

1st Quarterly
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.



HIGHLIGHTS

The turnover of the Group for the three months ended 30th September, 2003 was approximately RMB5.9 million, representing a decrease of approximately 55.3% as compared with the corresponding period in 2002.

The unaudited loss from operations of the Group for the three months ended 30th September, 2003 was approximately RMB1.7 million as compared with the unaudited profit from operations of the Group of approximately RMB4.5 million for the corresponding period in 2002.

The loss per share was RMB0.16 cents for the three months ended 30th September, 2003.



RESULTS

The board of Directors (the “Board”) is pleased to announce the unaudited results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 30th September, 2003, together with the unaudited comparative figures for the corresponding periods in 2002 as follows:

	Notes	Three months ended 30th September,	
		2003 (Unaudited) RMB	2002 (Unaudited) RMB
Turnover	2	5,901,341	13,204,174
Cost of sales		(4,005,621)	(3,626,621)
Gross profit		1,895,720	9,577,553
Other revenue		163,854	232,133
Selling and distribution costs		(1,043,755)	(2,107,768)
Administrative expenses		(2,404,486)	(1,910,630)
Other operating expenses		(272,831)	(319,746)
Profit/(loss) from operating activities and before tax		(1,661,498)	5,471,542
Tax	3	–	(965,390)
Profit after tax		(1,661,498)	4,506,152
Minority Interest		27,857	–
Net profit/(loss) from ordinary activities attributable to shareholders		(1,633,641)	4,506,152
Earnings/(loss) per share – Basic (RMB)	4	(0.16) cents	0.45 cents



Notes:

1. Basis of presentation and accounting policies

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

The unaudited consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for the three months ended 30th September, 2003.

The accounting policies and methods of computation used in the preparation of the unaudited consolidated financial statements are consistent with those used in the annual audited consolidated financial statements for the year ended 30th June, 2003.

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

2. Turnover

Turnover represents the provision of ODM software, sales of proprietary packaged software, provision of system solutions and sales of computers and related products.



3. Taxation

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

	Three months ended	
	30th September,	
	2003	2002
	RMB	RMB
Provision for the period		
Hong Kong	-	-
Taxation outside Hong Kong	-	965,390
Tax charge for the period	-	965,390

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

4. Loss/earnings per share

The calculation of basic loss per share for the three months ended 30th September 2003 is based on the unaudited net loss attributable to shareholders of RMB1,633,641 (2002: net profit RMB4,506,152) and on the weighted average number of 1,000,000,000 ordinary shares (2002: 1,000,000,000 ordinary shares) in issue during the period under review.

No diluted (loss)/earnings per share for the three months ended 30th September, 2003 and the corresponding period in 2002 have been presented because there are no dilutive potential ordinary shares in existence during the periods.



5. Consolidated reserves

	Share premium account RMB	Statutory reserve RMB	Retained profits/ (accumulated losses) RMB	Total RMB
As at 1st July, 2003	40,026,000	413,500	46,169,236	86,608,736
Net loss for the three months ended 30th September, 2003	-	-	(1,633,641)	(1,633,641)
At 30th September, 2003	40,026,000	413,500	44,535,595	84,975,095
As at 1st July, 2002	40,026,000	413,500	41,679,411	82,118,911
Net profit for the three months ended 30th September, 2002	-	-	4,506,152	4,506,152
At 30th September, 2002	40,026,000	413,500	46,185,563	86,625,063



INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the three months ended 30th September, 2003 (three months ended 30th September 2002: Nil).

FINANCIAL REVIEW

The Group recorded a turnover of approximately RMB5.9 million for the three months ended 30th September, 2003, representing a decrease of 55.3% as compared with the same period in last year. The Group's gross profit margin dropped to 32.1% during the three months ended 30th September 2003, as compared with 72.5% for the same period in last year. The decrease in gross profit margin was due to the introduction of low-margin computer products in the Group's sales during the period under review.

During the period under review, the global economics environment remained tough and showed a very little recovery. In addition, following the end of the war in Iraq and the outbreak of Severe Acute Respiratory Syndrome ("SARS"), though the global uncertainty has gradually diminished, most enterprises still restricted their IT expenditures. As a result, the Group continued to experience pressure on securing new software development projects in North America market.

The business environment in the PRC picked up steadily after the SARS outbreak which was detrimental to the Group's business activities in the last quarter. During the period under review, the Group re-initiated new products launches and at the same time sales and marketing activities progressed at an encouraging pace.



New business Segment

In July 2003, the Group has set up a new subsidiary, Jiangxi JinLixin Technology Ltd (江西金立信科技有限公司) (“Jinlixin”), which act as a distributor of Founder’s computers (方正電腦) and related products. The Group foresees the great demand of personal and business computer in Jiangxi province. The Group believes that this new business segment can widen its earning base and to diversify its business portfolio by capturing a blooming market in the IT industry of the PRC. Jinlixin was established with a registered capital of RMB1,150,000, which was contributed solely by the Company in July 2003. The Company and two other independent parties held 51% and 49% in the registered capital of Jinlixin respectively.

