



GOLDING SOFT LIMITED

(Incorporated in the Cayman Islands with limited liability)



first quarterly report 2004



CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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



HIGHLIGHTS

The turnover of the Group for the three months ended 30th September, 2004 was approximately RMB9.6 million, representing an increase of approximately 63% as compared with the corresponding period in the previous year.

For the three months ended 30th September, 2004, the unaudited loss from operations of the Group was approximately RMB5.7 million. For the same period in 2003, the unaudited loss from operations of the Group was approximately RMB1.7 million.

The loss per share was RMB0.57 cents for the three months ended 30th September, 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 three months ended 30th September, 2004, together with the unaudited comparative figures for the corresponding periods in 2003 as follows:

	Notes	Three months ended 30th September,	
		2004 (Unaudited) RMB	2003 (Unaudited) RMB
TURNOVER	2	9,637,420	5,901,341
Cost of sales		(9,137,276)	(4,005,621)
Gross profit		500,144	1,895,720
Other revenue		50,450	163,854
Selling and distribution costs		(1,156,577)	(1,043,755)
Administrative expenses		(2,904,434)	(2,404,486)
Other operating expenses		(2,224,044)	(272,831)
LOSS FROM OPERATING ACTIVITIES AND BEFORE TAX		(5,734,461)	(1,661,498)
Tax	3	(795)	–
LOSS AFTER TAX		(5,735,256)	(1,661,498)
Minority Interest		(3,994)	27,857
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(5,739,250)	(1,633,641)
LOSS PER SHARE – BASIC (RMB)	4	(0.57) cents	(0.16) 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, 2004.

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, 2004.

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 invoiced value of goods sold and services rendered, net of value-added tax and after the allowances for good returned and trade discounts.



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,	
	2004 RMB	2003 RMB
Provision for the period		
Hong Kong	–	–
Taxation outside Hong Kong	795	–
Tax charge for the period	795	–

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

4. Loss per share

The calculation of basic loss per share for the three months ended 30th September, 2004 is based on the unaudited net loss attributable to shareholders of RMB5,739,250 (three months ended 30th September, 2003: net loss RMB1,633,641) and on the weighted average number of 1,000,000,000 ordinary shares (three months ended 30th September, 2003: 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, 2004 and the corresponding period in 2003 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, 2004	40,026,000	413,500	24,567,258	65,006,758
Net loss for the three months ended 30th September, 2004	–	–	(5,739,250)	(5,739,250)
At 30th September, 2004	40,026,000	413,500	18,828,008	59,267,508
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



INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the three months ended 30th September, 2004 (the three months ended 30th September 2003: Nil).

FINANCIAL VIEW

The Group recorded a turnover of approximately RMB9.6 million for the three months ended 30th September, 2004, representing an increase of 63% as compared with the same period in last year. The improvement in turnover of the Group is due to the increased marketing effort which provide the Group with good business development and market recognition.

The Group's gross profit margin dropped to 5.2% during the three months ended 30th September, 2004, as compared with 32.1% for the same period in last year. The decrease in gross profit margin was due to the decrease in turnover of high-profit margin segment, ODM software and the average decrease in gross profit margin of systems solutions during the period under review. The increase in administrative expenses is mainly due to the additional expenses from the newly acquired subsidiary, Jiangxi Jinlixin Technology Co., Ltd, on September, 2003. The increase in other operating expenses is mainly due to the increased research and development cost for upgrading the Group's proprietary packaged software and development of specific PRC civil management system software.



BUSINESS REVIEW

With the economics recovery in North America, the Group has initiated a series of marketing activities in order to secure the new ODM software projects. Also, the alliance partners in US has maintained a close contact with the Group in order to provide the latest the software development trend and the market information in North America.

For PRC market, the Group has further consolidated its leading position in the e-government projects market in Jiangxi province. Some of the new clients include Nanchang Technical Supervising Bureau (南昌市技術監督局), Nanchang Real Estate Exchange Market (南昌市房地產交易市場). For the e-business solutions, the new client includes Tianshikang Chinese Traditional Medicine Ltd (天施康中藥業有限公司).

RESEARCH AND DEVELOPMENT

During the period under review, Java edition was developed for the Group's proprietary packaged software, Interoffice (for PRC civil services), which was prepared to launch in October, 2004. The new edition can run on Linux platform and thus suit a wider range of PRC government users.

The People's procuratorate (人民檢察院) management system, GPPMS ver 2.0, has been specifically developed for People's Procuratorate and has passed the tests from the Super People's Procuratorate and Chinese Software Testing Center. This GPPMS system is applicable to all levels of People's Procuratorate including province, city and country in the PRC and only 9 authorized IT solution providers in the PRC could develop the GPPMS system.

As at 30th September, 2004, the Group has a pool of about 85 IT professionals serving the both North America and PRC customers.



OUTLOOK

Looking forward, the Group, while focusing on its resources in the PRC, is also looking to opportunities in the North America. In addition, the Group will continue to pursue high-profit margin software development projects in order to improve the Group's performance.

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

At 30th September, 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 as required by Rule 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")	46,390,000	Beneficial owner	4.64%
Mr. Xin Qian ("Mr. Xin")	95,680,000	Beneficial owner	9.57%
Mr. Li Jiahui ("Mr. Li")	189,000,000	Beneficial owner	18.90%
Mr. Gao Junhua ("Mr. Gao") (Note 1)	312,000,000	Interest in a controlled corporation	31.20%

Notes:

- 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

At 30th September, 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%
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%
Mr. Li	189,000,000	Beneficial owner	18.90%



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.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more or any short positions in the issued share capital of the Company as at 30th September, 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 30th September, 2004, no option has been granted or agreed to be granted under the Post-IPO Scheme.

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 three independent non-executive Directors, Mr. Chan Ngai Sang, Kenny, Mr. Chan Kin Sang 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

Hong Kong, 15th November, 2004