GOLDING SOFT LIMITED

(Incorporated in the Cayman Islands with limited liability)

2005

ANNUAL REPORT

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

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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. Huang Boqi

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

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 AND QUALIFIED ACCOUNTANT
Mr. Leung Wai Ping, Noel, CPA, FCCA

AUTHORIZED REPRESENTATIVES
Mr. Li Jiahui
Mr. Leung Wai Ping, Noel

COMPLIANCE OFFICER
Mr. Li Jiahui

AUDITORS
Grant Thornton
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
P.O. Box 513 G.T.
Strathvale House, North Church Street
George Town
Grand Cayman
Cayman Islands
British West Indies

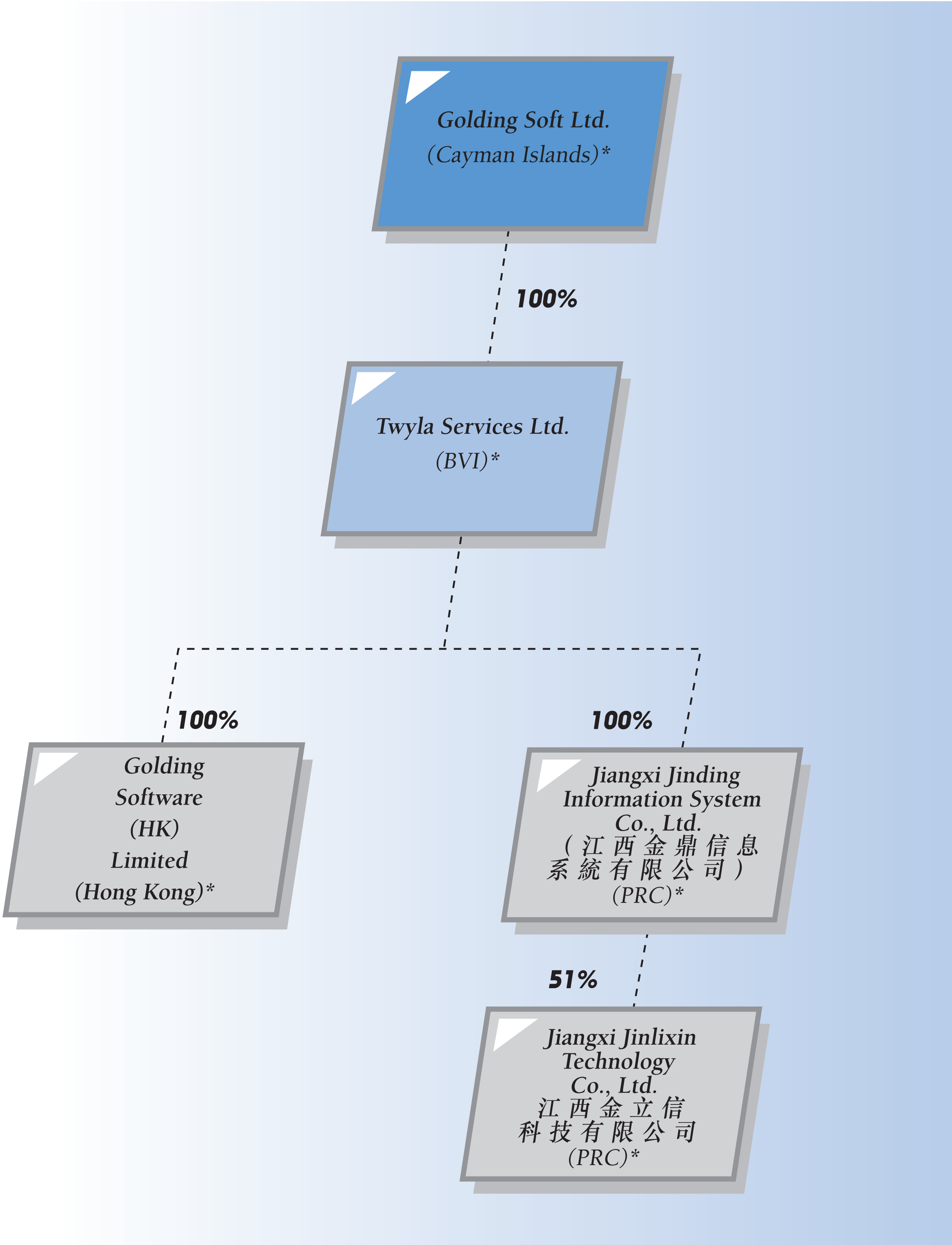
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Computershare Hong Kong Investor Services Limited
Rooms 1901-5
19th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDIT COMMITTEE
Mr. Chan Ngai Sang, Kenny
Mr. Xing Fengbing
Mr. Chan Kin Sang

