances its operations with internally generated cash flow. As at 30 June 2003, the Group had cash and cash equivalents amounting to a total of approximately RMB84.3 million (2002: RMB80.0 million) and the Group had net current assets of approximately RMB83.7 million (2002: RMB79.0 million).

With these resources, the Board believes that the Group has adequate capital resources to finance its business objectives as stated in the Company's prospectus dated 31 January 2002 (the "Prospectus").

Charges on the Group's asset

The Group did not have any significant charges on its assets during the year under review (2002: Nil).

Gearing ratio

The Group expresses its gearing ratio (if any) as a percentage of bank borrowings and long term debts over total assets. As at 30 June 2002 and 2003, the Group did not have any bank borrowings 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 2003 (2002: Nil).

Treasury policies and capital structure

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

Exposure to exchange rate risks

During the year ended 30 June 2002 and 2003, the Group conducted its business transactions principally in US Dollars and 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 2003, the Group did not have any significant contingent liabilities (2002: Nil).

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 Prospectus.

Employee information

For the year ended 30 June 2003, the staff costs (excluding directors' remuneration) amounted to approximately RMB14.4 million (2002: RMB18.3 million) while the directors' remuneration amounted to approximately RMB2.2 million (2002: RMB1.4 million). The employees' remuneration is commensurate with individual performance and experience. The decrease in staff costs (excluding directors' remuneration) was resulted from the fact that the number of employees has decreased from 206 to 141.

To maintain the standard of the 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 year 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 happened in mid 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. Furthermore, during the period from late March to mid June, the outbreak of SARS in the PRC has deterred all the visits of overseas customers to the Group's R&D centre in Nanchang city, the PRC, a key factor of new clients acquisition by the Group, and as a result, the Group had to postpone the negotiations for all new software development projects with overseas customers. All of the above adversely affected the Group's main stream of income in the North America market.

For the PRC market, though the booming economy continues, the outbreak of SARS at the end of March 2003 impacted the PRC software industry negatively. However, during the year under review, the Group's PRC business showed only a slight decline of 9.4%.

ODM software

During the year under review, the Group could still benefit in providing ODM software to US advanced technology vendors by utilizing the end products of ODM software as an effective tool to better understand the latest technological development and clients' needs. This could also help the Group to promote and market the Group's inter-related system solutions and the proprietary packaged software products. In addition, the Group has further expanded its software module base so that the Group's software library was enriched.

System solutions

The Group has built up strong relationship with existing customers through continuous monitoring the customers' system and provision of consulting and training services to them. During the year under review, the Group has successfully re-structured the clients service teams. The improved structure focuses on increasing the understanding of clients' business and further reducing the time required to respond to their rapidly changing business needs.

A large decline in turnover from North America segment was recorded when compared with last year. The corporations in North America continued to face increasing cost pressure and caused the reduction in their IT spending.

For the PRC market, the Group has a strong presence in the e-government projects in Jiangxi province. The new clients include government entities namely as 江西省財政廳 (Jiangxi Province Finance Bureau), 江西省武警總隊(Jiangxi Province Armed Police Force), 江西省檢察院(Jiangxi Province Procuratorate). The turnover generated from the PRC segment recorded a slight growth when compared with last year. This was due to the PRC's entry into the WTO so that both the PRC government and private enterprises have increased spending on their IT systems in order to raise their competitiveness.

Proprietary packaged software

The turnover of this segment recorded a large decrease of 84.7% during the year under review. The intense competition in the packaged software market in both North America and the PRC has caused the decrease in the quantity of proprietary packaged software sold. However, the Group has upgraded its Interoffice 3.0 (for PRC civil agents) and Zee Web 3.0 (for PRC private enterprises) to their version 4.0 so as to incorporate the latest clients' requirement.

Research and development

During the year under review, the Group has completed the development of the following that could complement the Group's system solutions and software products:

(i) the middle ware which could complement the Group's business solutions and supply relationship management modules using in the Group's products.

(ii) the Zee web 4.0 platform which included production process management for manufacturers and Interoffice 4.0 platform which included an emphasis on security management.

(iii) Enterprise Information Portal ("EIP") system using in Group's e-business solutions and Government Information Portal ("GIP") system using in Group's e-government solutions.

Responding to the uncertain economic environment in North America, the Group has cut down its number of software engineers. As at 30 June 2003, the number of software engineers in the Group decreased to 113 from 147 as at 30 June 2002.

Sales & marketing

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

Responding to the economic recession in North America market, the Group applied new pricing strategy and incentive schemes to maintain its competitiveness.

