

3rd 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 nine months ended 31st March, 2004 was approximately RMB16.5 million, representing a decrease of approximately 55% as compared with the corresponding period in 2003.

The unaudited loss from operations of the Group for the nine months ended 31st March, 2004 was approximately RMB 14.4 million as compared with the unaudited profit from operations of the Group of approximately RMB 8.2 million for the corresponding period in 2003.

The loss per share was RMB 1.44 cents for the nine months ended 31st March, 2004.



## 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 nine months ended 31st March, 2004, together with the unaudited comparative figures for the corresponding periods in 2003 as follows:

### UNAUDITED CONSOLIDATED INCOME STATEMENT

	Notes	Three months ended 31st March,		Nine months ended 31st March,	
		2004 (Unaudited) RMB'000	2003 (Unaudited) RMB'000	2004 (Unaudited) RMB'000	2003 (Unaudited) RMB'000
Turnover	2	5,026	6,777	16,542	36,580
Cost of sales		(4,792)	(3,405)	(14,287)	(12,423)
Gross profit		234	3,372	2,255	24,157
Other revenue		67	242	290	741
Distribution costs		(1,209)	(1,878)	(3,697)	(6,186)
Administrative expenses		(2,257)	(2,266)	(6,528)	(6,732)
Other operating expenses		(2,048)	(678)	(6,789)	(1,667)
Profit /(loss) from operating activities and before tax		(5,213)	(1,208)	(14,469)	10,313
Tax	3	-	-	(1)	(2,147)
Profit after tax		(5,213)	(1,208)	(14,470)	8,166
Minority Interest		(3)	-	27	-
Net profit/(loss) from ordinary activities attributable to shareholders		(5,216)	(1,208)	(14,443)	8,166
Earnings/(loss) per share - Basic (RMB)	4	(0.52) cents	(0.12) cents	(1.44) cents	0.82 cents

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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 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 invoice value of the ODM software, system solutions, proprietary packaged software products and services net of discounts and value-added tax. An analysis of the Group's turnover is as follows:

	Nine months ended 31st March	
	2004 RMB'000	2003 RMB'000
ODM software	2,300	16,347
System solutions	13,893	17,598
Proprietary packaged software	350	2,635
<b>Total</b>	<b>16,543</b>	<b>36,580</b>

Approximately 1% (2003: 53%) of the total turnover were generated from North America market and the remaining were from PRC during the nine months ended 31st March, 2004.



### 3. Tax

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		Nine months ended	
	31st March,		31st March,	
	2004	2003	2004	2003
	RMB'000	RMB'000	RMB'000	RMB'000
Provision for the period				
Hong Kong	-	-	-	-
Taxation outside Hong Kong	-	-	1	2,147
Tax charge for the period	-	-	1	2,147

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

### 4. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the loss for the three months and nine months ended 31st March, 2004 of approximately RMB 5.2 million and RMB 14.4 million respectively ((loss)/profit for the three months and nine months ended 31st March, 2003: RMB (1.2) million and RMB 8.2 million respectively) and the 1,000,000,000 ordinary shares in issue during the period under review (three months and nine months ended 31st March, 2003: 1,000,000,000 ordinary shares).

Diluted earnings/(loss) per share amounts for the three and nine months ended 31st March, 2004 and 2003 have not been disclosed as no potential ordinary shares or diluting events existed during these periods.



## 5. Reserves

	Share premium account RMB'000	Statutory reserve RMB'000	Retained profits/ (accumulated losses) RMB'000	Total RMB'000
At 1st July, 2002	40,026	414	41,679	82,119
Net profit for the period	–	–	8,166	8,166
At 31st March, 2003	40,026	414	49,845	90,285
At 1st July, 2003	40,026	414	46,169	86,609
Net loss for the period	–	–	(14,443)	(14,443)
At 31st March, 2004	40,026	414	31,726	72,166

In accordance with the Law of the PRC on Wholly-Owned Foreign Investment Enterprises, the Company's subsidiaries established in the PRC are required to appropriate an amount of not less than 10% of the profit after tax to the statutory reserve, until the accumulated total has reached 50% of the respective subsidiaries' registered capital and thereafter any further appropriation is optional. As at 31st March, 2004, the accumulated total of Jiangxi Jinding had reached 50% of its registered capital and no appropriation was made for the period under review.



## INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the nine months ended 31st March, 2004 (the nine months ended 31st March, 2003: Nil).

## FINANCIAL REVIEW

The Group recorded a turnover of approximately RMB16.5 million for the nine months ended 31st March, 2004, representing a decrease of 55% as compared to the corresponding period in 2003. This is mainly attributable to severe competition from software market in both North America and the PRC.

The gross profit margin ratio for the nine months ended 31st March, 2004 was 14% while it was 66% for the corresponding period in 2003. The decrease is mainly due to the significant decrease in turnover of high profit margin segment, ODM software and the decrease in average gross profit margin of the systems solutions. The increase in other operating expenses was due to the increase in research and development cost to approximately RMB 6.3 million during the period under review.

## BUSINESS REVIEW

During the period under review, the Group continued to engage in provision of ODM software, system solutions and proprietary packaged software.

The global economics environment continued to recover and the Group has successfully secured a new ODM software development project from a new US technology vendor in North America market on February 2004. The Group expects this new client will bring repeated business to the Group and their software products are latest enough to help the Group to keep abreast with the advanced technological developments and trends in the global IT industry.





For the PRC market, the Group has further strengthened its client base in Jiangxi province and Beijing city. Some of the new clients are Nanchang House Property Management Bureau Archives (南昌市房產管理局檔案館), Jiangxi Salt Mine Co., Ltd (江西鹽礦有限公司), Jiangxi Medicine Manufacture Co., Ltd (江西制藥有限公司), Beijing Gan Wen Xing Cheng Information Co, Ltd. (北京高雄信誠資訊有限公司).

The Group also arranged a series of marketing and promotion activities to introduce its latest developments and products to existing and potential clients. Such activities include advertising in major IT magazines, issuing press releases, conducting seminars jointly with leading University in PRC and provision of product training for authorized agents and alliance partners.

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2 0 0 4**RESEARCH AND DEVELOPMENT**

During the period under review, the Group has successfully upgraded its proprietary packaged software, Zee Web (for private enterprises) and Interoffice (for civil services) to version 5.0 in order to incorporate the latest customers' requirements and improve their working efficiency.

As at 31st March, 2004, the Group has a pool of about 89 IT professionals serving both North America and PRC customers (31st March, 2003: 135)

**OUTLOOK**

In accordance with US economics statistics, the recovery of US economics has been affirmed. Against these promising signs, the Group will continue to secure new software development projects in North America market as these premium clients can enhance the Group's technological level and capabilities in research and development.

In addition, the Group will focus on research its software and services according to the market demand and thus improve the performance of the Group.



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

As at 31st March, 2004, 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 pursuant to Rules 5.46 to 5.68 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)	222,650,000	Interest in a controlled corporation	22.27%
Mr. Xin Qian ("Mr. Xin") (Note 1)	222,650,000	Interest in a controlled corporation	22.27%
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.

## INTEREST DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

### Substantial shareholders

As at 31st March, 2004, 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%



Name	Number of shares held	Capacity	Approximate percentage shareholding
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%
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)	222,650,000	Interest in a controlled corporation	22.27%
Mr. Li	189,000,000	Beneficial owner	18.90%
Mr. Wen (Note 3)	222,650,000	Interest in a controlled corporation	22.27%
Mr. Xin (Note 3)	222,650,000	Interest in a controlled corporation	22.27%

*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 222,650,000 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, the Company has not been notified of any other interests representing 5% or more or any short positions in the issued share capital of the Company as at 31st March, 2004.

## 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 then 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 31st March, 2004, 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 31st March, 2004, 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 or until the agreement is terminated pursuant to the terms and conditions set out therein.



## 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 interim results announcement.

By Order of the Board  
Golding Soft Limited

**Li Jiahui**  
*Chairman*