WEBSITE ADDRESS
www.goldingsoft.com

STOCK CODE
8190

The following chart sets out the structure of the Company and its principal subsidiaries:



* *place of incorporation*

CHAIRMAN'S STATEMENT

On behalf of the board of directors (the "Board") of Golding Soft Limited, I hereby present to our shareholders the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 30 June 2005 (the "Year").

The Year continued to be a difficult and challenging one for the Group. The sluggish economics and adverse sentiments in the North America have caused the Group to centralize its resources and effort on the blooming PRC market and revenues in the Year were principally derived in the PRC. However, the Group has continued to strengthen and improve the capability of its research and development ("R&D") centre to be around-the-clock virtual information technology ("IT") centre for offshore customers so as to capture the opportunities arising from the market expansion in the PRC.

On the other hand, the change in global economic environment challenges the growth and profitability of business worldwide. As encountered in previous years, clients demand a "defined" benefit for every IT dollar spent and seek the new rules for return on their IT investment. Increasingly, clients do not want to make a choice between developing IT solutions and ensuring cost competitiveness. Clients explicitly demand genuine IT solutions that are also the most cost-effective as they strive to be fiercely competitive in their markets. In addition, as the line between IT management and operations management grows thinner, it would favor those innovative IT services models that tightly integrate the IT services with business process management.

Under these circumstances, the Group continued a thorough review on its strategies and operations in the Year. The Group targeted not only to keep a stable revenue stream but also grasp every new business opportunity that may generate satisfactory returns to our shareholders.

PROSPECTS AND APPRECIATION

In view of the continuous economic growth in the PRC, the Group is cautiously optimistic about the global software market.

The Group's financial position remains strong with cash and bank balance of approximately RMB37.4 million. However, the Group has taken tight measures in cost and inventory control and cash management in order to ensure the cost effectiveness of all facets of operations.

The Group has been continuing its effort towards consolidating resources, strengthening management and R&D and exploring new business opportunities so as to improve the Group's performance.

Finally, on behalf of the Board, I would like to express my gratitude to the management and staff of the Group for their hard work and dedication particularly in the harsh economic environment. I would also like to thank our shareholders, business associates, customers and suppliers for their continuous support. The management and staff will continue to work diligently to improve the performance.

Li Jiahui
Chairman

Hong Kong
12 August 2005

The following sections provide a detailed review and analysis of the results and segmental performance of the Group for the financial year ended 30 June 2005.

FINANCIAL REVIEW

Turnover and gross profit

The Group generated a turnover of approximately RMB41.9 million, representing an increase of approximately 103% as compared with last year. This was mainly attributable to the increase of revenue from provision of system solutions in PRC. The gross profit margin ratio for the year ended 30 June 2005 was 2.8% while it was 12.9% for the previous year. The decrease was mainly due to the significant decrease in average gross profit margin of the system solutions.

Selling and distribution costs

The selling and distribution costs for the Year were approximately RMB7.1 million, representing an increase of approximately 48.5% from last year. The increase was mainly due to the additional costs incurred as a result of the increase in the number of sales representatives and the increase in advertising and promoting activities conducted in PRC and North America.

Administrative expenses

The administrative expenses for the Year were approximately RMB12.1 million, representing an increase of approximately 22.9% from last year. The increase was mainly due to an increase in staff costs resulting from the increase in the number of staff.

Other operating expenses

Other operating expenses for the Year were approximately RMB14.3 million, representing an increase of approximately 34.1% from last year. The increase was mainly due to the increased research and development cost for upgrading the Group's proprietary packaged software and development of industry-specialized software.

Liquidity and financial resources

The Group generally finances its operation with internally generated cash flow. As at 30 June 2005, the Group had cash and bank balances amounting to a total of approximately RMB37.4 million (2004: RMB63.6 million) and the Group had a net current assets of approximately RMB35.4 million (2004: RMB62.4 million).

Charges on the Group's asset

The Group did not have any charges on its assets during the Year.