In the PRC, the Group's marketing staff actively visited clients and held business review meetings and technical training workshops periodically. The Group has also arranged visits of well-known persons to the Group's new headquarters in Nanchang City, the PRC in order to promote its public awareness.

STRATEGIC ALLIANCES

The Group's strategic partnerships with the PRC renowned educational institutions including 清華大學(Tsinghua University), 南昌大學(Nanchang University) and 江西財經大學(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 the PRC. During the year under review, the Group has also arranged seminar on information technology in conjunction with 南昌大學(Nanchang University) and 江西財經大學(Jiangxi University of Finance and Economics) in the PRC.

HUMAN RESOURCES

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

	As at 30 June 2003	As at 30 June 2002
Research and development and technical support	**113**	147
Sales and Marketing	**16**	47
Management, finance and administration	**18**	18
Total	**147**	212

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

	Business objective up to 30 June 2003 as stated in Prospectus	Actual business progress
Sales and marketing	1. to set up a subsidiary/branch marketing office in each of Tokyo, Seoul, Wuhan City and Chengdu City, the PRC.	The plans to set up a subsidiary in these locations have been under review owing to the uncertainties created by the outbreak of SARS during the period from mid April to mid June.
	2. 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.	The advertising and promotional activities have been carried out as planned.
	3. to appoint more authorized agents and alliance partners to enhance the distribution network of the Group.	The number of authorized agents and alliance partners has been reduced in North America owing to its uncertain economic environment. But in the PRC, additional authorized agents and alliance partners have been appointed.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

		Business objective up to 30 June 2003 as stated in Prospectus	Actual business progress
Research and development	1.	to evaluate opportunities to establish co-operation arrangements with more educational institutions/ business partners in East Asia and North America.	Discussion with potential IT companies has been in progress.
	2.	to complete development of fully integrated e-business solutions platforms of Zee Web 4.0 and Interoffice 4.0.	The Group has completed the development of fully integrated e-business solutions platforms of Zee Web 4.0 and Interoffice 4.0.
	3.	to standardize modulate all of the Group's e-business products by industries and functions.	The standardization has been commenced and is expected to be completed within the next quarter.
	4.	to improve the capability of providing around-the-clock response to worldwide customers.	The Group's IT professionals have continued to maintain work-shift so that 24 hours IT services can be provided across the time zones and geographies.
Quality assurance and award	1.	to be certified as CMM level 4 compliant.	The Group's R&D centre has followed the software development processes as specified by CMM level 3 and intends to seek certification within calendar year 2003.
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 continued to seek target companies that would bring synergy effect to the Group's business but the Group has not yet identified any companies for possible mergers and acquisitions during the year.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

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. Up to the year ended 30 June 2003, the net proceeds were applied in the following areas:

– approximately HK$9.9 million was used for research and development;

– approximately HK$3.8 million was used for the establishment of branch offices;

– approximately HK$3.1 million was used for the improvement of the Group's quality assurance system; and

– the balance of HK$33.2 million was applied as additional working capital of the Group.

During the year under review, the Group intended to carry out its business objectives, as stated in the Prospectus, in a slower pace in order to minimize the business risks arising from the uncertainties in the global economic downturn. As a result, the rate of applications of proceeds had been slowed down. It is the intention of the Group that the remaining net proceeds will still applied in those areas as stated in the Prospectus.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

EXECUTIVE DIRECTORS

Mr. Li Jiahui (李佳輝), aged 43, 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 39, 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 11 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 38, 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 13 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 41, 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 38, is an independent non-executive Director. He is presently a partner and founder of Kenny Chan & Co.. He has more than 11 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.

Mr. Xing Fengbing (邢鳳炳), aged 63, 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 33, 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 eight 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 38, 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 11 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 and Economics (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 34, 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 eight 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 38, 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).

The directors present their report and the audited financial statements of the Company and the Group for the year ended 30 June 2003.

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.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 30 June 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 25 to 55.

The directors do not recommend the payment of any dividend in respect of the year ended 30 June 2003.

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 Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in February 2002, after deduction of related issuance expenses, amounted to approximately HK$50 million. The proceeds applied up to 30 June 2003 in accordance with the proposed applications set out in the Company's listing prospectus, were as follows:

– approximately HK$9.9 million was used for research and development;

– approximately HK$3.8 million was used for the establishment of branch offices;

– approximately HK$3.1 million was used for the improvement of the Group's quality assurance system; and