RESEARCH AND DEVELOPMENT

During the period under review, the Group has commenced to develop specific logistical system software for large enterprises and expected to be completed within the next quarter. In addition, the Group’s Enterprise Information Portal (“EIP”), and Government Information Portal (“GIP”) products has successfully passed the authentication of the Jiangxi Province and regarded as a leader level in the PRC.

As at 30th September, 2003, the Group has a pool of about 108 IT professionals serving the both North America and PRC customers (2002: 140).

OUTLOOK

To sustain the Group’s competitiveness, the Group will continue to invest on research and development so as to provide new and value-added IT services to our customers.

Looking forward, the Group foresees a tough business environment in North America whereas the PRC economy will keep on growing in the long run and raise the corporate demand for IT services year by year. In order to maximize the shareholders’ wealth, the Group will review the corporate strategies from time to time and explore the opportunities to maximize the Group’s strength and allocate the resources more efficiently and effectively.



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

At 30th September, 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, or 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 GEM Listing Rules were as follows:

Long position in Shares of the Company

Director	Total number of shares held	Capacity	Approximate percentage shareholding
Mr. Wen Ruifeng ("Mr. Wen") (Note 1)	249,000,000	Interest in a controlled corporation	24.90%
Mr. Xin Qian ("Mr. Xin") (Note 1)	249,000,000	Interest in a controlled corporation	24.90%
Mr. Li Jiahui ("Mr. Li")	189,000,000	Beneficial owner	18.90%
Mr. Gao Junhua ("Mr. Gao") (Note 2)	312,000,000	Interest in a controlled corporation	31.20%



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 of substantial shareholders’ interests in the share capital of the Company.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as the share option scheme disclosed in the Appendix IV of the Company’s prospectus dated 31st January, 2002, 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.



INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

Substantial shareholders

At 30th September, 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 10% 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:

Long position in Shares of the Company

Name	Number of Shares held	Capacity	Approximate percentage shareholding
Cytech Investment Limited ("Cytech Investment") (Note 1)	312,000,000	Beneficial owner	31.20%
Benep Management Limited ("Benep") (Note 1)	312,000,000	Interest in a controlled corporation	31.20%
Cytech Software Limited ("Cytech") (Note 1)	312,000,000	Interest in a controlled corporation	31.20%
ESP Associates Limited (Note 2)	312,000,000	Interest in a controlled corporation	31.20%



Name	Number of Shares held	Capacity	Approximate percentage shareholding
Wang Xiaochuan (Note 2)	312,000,000	Interest in a controlled corporation	31.20%
Mr. Gao (Note 2)	312,000,000	Interest in a controlled corporation	31.20%
Unrivaled Beauty (Note 3)	249,000,000	Interest in a controlled corporation	24.90%
Mr. Li	189,000,000	Beneficial owner	18.90%
Mr. Wen (Note 3)	249,000,000	Interest in a controlled corporation	24.90%
Mr. Xin (Note 3)	249,000,000	Interest in a controlled corporation	24.90%

Notes:

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



2. The issued share capital of Cytech is owned as to approximately 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 41.2% 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.
3. The 249,000,000 shares are registered in the name of Unrivaled Beauty. The issued share capital of Unrivaled Beauty is owned as to 47%, 15% and 38% by Mr. Wen, Mr. Wen Weifeng and Mr. Xin respectively. Accordingly, each of Mr. Wen and Mr. Xin is deemed to be interested in all the shares in which Unrivaled Beauty is interested pursuant to the SFO.

COMPETING INTEREST

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest in a business which competes or may compete with the business of the Group.

PURCHASE, SALES AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

BOARD PRACTICES AND PROCEDURES

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 share on the GEM on 8th February, 2002.

SHARE OPTION SCHEME

The share option scheme of the Company ("Post-IPO Scheme") was approved and adopted on 24th January, 2002. The principal purpose of the Post-IPO Scheme is to enable the Company to grant options to selected persons as incentives and rewards for their contribution to the Group.

As at 30th September, 2003, no option has been granted or agreed to be granted under the Post-IPO scheme.



SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, as at 30th September, 2003, Core Pacific – Yamaichi Capital Limited (“CPYC”), none of CPYC 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 31st January, 2002 entered into between the Company and CPYC, CPYC is entitled to receive an advisory fee for acting as the Company's retained sponsor for the period from 8th February, 2002 to 30th June, 2004.

AUDIT COMMITTEE

The audit committee was established in accordance with the requirements of the GEM Listing Rules on 24th January, 2002 and comprise 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. The audit committee has reviewed and approved this final results announcement.

By Order of the Board
Golding Soft Limited
Li Jiahui
Chairman

Hong Kong, 14th November, 2003