Gearing Ratio

The Group expresses its gearing ratio (if any) as a percentage of bank borrowing and long term debts over total assets. As at 30 June 2005 and 2004, the Group did not have any bank borrowing or long term debts.

Treasury policies and capital structure

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

Exposure to Exchange Rate Risks

During the year ended 30 June 2005 and 2004, the Group conducted its business transactions principally in Renminbi, which were relatively stable during the Year. As the exchange rate risks of the Group was considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

Contingent liabilities

As at 30 June 2005, the Group did not have any significant contingent liabilities.

Employee information

For the year ended 30 June 2005, the staff cost, excluding directors' remuneration, amounted to approximately RMB15.8 million (2004: RMB11.3 million) while the directors' remuneration amounted to approximately RMB1.8 million (2004: RMB2.2 million). The directors' emolument was determined on the basis comparable with other GEM listed companies in similar size and business industry. The employee remuneration was commensurate with individual performance and experience and subject to the periodic review of the senior management of the Company. The increase in staff costs (excluding directors' remuneration) was resulted from the increase in the number of employees from 116 to 235.

In order to maintain the standard of the Group's services and for purpose of 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 the shares of the Company.

BUSINESS REVIEW

The Group was principally engaged in three inter-related business segments namely, provision of original design manufacturing ("ODM") softwares, provision of proprietary packaged softwares and provision of system solutions.

During the Year, the Group maintained the ISO9001:2000 Certification. The success in the compliance of ISO9001:2000 standard in the Group's quality management system verifies its dedication to continuous improvement on product quality and standard.

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

Provision of ODM softwares

Software outsourcing continues to be an important trend in the development of global software market. The Group's core strategy is to establish and maintain long-term relationship with international technology vendors in order to keep abreast of the latest software development trend.

This segment includes the e-government projects.

The e-government projects market in the PRC has continued to grow over the past years. By leveraging the Group's expertise in this segment, the Group has successfully won various e-government projects in Jiangxi province, PRC. Some of the new clients include Vertex Systems Inc. and Nanchang Investment and Construction Examination and Service Centre (南昌市投資建設與審批辦証服務中心管理委員會).

Provision of proprietary packaged software

The packaged software market in the PRC encountered an intense competition. This affected the Group's sales of proprietary packaged software. To raise the competitiveness, the Group has continuously upgraded its existing packaged software, Zee Web (for PRC private enterprises) and Interoffice (for civil services) and developed innovative packaged software for different industries.

Provision of system solutions

This segment is comprised of the e-business solutions.

For e-business solutions in the PRC, some of the new clients include Ganzhou Yida Science & Technology Trading Limited (贛州億達科技貿易有限公司), Jiangxi Province Telecommunication Ltd. (江西省電信有限公司) and Nanchang Yuanming Science & Technology Ltd. (南昌圓明科技有限公司).

Jiangxi Jinlixin Technology Co. Ltd., a subsidiary of the Company, engages in distribution of Founder's computers products (方正電腦產品) in the PRC and therefore could widen the Group's earning base and diversify the Group's business portfolio. Furthermore, synergy effect between Jiangxi Jinlixin and the Group was developed since Jiangxi Jinlixin's products can complement the Group's system solutions.

Sales & Marketing

During the Year, the Group proactively carried out more marketing activities. The Group participated in certain trade shows including the International ICT Expo in Hong Kong and others shows in the PRC. These trade shows provide the avenue for the Group to meet with existing and potential customers, and to launch its latest products.

The Group also advertised in major IT magazines, issued press releases and arranged products training for authorized agents and alliance partners to increase publicity. The Group has also arranged visits of well-known persons to the Group's R&D center in Nanchang City, the PRC, in order to promote its public awareness.

RESEARCH AND DEVELOPMENT

During the Year, the Group has continued the development of two sets of proprietary packaged software, Zee Web (for PRC private enterprises) and Interoffice (version 5) that could complement the Group's system solutions and software products.

The Group is also developing the logistics management system, G-MLRP, for logistics industry and small and medium entities and the supply chain management system, SOA, for the overseas market.

As at 30 June 2005, the Group has a pool of 151 IT professionals serving PRC customers (30 June 2004: 85).