– the balance of HK$33.2 million was applied as additional working capital of the Group.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last four financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 56. 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 notes 21 and 22 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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 23 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 30 June 2003, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to RMB34,502,788. This includes the Company's share premium account of RMB40,026,000 at 30 June 2003, 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 31.2% of the total sales for the year and sales to the largest customer included therein amounted to 9.7%. Purchases from the Group's five largest suppliers accounted for 94.6% of the total purchases for the year and purchases from the largest supplier included therein amounted to 29.7%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:
Mr. Li Jiahui ("Mr. Li")
Mr. Wen Ruifeng ("Mr. Wen")
Mr. Xin Qian ("Mr. Xin")

Non-executive directors:
Mr. Gao Junhua ("Mr. Gao")
Mr. Xing Fengbing*
Mr. Chan Ngai Sang, Kenny*

* *Independent non-executive directors*

In accordance with article 108(A) of the Company's articles of association, Mr. Gao and Mr. Chan Ngai Sang, Kenny will retire by rotation and, being eligible, will offer themselves 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 14 to 16 of the annual report.

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 to the other.

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' AND CHIEF EXECUTIVES' INTERESTS IN SHARES OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 June 2003, the interests of the directors and chief executives in the securities of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO), as recorded in the register to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Stock Exchange and the Company as required by Rule 5.40 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") were as follows:

Director	Total number of shares held	Capacity	Approximate percentage shareholding
Mr. Wen *(Note 1)*	249,000,000	Interest in a controlled corporation	24.9
Mr. Xin *(Note 1)*	249,000,000	Interest in a controlled corporation	24.9
Mr. Li	189,000,000	Beneficial Owner	18.9
Mr. Gao *(Note 2)*	312,000,000	Interest in a controlled corporation	31.2

Notes:

1. These shares are registered in the name of Unrivaled Beauty Profits Limited ("Unrivaled Beauty"). Mr. Wen and Mr. Xin are the respective owners of 47% and 38% of the issued share capital of Unrivaled Beauty. Under the SFO, both Mr. Wen and Mr. Xin are individually deemed to be interested in all the shares registered in the name of Unrivaled Beauty.

2. These shares are registered in the name of ESP Associates Limited as disclosed in the section "Interest disclosable under the SFO and substantial shareholders" below.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under Section 352 of the SFO.

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

Due to the adoption of Statement of Standard Accounting Practice No. 34 "Employee benefits" during the year, most of the detailed disclosures relating to the Company's share option scheme have been moved to note 22 to the financial statements.

INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

At 30 June 2003, so far as was known to any directors or chief executives, the following interests of which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or who were deemed to be directly or indirectly interested in 5% or more of the issued share capital of the Company, or which were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	*Notes*	Number of shares held	Percentage of the Company's issued 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
Mr. Gao	(b)	312,000,000	31.2
Unrivaled Beauty	(c)	249,000,000	24.9
Mr. Wen	(c)	249,000,000	24.9
Mr. Xin	(c)	249,000,000	24.9
Mr. Li		189,000,000	18.9

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 SFO.

(b) The issued share capital of Cytech is owned as to 38.81%, 7.67% and 2.74% by ESP Associates Limited, Wang Xiaochuan and Mr. Gao, respectively. The issued share capital of ESP Associates Limited is in turn owned as to 50.67% by Wang Xiaochuan and 41.11% by Mr. Gao. Accordingly, each of ESP Associates Limited, Wang Xiaochuan and Mr. Gao is deemed to be interested in all the shares in which Cytech is interested pursuant to the SFO.

(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 SFO.

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 or short position in the share capital, underlying shares and debentures of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, Core Pacific – Yamaichi Capital Limited (the "Sponsor"), as at 30 June 2003, none of the Sponsor itself, its 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.

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

COMPETING INTERESTS

None of the directors, the management shareholders or substantial shareholders of the Company (as defined in the GEM Listing Rules) or any of their respective associates had an interest in a business which competes or may compete with the businesses of the Group, or has any other conflict of interests with the Group.

CONNECTED TRANSACTIONS

During the year, Twyla Services Limited, a subsidiary of the Company, made operating lease payments of RMB441,000 in respect of the Group's office premises in Hong Kong to Cytech Software (HK) Limited, which is a wholly-owned subsidiary of Cytech, a substantial shareholder of the Company. 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 the prevailing open market rentals for similar premises. Further details of the transaction are also set out in note 28 to the financial statements.

Such transaction is a de minimis transaction pursuant to Rule 20.23 of the GEM Listing Rules, which is exempted from the reporting, announcement and shareholder's approval requirements.

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 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 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
29 August 2003

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 25 to 55 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 financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 2003 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
29 August 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 30 June 2003

	Notes	2003 RMB	2002 RMB
TURNOVER	5	38,769,882	63,293,948
Cost of sales		(13,716,561)	(16,868,235)
Gross profit		25,053,321	46,425,713
Other revenue	5	843,013	560,658
Selling and distribution costs		(7,323,827)	(8,676,134)
Administrative expenses		(8,837,950)	(6,288,063)
Other operating expenses		(2,997,062)	(1,240,860)
PROFIT FROM OPERATING ACTIVITIES	6	6,737,495	30,781,314
Tax	9	(2,247,670)	(2,776,873)
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	10, 23	4,489,825	28,004,441
EARNINGS PER SHARE – Basic *(RMB)*	12	0.45 cents	3.19 cents

CONSOLIDATED BALANCE SHEET

30 June 2003

	Notes	2003 RMB	2002 RMB
NON-CURRENT ASSETS			
Fixed assets	13	13,427,703	13,580,647
CURRENT ASSETS			
Trade receivables	15	2,732,865	6,254,798
Prepayments, deposits and other receivables	16	2,365,655	1,860,974
Cash and cash equivalents	17	84,271,554	79,980,877
		89,370,074	88,096,649
CURRENT LIABILITIES			
Trade payables	18	–	246,344
Tax payable		112,612	2,017,943
Other payables and accruals	19	4,761,718	4,804,682
Trade deposits received		702,445	1,803,600
Due to a related company	20	112,266	185,816
		5,689,041	9,058,385
NET CURRENT ASSETS		83,681,033	79,038,264
		97,108,736	92,618,911
CAPITAL AND RESERVES			
Issued capital	21	10,500,000	10,500,000
Reserves	23	86,608,736	82,118,911
		97,108,736	92,618,911

Xin Qian
Director

Wen Ruifeng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

30 June 2003

	Issued share capital RMB	Share premium account RMB	Statutory reserves (Note 23) RMB	Retained profits RMB	Total RMB
At 1 July 2001	210,000	–	413,500	13,674,970	14,298,470
Issue of shares	2,100,000	60,900,000	–	–	63,000,000
Capitalisation of share premium account to pay up in full of 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 and 1 July 2002	10,500,000	40,026,000	413,500	41,679,411	92,618,911
Net profit for the year	–	–	–	4,489,825	4,489,825
At 30 June 2003	**10,500,000**	**40,026,000**	**413,500**	**46,169,236**	**97,108,736**

CONSOLIDATED CASH FLOW STATEMENT

Year ended 30 June 2003

	2003	2002
		(Restated)
	RMB	RMB
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit from operating activities	6,737,495	30,781,314
Adjustments for:		
Interest income	(747,019)	(560,658)
Depreciation	2,341,649	1,195,731
Operating profit before working capital changes	8,332,125	31,416,387
Decrease/(increase) in trade receivables	3,521,933	(4,284,941)
Increase in prepayments, deposits and other receivables	(504,681)	(922,933)
Increase/(decrease) in trade payables	(246,344)	87,076
Increase/(decrease) in other payables and accruals	(42,964)	2,484,122
Increase/(decrease) in trade deposits received	(1,101,155)	1,570,850
Increase/(decrease) in amount due to a related company	(73,550)	185,816
Cash generated from operations	9,885,364	30,536,377
Interest received	747,019	560,658
Income tax paid in Mainland China	(4,153,001)	(758,930)
Net cash from operating activities	6,479,382	30,338,105
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(2,188,705)	(12,213,314)
Net cash used in investing activities	(2,188,705)	(12,213,314)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital	–	63,000,000
Share issue expenses paid	–	(12,684,000)
Net cash from financing activities	–	50,316,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,290,677	68,440,791
Cash and cash equivalents at beginning of year	79,980,877	11,540,086
CASH AND CASH EQUIVALENTS AT END OF YEAR	84,271,554	79,980,877
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	53,632,868	38,799,525
Time deposits with original maturity of less than three months when acquired	30,638,686	41,181,352
	84,271,554	79,980,877

BALANCE SHEET

30 June 2003

	Notes	2003 RMB	2002 RMB
NON-CURRENT ASSETS			
Investments in subsidiaries	14	210,000	210,000
CURRENT ASSETS			
Prepayments		78,750	–
Due from subsidiaries	14	47,108,544	50,398,172
		47,187,294	50,398,172
CURRENT LIABILITIES			
Other payables and accruals	19	2,394,506	2,091,440
NET CURRENT ASSETS		44,792,788	48,306,732
		45,002,788	48,516,732
CAPITAL AND RESERVES			
Issued capital	21	10,500,000	10,500,000
Reserves	23	34,502,788	38,016,732
		45,002,788	48,516,732

Xin Qian
Director

Wen Ruifeng
Director

1. CORPORATE INFORMATION

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.