STRATEGIC ALLIANCES

The Group's strategic partnerships with PRC renowned educational institutions including Nanchang University and Jiangxi University of Finance and Economics not only improves the Group's R&D capabilities but also allows it to have access to recruit top level IT professionals in the PRC. During the Year, the Group has also arranged seminars on IT in cooperation with Nanchang University and Jiangxi University of Finance and Economics in the PRC.

HUMAN RESOURCES

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

	As at 30 June 2005	As at 30 June 2004
R&D and technical support	**151**	85
Sales and marketing	**53**	18
Management, finance and administration	**31**	13
Total	**235**	116

EXECUTIVE DIRECTORS

Mr. Li Jiahui (李佳輝), aged 45, 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. Huang Boqi (黃伯麒), aged 40, is an executive Director of the Company and is responsible for the general administration of the Group. Mr. Huang joined the Group in October 1998 and has over 11 years of experience in corporate management including international sales and marketing. Mr. Huang holds a bachelor degree in engineering from South China Technical Institute (華南工學院) and a master 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 Huang was appointed as an executive Director on 6 February 2005.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Ngai Sang, Kenny (陳毅生), aged 40, is an independent non-executive Director. He is presently a partner and founder of Kenny Chan & Co.. He has more than 15 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 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 Institute of Certified Public 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 65, is an independent non-executive Director. 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), Shenzhen Special Zone Daily (深圳特區報) and Hong Kong Commercial Daily. He holds a bachelor degree in journalism from Qinan University (暨南大學) in the PRC. Mr. Xing was appointed as an independent non-executive Director in January 2002.

Mr. Chan Kin Sang (陳健生), aged 53, is an independent non-executive Director and is currently a senior partner of Messrs. Peter K. S. Chan & Co., Solicitors and Notaries. Mr. Chan has been a practising solicitor in Hong Kong since 1982. Mr. Chan graduated from the University of Hong Kong with a Bachelor of Laws degree in 1979. Mr. Chan was admitted as a Notary Public in 1997 and a China-appointed Attesting Officer in 2000.

SENIOR MANAGEMENT

Mr. Leung Wai Ping, Noel (梁偉平), aged 37, is the financial controller, qualified accountant and company secretary of the Company. Mr. Leung joined the Group in May 2005. Mr. Leung is responsible for the overall financial control, accounting and company secretarial matters of the Group. Mr. Leung has over fifteen years of experience in auditing, accounting and finance. Mr. Leung holds degrees of a Master of Business Administration from the University of Lincoln and a Master of Arts from the City University of Hong Kong. Mr. Leung is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Mr. Hong Yupeng (洪煜鵬), aged 45, is the general manager of Jiangxi Jinding Information System Co., Ltd. Mr. Hong is responsible for the overall management of the development and marketing of the Group's IT products and services. Mr. Hong joined the Group in October 2002 and has over 20 years of experience in research and development of Hi-Tech products. Mr. Hong holds a degree of Bachelor of Science from Sun Yat Sen University in Chemistry.

Mr. Zhong Xiaoquan (鍾小全), aged 33, is a chief engineer of the Group. Mr. Zhong is in charge of the overall management of technology and R&D of new products and services. Mr. Zhong joined the Group in November 1999 and has over three years experience in software design. Mr. Zhong holds a degree of Bachelor of Science in Communication Engineering, Transportation Management and Software Engineering.

FORMER DIRECTORS

Mr. Wen Ruifeng (溫瑞峰), aged 41, was an executive Director, chief executive officer and one of the founders of the Group. Mr. Wen was 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 United States of America ("US"). Mr. Wen holds a bachelor degree in computer science and a master degree in management engineering from Tsinghua University (清華大學) and a master degree in business administration from University of Virginia in the US. Mr. Wen resigned from the office of an executive Director on 6 February 2005.

Mr. Xin Qian (辛謙), aged 40, was an executive Director and one of the founders of the Group. Mr. Xin was in charge of the sales and marketing department and R&D 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 where he was involved in a full range of software development process including system design and integration and software development. Mr. Xin holds a bachelor degree in accounting from San Francisco State University in the US. Mr. Xin resigned from the office of an executive Director on 6 February 2005.

Mr. Gao Junhua (高俊華), aged 43, was 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 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 and resigned from the office of a non-executive Director on 1 March 2005.

The Directors present their report and the audited financial statements for the year ended 30 June 2005.

PRINCIPAL ACTIVITIES

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.