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

The following new and revised SSAPs are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised): "Presentation of financial statements"
- SSAP 11 (Revised): "Foreign currency translation"
- SSAP 15 (Revised): "Cash flow statements"
- SSAP 34: "Employee benefits"

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 are summarised as follows:

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision of this SSAP is that a consolidated statement of changes in equity is now presented on page 27 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

SSAP 11 prescribes the basis for the translation of foreign currency transactions in the financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries are translated at the weighted average exchange rates for the year, rather than translated at the applicable exchange rates ruling at the balance sheet date as was previously the case. The adoption of the revised SSAP 11 has had no material impact on the financial statements.

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

SSAP 15 prescribes the format for the cash flow statement. The principal impact of the revision of this SSAP is that cash flows are now presented under three headings, that is, cash flows from operating, investing and financing activities, rather than the five headings previously required. The format of the cash flow statement set out on page 28 of the financial statements and the notes thereto have been revised in accordance with the new requirements. The cash flows of the Company's overseas subsidiaries are now translated using the exchange rates at the dates of the cash flows, or if applicable, at the weighted average exchange rate, whereas before, they were translated at the applicable exchange rates ruling at the balance sheet date, and the definition of cash equivalents for the purpose of the consolidated cash flow statement has been revised. Further details of these changes are included in the accounting policies for "Cash and cash equivalents" and "Foreign currencies" in note 3 to the financial statements.

SSAP 34 prescribes the recognition and measurement criteria for employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatments for employee benefits. Additional disclosures are now required in respect of the Company's share option scheme, as detailed in note 22 to the financial statements. These disclosures are similar to the Rules Governing the Listing of Securities (the "GEM Listing Rules") on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "SEHK") disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the SSAP.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These 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.

The consolidated financial statements for the year ended 30 June 2002 have been prepared using the merger basis of accounting as a result of the reorganisation scheme (the "Group Reorganisation") for the rationalisation of the structure of the Group in preparation for the listing of the Company's shares on the GEM. On this basis, the Company has been treated as the holding company of its subsidiaries throughout the period from 1 July 2001, 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 the year ended 30 June 2002 include the results and cash flows of the Company and its subsidiaries with effect from 1 July 2001 or since their respective dates of incorporation, where this is a shorter period. In the opinion of the directors, the consolidated financial statements for the year ended 30 June 2002 prepared on the above basis present more fairly the results of the Group as a whole.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 June 2003. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

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 results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's investments 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. 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 less residual value of each asset over its estimated useful life. The estimated useful lives used for this purpose are as follows:

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 stated at cost less any impairment losses and 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. 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 and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, 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 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.

3. 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.

Employee benefits

Retirement benefits scheme

The employees of the Company's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These 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.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

The Group's principal operations are conducted in Mainland China. 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 exchange rates 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 exchange rates 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 the applicable exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

4. SEGMENT INFORMATION

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 the 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, the design and development of software, system networking and system integration for business management, the distribution of computer hardware and the provision of 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.

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.

Group

	ODM		Proprietary packaged software		System solutions		Consolidated	
	2003 RMB	2002 RMB	2003 RMB	2002 RMB	2003 RMB	2002 RMB	2003 RMB	2002 RMB
Segment revenue:								
Sales to external customers	17,308,267	25,864,002	2,301,061	15,075,215	19,160,554	22,354,731	38,769,882	63,293,948
Segment results	8,759,021	16,614,929	1,367,585	10,813,300	8,105,120	12,218,790	18,231,726	39,647,019
Interest income and unallocated gains							843,013	560,658
Unallocated expenses							(12,337,244)	(9,426,363)
Profit from operating activities							6,737,495	30,781,314
Tax							(2,247,670)	(2,776,873)
Net profit attributable to shareholders							4,489,825	28,004,441
Segment assets	1,287,750	2,817,948	29,761	914,878	1,415,354	2,521,972	2,732,865	6,254,798
Unallocated assets							100,064,912	95,422,498
Total assets							102,797,777	101,677,296
Segment liabilities	529,505	1,321,345	–	–	564,700	728,599	1,094,205	2,049,944
Unallocated liabilities							4,594,836	7,008,441
Total liabilities							5,689,041	9,058,385

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		PRC*		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002
	RMB	RMB	**RMB**	RMB	**RMB**	RMB
Segment revenue:						
Sales to external customers	**19,161,439**	41,648,032	**19,608,443**	21,645,916	**38,769,882**	63,293,948
Segment results	**10,824,908**	28,443,336	**7,406,818**	11,203,683	**18,231,726**	39,647,019
Other segment information:						
Segment assets	**1,405,510**	4,201,129	**101,392,267**	97,476,167	**102,797,777**	101,677,296
Capital expenditure	**–**	–	**2,188,705**	12,213,314	**2,188,705**	12,213,314

* People's Republic of China (the "PRC") includes Hong Kong.

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 the Group's turnover and other revenue is as follows:

	2003 RMB	2002 RMB
Turnover		
Sale of goods	5,845,184	17,527,742
Rendering of services	32,924,698	45,766,206
	38,769,882	63,293,948
Other revenue		
Interest income	747,019	560,658
Forfeited deposits	95,994	–
	843,013	560,658
	39,612,895	63,854,606

6. PROFIT FROM OPERATING ACTIVITIES

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

	2003 RMB	2002 RMB
Cost of inventories sold	3,938,011	5,203,215
Cost of services provided	9,778,550	11,665,020
Depreciation	2,341,649	1,195,731
Minimum lease payments under operating leases in respect of land and buildings	1,090,978	446,804
Auditors' remuneration	735,000	800,000
Staff costs (excluding directors' remuneration – note 7):		
Salaries and wages	14,215,579	17,345,762
Retirement scheme contributions	150,750	912,934
	14,366,329	18,258,696
Research and development expenses*	2,521,260	1,240,860
Exchange gains, net	–	(79,653)

* These items are included in "Other operating expenses" on the face of the consolidated profit and loss account.

7. DIRECTORS' REMUNERATION

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

	Group	
	2003 RMB	2002 RMB
Fees	491,400	245,700
Other emoluments:		
Salaries, allowances and benefits in kind	1,679,580	1,199,790
	2,170,980	1,445,490

7. DIRECTORS' REMUNERATION (continued)

During the year, the three executive directors received individual emoluments of RMB419,580, RMB630,000 and RMB630,000 (2002: RMB209,790, RMB495,000 and RMB495,000), respectively. The non-executive director received an individual fee of RMB189,000 (2002: RMB94,500). Each of the two independent non-executive directors received individual fees of RMB151,200 (2002: RMB75,600).

The remuneration paid to each of the directors fell within the band of nil to HK$1,000,000 for each of the two years ended 30 June 2002 and 2003.

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 (2002: two) directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining three (2002: three) non-director, highest paid employees are as follows:

	Group	
	2003	2002
	RMB	RMB
Salaries, allowances and benefits in kind	**1,787,900**	2,160,000

The remuneration paid to each of the non-director, highest paid employees fell within the band of nil to HK$1,000,000 for each of the two years ended 30 June 2002 and 2003.

No value in respect of the share options granted during the year has been charged to the profit and loss account, or is otherwise included in the above non-director, highest paid employees' remuneration disclosures.

9. TAX

No Hong Kong profits tax has been provided during the year as the Group did not generate any assessable profits arising from its operations in Hong Kong (2002: Nil). 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.

	2003 RMB	2002 RMB
Current year provision:		
Hong Kong	–	–
Elsewhere in the PRC	2,247,670	2,776,873
Tax charge for the year	2,247,670	2,776,873

According to the Income Tax Law of Mainland China and as approved by relevant tax authorities, Jiangxi Jinding Information System Co., Ltd. ("Jiangxi Jinding"), a wholly-owned subsidiary of the Company operating in Mainland China, was exempted from the corporate income tax ("CIT") for two years commencing from its first profit-making year and is 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. Provisions for CIT for Jiangxi Jinding have been made at the applicable reduced tax rate on the foregoing basis for the year ended 30 June 2003.

No deferred tax has been provided as the Group did not have any significant timing differences at the balance sheet date (2002: Nil).

10. NET PROFIT 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 year ended 30 June 2003 is RMB3,513,944 (2002: RMB2,009,268).

11. DIVIDEND

No dividend has been paid or declared by the Company or any of the companies comprising the Group during the years presented in these financial statements.

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit attributable to shareholders for the year of RMB4,489,825 (2002: RMB28,004,441), and the weighted average of 1,000,000,000 (2002: 878,356,164) ordinary shares in issue during the year.

The weighted average number of shares for the 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 and the 200,000,000 share issued upon the listing of the Company's shares on the GEM on 8 February 2002.