RESULTS AND DIVIDENDS

The results of the Group for the Year and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 21 to 51.

The Directors did not recommend the payment of any dividend in respect of the year ended 30 June 2005.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, assets and liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 52. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 10 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital of the Company during the Year are set out in note 19 to the financial statements.

During the Year, there were no convertible securities, options, warrants or similar rights, issued or granted by the Company or any of 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 its 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 21 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 30 June 2005, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to RMB28,604,064 (2004: RMB31,135,820), subject to the restrictions stated in note 21 to the financial statements. These reserves may be distributed, 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

During the Year, sales to the Group's five largest customers accounted for 30.2% of the total sales for the Year and sales to the largest customer amounted to 10.1%. Purchases from the Group's five largest suppliers accounted for 95.5% of the total purchases for the Year and purchases from the largest supplier amounted to 82.8%.

None of the Directors or any of their associates or any shareholders of the Company (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. Huang Boqi ("Mr. Huang")	(appointed with effect from 6 February 2005)
Mr. Wen Ruifeng ("Mr. Wen")	(resigned with effect from 6 February 2005)
Mr. Xin Qian ("Mr. Xin")	(resigned with effect from 6 February 2005)

Non-executive directors:

Mr. Xing Fengbing*	
Mr. Chan Ngai Sang, Kenny*	
Mr. Chan Kin Sang*	(appointed with effect from 28 September 2004)
Mr. Gao Junhua ("Mr. Gao")	(resigned with effect from 1 March 2005)

* *Independent non-executive directors*

In accordance with article 108(A) of the Company's articles of association, Mr. Chan Kin Sang and Mr. Huang Boqi, 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 and the senior management of the Group are set out on pages 9 to 11 of the annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Li Jiahui has entered into a service contract as an executive Director on 24 February 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 month's notice in writing to the other. The service contract has been renewed for a period of one year from 6 February 2005.

Mr. Huang Boqi has entered into a service contract as an executive Director with the Company for an initial term of one year commencing from 6 February 2005, which will continue thereafter until terminated by either party giving not less than two month's notice in writing to the other.

Mr. Chan Ngai Sang, Kenny and Mr. Xing Fengbing were appointed as independent non-executive Directors for a term of one year expiring on 5 February 2005. Each of the two Directors has renewed a service agreement with the Company for a period commencing from 6 February 2005 to 5 February 2006.

Mr. Chan Kin Sang was appointed on 28 September 2004 as an independent non-executive Director for an initial term of one year expiring on 27 September 2005.

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

Except for those disclosed in note 24 to the financial statements, no Director had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party subsisted at the end of the Year or at any time during the Year.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2005, the interests and short positions of the Directors and chief executives of the Company in the securities of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Name of Director	The Company/ name of associated corporation	Total number and class of securities held	Capacity	Approximate percentage shareholding
Mr. Li Jiahui	The Company	189,000,000 ordinary shares (L)	Beneficial owner	18.90%
Mr. Huang Boqi	The Company	7,540,000 ordinary shares (L)	Beneficial owner	0.75%

Note: The letter "L" represents the interests in the shares or the underlying shares of the Company or its associated corporations.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year were rights to acquire benefits by means of 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; neither the Company nor any of its subsidiaries was 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 is disclosed in note 20 to the financial statements.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

A. Substantial Shareholders

So far as is known to the Directors, as at 30 June 2005, the persons, other than a Director or chief executive of the Company, who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and who were, directly or indirectly, interested in 10% or more of the shares were as follows:

Name	Number and class of securities *(Note 1)*	Capacity	Approximate percentage to the issued share capital of the Company
Cytech Investment Limited ("**Cytech Investment**")	312,000,000 ordinary shares (L)	Beneficial owner	31.20%
Benep Management Limited ("**Benep**")	312,000,000 ordinary shares (L)	Interest of controlled corporation *(Note 2)*	31.20%
Joinn Holdings Limited ("**Joinn**") (formerly known as Cytech Software Limited)	312,000,000 ordinary shares (L)	Interest of controlled corporation *(Note 2)*	31.20%
Pioneer Idea Finance Limited ("**Pioneer**")	312,000,000 ordinary shares (L)	Interest of controlled corporation *(Note 3)*	31.20%
Mr. Huang Quan ("**Mr. Hung**")	312,000,000 ordinary shares (L)	Interest of controlled corporation *(Note 3)*	31.20%
Mr. Li Jiahui	189,000,000 ordinary shares (L)	Beneficial owner	18.90%

Notes:

1. The letter "L" represents the interests in the shares or the underlying shares of the Company.

2. 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 Joinn, a company whose shares are listed on the Main Board of the Singapore Exchange Securities Trading Limited. Accordingly, each of Joinn and Benep is deemed to be interested in all the shares in which Cytech Investment is interested pursuant to the SFO.

3. The issued share capital of Joinn is owned as to approximately 25.00% and 42.96% by Hebe Finance Limited and Pioneer respectively. The issued share capital of Hebe Finance Limited and Pioneer are wholly-owned by Mr. Huang. Accordingly, each of Pioneer and Mr. Huang is deemed to be interested in all the shares in which Joinn is interested pursuant to the SFO.

B. Other persons whose interests are recorded in the register required to be kept under Section 336 of the SFO

As at 30 June 2005, save for the persons disclosed in sub-paragraph A above, the following persons, other than a Director or chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	**Number and class of securities** *(Note 1)*	**Capacity**	**Approximate percentage to the issued share capital of the Company**
Mr. Wen Ruifeng ("Mr. Wen")	46,390,000 ordinary shares (L)	Beneficial owner	4.64%
	3,740,000 ordinary shares (L)	Interest of controlled corporation *(Note 2)*	0.37%
Mr. Wen Weifeng	59,490,000 ordinary shares (L)	Beneficial owner	5.95%
Mr. Xin Qian ("Mr. Xin")	77,960,000 ordinary shares (L)	Beneficial owner	7.80%
	3,740,000 ordinary shares (L)	Interest of controlled corporation *(Note 2)*	0.37%

Notes:

1. The letter "L" represents the interests in the shares or the underlying shares of the Company.

2. 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%, respectively, 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.

Save as disclosed above, as at 30 June 2005, the Company has not been notified of any other person (other than a Director or the chief executive of the Company) having an interest or short position in the shares or the underlying shares of Company representing 5% or more of the issued share capital of the Company.

COMPETING INTERESTS

During the Year, neither 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 any interest in a business which competes or may compete with the businesses of the Group, or had 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 Joinn, 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 set out in note 24 to the financial statements.

This transaction is a de minimis transaction pursuant to Rule 20.31 of the GEM Listing Rules, which is exempted from the reporting, announcement and shareholder's approval requirements.

AUDIT COMMITTEE

As required by Rule 5.28 of the GEM Listing Rules, the Company has established an audit committee which comprises three independent non-executive Directors, Mr. Chan Ngai Sang, Kenny, Mr. Chan Kin Sang and Mr. Xing Fengbing. Mr. Chan Ngai Sang, Kenny was appointed as the Chairman of the audit committee. The audit committee meets with the Group's senior management and external auditors to review the effectiveness of the internal control systems. The Group's financial statements for the Year have been reviewed by the audit committee, which is of the opinion that such statements comply with the applicable accounting standards, the GEM Listing Rules and legal requirements, and that adequate disclosures had been made.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the board of Directors still considers each of the independent non-executive Directors to be independent.

BOARD PRACTICES AND PROCEDURES

During the Year, the Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning the Board practices and procedures, which applied before the amendment of the GEM Listing Rules relating to the Code on Corporate Governance Practices and Rules on Corporate Governance Report became effective on 1 January 2005.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the Year. Having made specific enquiry of all Directors, there was not any non-compliance with such code of conduct and the required standard of dealings throughout the Year.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has taken appropriate actions to comply with the Code on Corporate Governance Practices, except that the chairman of the Company has not been subject to retirement by rotation. A resolution will be proposed at the forthcoming annual general meeting to seek the approval of the shareholders of the Company to amend the articles of association of the Company to provide that at least 14 days' notice should be given for meeting of the board of Directors and that all Directors shall be subject to rotation once every three years as provided under the code provisions of the Code on Corporate Governance Practices.

AUDITORS

Ernst & Young resigned as auditors of the Company with effect from 30 May 2005. In filling the casual vacancy following Ernst & Young's resignation, Grant Thornton have been appointed as auditors of the Company until the conclusion of the forthcoming annual general meeting of the Company. There have been no other changes of auditors in the preceding three years. A resolution for the Company to re-appoint Grant Thornton 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
12 August 2005

REPORT OF THE AUDITORS

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton
均富會計師行

To the members of Golding Soft Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 21 to 51 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 Institute of Certified Public Accountants. An audit includes 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 2005 and of the loss 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.