Diluted earnings per share amounts for the two years ended 30 June 2002 and 2003 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 improvements RMB	Computer equipment RMB	Furniture, fixtures and office equipment RMB	Motor vehicles RMB	Total RMB
Cost:						
At 1 July 2002	5,678,247	3,112,955	4,999,213	844,946	604,085	15,239,446
Additions	–	–	1,901,705	287,000	–	2,188,705
At 30 June 2003	**5,678,247**	**3,112,955**	**6,900,918**	**1,131,946**	**604,085**	**17,428,151**
Accumulated depreciation:						
At 1 July 2002	132,927	318,707	997,413	147,747	62,005	1,658,799
Provided during the year	281,142	603,914	1,166,201	173,199	117,193	2,341,649
At 30 June 2003	**414,069**	**922,621**	**2,163,614**	**320,946**	**179,198**	**4,000,448**
Net book value:						
At 30 June 2003	**5,264,178**	**2,190,334**	**4,737,304**	**811,000**	**424,887**	**13,427,703**
At 30 June 2002	5,545,320	2,794,248	4,001,800	697,199	542,080	13,580,647

The cost of leasehold land and buildings includes cost of land use rights in the amount of RMB4,559,000. The Group's leasehold land and buildings are situated in Mainland China and held under medium lease terms.

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2003	2002
	RMB	RMB
Unlisted shares, at cost	210,000	210,000

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

14. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the subsidiaries as at 30 June 2003 are as follows:

Name of company	Place and date of incorporation/ registration and operations	Nominal value of paid-up issued/ registered capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company 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) *(Note 1)*	Mainland China 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 ("Tailai") *(Note 2)*	Mainland China 5 June 2002	US$150,000	–	100	Investment consultancy, enterprise management consultancy and enterprise marketing strategy

Notes:

1. Jiangxi Jinding is a wholly foreign-owned enterprise with an operating period of 15 years commencing from 30 April 1999.

2. Tailai is a wholly foreign-owned enterprise with an operating period of 20 years commencing from 5 June 2002.

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 the financial management.

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

	Group	
	2003	2002
	RMB	RMB
Within one month	147,907	4,433,856
One to two months	144,716	1,120,790
Two to three months	367,192	695,016
Three months to one year	2,073,050	5,136
	2,732,865	6,254,798

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2003	2002
	RMB	RMB
Prepayments	646,455	446,913
Deposits and other receivables *(Note)*	1,719,200	1,414,061
	2,365,655	1,860,974

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Note: At 30 June 2003, other receivables included an amount of RMB1,500,000 due from 南昌金鼎軟件開發有限公司 ("Nanchang Jinding"), a company established in Mainland China in which Mr. Huang Boqi, a director of Jiangxi Jinding, has beneficial interests. Disclosures pursuant to Section 161B of the Companies Ordinance are as follows:

Name of company	30 June 2003	Maximum amount outstanding during the year	1 July 2002
	RMB	RMB	RMB
Nanchang Jinding	**1,500,000**	1,500,000	–

The amount due from Nanchang Jinding is unsecured, interest-free and has no fixed terms of repayment.

17. CASH AND CASH EQUIVALENTS

	Group	
	2003	2002
	RMB	RMB
Cash and bank balances	**53,632,868**	38,799,525
Time deposits	**30,638,686**	41,181,352
Cash and cash equivalents	**84,271,554**	79,980,877

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB37,208,554 (2002: RMB30,193,680). RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

18. TRADE PAYABLES

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

	Group	
	2003	2002
	RMB	RMB
Within one month	–	246,344

19. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2003	2002	2003	2002
	RMB	RMB	RMB	RMB
Other payables	1,268,077	634,471	1,916,222	151,154
Accruals	3,493,641	4,170,211	478,284	1,940,286
	4,761,718	4,804,682	2,394,506	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, further details of which are set out in note 28 to the financial statements.

21. SHARE CAPITAL

Shares

	2003		2002
	HK$	RMB	RMB
Authorised:			
20,000,000,000 ordinary shares of HK$0.01 each	200,000,000	210,000,000	210,000,000
Issued and fully paid:			
1,000,000,000 ordinary shares of HK$0.01 each	10,000,000	10,500,000	10,500,000

21. SHARE CAPITAL (continued)

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 2003:

(a) 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.

(b) 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.

(c) 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.

(d) On 24 January 2002, as part of the Group Reorganisation, the Company acquired the entire issued share capital of Twyla Services Limited ("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.

(e) 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.

(f) 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.

(g) 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).

21. SHARE CAPITAL (continued)

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

	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 (a)	1	–	–
Shares of HK$0.01 each sub-divided from the 1 share in issue (b)	10	–	–
Shares allotted and issued nil paid on 24 January 2002 (b)	9,999,990	–	–
On acquisition of Twyla			
– consideration shares issued (d)	10,000,000	100,000	105,000
– nil paid shares credited as fully paid (d)	–	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 (f)	780,000,000	–	–
Pro forma issued share capital at 1 July 2001	800,000,000	200,000	210,000
New issue upon public listing (g)	200,000,000	2,000,000	2,100,000
Capitalisation of the share premium account as set out above (f)	–	7,800,000	8,190,000
Share capital as at 30 June 2002 and 2003	**1,000,000,000**	**10,000,000**	**10,500,000**

Share options

Details of the Company's share option schemes are included in note 22 below.

22. SHARE OPTION SCHEME

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, the following detailed disclosures relating to the Company's share option scheme are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the GEM Listing Rules.

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.

22. SHARE OPTION SCHEME (continued)

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.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Up to the date of this report, no options have been granted or agreed to be granted under the Scheme since its effective date on 24 January 2002.

23. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 27 of the financial statements.

Pursuant to the relevant laws and regulations for wholly foreign-owned enterprises, a portion of the profits of Jiangxi Jinding, a subsidiary of the company registered in Mainland China, has been transferred to statutory reserves which are restricted as to use.

23. RESERVES (continued)

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 of 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 and 1 July 2002	40,026,000	(2,009,268)	38,016,732
Net loss for the year	–	(3,513,944)	(3,513,944)
At 30 June 2003	**40,026,000**	**(5,523,212)**	**34,502,788**

(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 2003, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to RMB34,502,788 (2002: RMB38,016,732), subject to the restrictions stated in note (a) above.

24. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Changes in presentation

SSAP 15 (Revised) was adopted during the current year, as detailed in note 2 to the financial statements, which has resulted in a change to the layout of the consolidated cash flow statement. The consolidated cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that interest received and income taxes paid are now included in cash flows from operating activities. The presentation of the 2002 comparative consolidated cash flow statement has been changed to accord with the new layout.

25. CONTINGENT LIABILITIES

At the balance sheet date, the Company and the Group did not have any significant contingent liabilities (2002: Nil).

26. 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 2003, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2003	2002
	RMB	RMB
Within one year	**257,250**	441,000
In the second to fifth years, inclusive	**–**	257,250
	257,250	698,250

27. COMMITMENTS

At the balance sheet date, neither the Group nor the Company had any significant capital commitments (2002: Nil).

28. RELATED PARTY TRANSACTIONS

In addition to the balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2003 RMB	2002 RMB
Operating lease rentals paid to a related company	(i)	441,000	177,186
Agency fees paid to a related company	(ii)	1,000,000	–

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) Pursuant to an agreement entered into between Jiangxi Jinding and Nanchang Jinding during the year, the Group would be entitled to all revenues from projects incepted by Nanchang Jinding on behalf of Jiangxi Jinding, in consideration of a fixed annual fee of RMB1 million payable to Nanchang Jinding. During the year, projects incepted by Nanchang Jinding on behalf of the Group amounted to RMB3,714,490.

29. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation.

30. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 August 2003.

FOUR YEAR FINANCIAL SUMMARY

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

	Year ended 30 June			
	2003	2002	2001	2000
RESULTS	**RMB**	RMB	RMB	RMB
TURNOVER	**38,769,882**	63,293,948	31,736,557	15,285,411
Cost of sales	**(13,716,561)**	(16,868,235)	(7,751,584)	(5,896,648)
Gross profit	**25,053,321**	46,425,713	23,984,973	9,388,763
Other revenue	**843,013**	560,658	215,485	80,009
Selling and distribution costs	**(7,323,827)**	(8,676,134)	(5,415,221)	(3,360,566)
Administrative expenses	**(8,837,950)**	(6,288,063)	(2,714,383)	(2,422,907)
Other operating expenses	**(2,997,062)**	(1,240,860)	(638,788)	(847,227)
PROFIT FROM OPERATING ACTIVITIES	**6,737,495**	30,781,314	15,432,066	2,838,072
Finance costs	**–**	–	–	(158,125)
PROFIT BEFORE TAX	**6,737,495**	30,781,314	15,432,066	2,679,947
Tax	**(2,247,670)**	(2,776,873)	–	–
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	**4,489,825**	28,004,441	15,432,066	2,679,947
ASSETS AND LIABILITIES				
TOTAL ASSETS	**102,797,777**	101,677,296	17,011,048	6,373,253
TOTAL LIABILITIES	**(5,689,041)**	(9,058,385)	(2,712,578)	(7,506,849)
	97,108,736	92,618,911	14,298,470	(1,133,596)

Note: The summary of the published 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 "Prospectus") in connection with the listing of the Company's shares on the GEM. The summary was prepared from the audited financial statements of the companies then comprising the Group, further details of the basis of preparation are set out in the Prospectus. The results of the Group for the two years ended 30 June 2002 and 2003 and its assets and liabilities as at 30 June 2002 and 2003 are those set out on pages 25 and 26 of the financial statements, respectively, and are presented on the basis as set out in note 3 to the financial statements.