Grant Thornton
Certified Public Accountants

Hong Kong
12 August 2005

	Notes	2005 RMB	2004 RMB
Turnover	3	41,920,659	20,632,298
Cost of sales		(40,759,816)	(17,967,644)
Gross profit		1,160,843	2,664,654
Other revenue	3	299,028	1,008,132
Selling and distribution costs		(7,106,834)	(4,785,902)
Administrative expenses		(12,115,562)	(9,854,376)
Other operating expenses		(14,322,760)	(10,685,898)
Loss from operating activities	5	(32,085,285)	(21,653,390)
Finance cost	5	(4,814)	–
Loss before taxation		(32,090,099)	(21,653,390)
Taxation	6	(4,450)	(2,622)
Loss before minority interests		(32,094,549)	(21,656,012)
Minority interests		526,419	54,034
Loss attributable to shareholders	7	(31,568,130)	(21,601,978)
Loss per share	9		
– Basic		(3.16)cents	(2.16)cents
– Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

as at 30 June 2005

	Notes	2005 RMB	2004 RMB
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	8,518,518	13,160,953
Goodwill	11	–	468,310
		8,518,518	13,629,263
Current assets			
Inventories	12	1,687,383	1,954,907
Trade receivables	14	1,007,318	340,397
Prepayments, deposits and other receivables	15	1,152,767	2,281,383
Cash and cash equivalents	16	37,423,621	63,578,466
		41,271,089	68,155,153
Current liabilities			
Tax payable		1,221	–
Other payables and accruals	17	4,574,971	3,892,443
Trade deposits received		409,062	413,862
Due to related companies	18	881,210	1,460,419
		5,866,464	5,766,724
Net current assets		35,404,625	62,388,429
Total assets less current liabilities		43,923,143	76,017,692
Minority interests		15,485	(510,934)
Net assets		43,938,628	75,506,758
CAPITAL AND RESERVES			
Share capital	19	10,500,000	10,500,000
Reserves	21	33,438,628	65,006,758
Shareholders' funds		43,938,628	75,506,758

Li Jiahui
Director

Huang Boqi
Director

	Notes	2005 RMB	2004 RMB
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	13	**210,000**	210,000
Current assets			
Prepayments, deposits and other receivables		**–**	88,704
Due from subsidiaries	13	**40,605,291**	43,374,712
		40,605,291	43,463,416
Current liabilities			
Other payables and accruals	17	**1,711,227**	2,037,596
Net current assets		**38,894,064**	41,425,820
Total assets less current liabilities		**39,104,064**	41,635,820
CAPITAL AND RESERVES			
Share capital	19	**10,500,000**	10,500,000
Reserves	21	**28,604,064**	31,135,820
Shareholders' funds		**39,104,064**	41,635,820

Li Jiahui
Director

Huang Boqi
Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2005

	2005 RMB	2004 RMB
Cash flows from operating activities		
Loss before taxation	(32,090,099)	(21,653,390)
Adjustment for:		
Amortisation of goodwill	112,394	93,662
Depreciation	3,270,741	2,647,891
Impairment of goodwill	355,916	–
Interest expense	4,814	–
Interest income	(299,028)	(305,687)
Loss on disposal of property, plant and equipment	63,640	–
Provision for doubtful debts	960,119	628,128
Provision for slow-moving inventories	253,099	–
Operating loss before working capital changes	(27,368,404)	(18,589,396)
Decrease/(increase) in inventories	14,425	(1,125,919)
(Increase)/decrease in trade receivables	(1,627,040)	2,006,582
Decrease in prepayments, deposits and other receivables	1,128,616	615,770
Increase/(decrease) in other payables and accruals	682,528	(1,376,881)
Decrease in trade deposits received	(4,800)	(288,583)
(Decrease)/increase in amounts due to related companies	(579,209)	1,348,153
Net cash outflow from operations	(27,753,884)	(17,410,274)
Interest received	299,028	305,687
Income taxes paid	(3,229)	(115,234)
Net cash used in operating activities	(27,458,085)	(17,219,821)
Cash flows from investing activities		
Purchases of property, plant and equipment	(20,920)	(2,372,983)
Sales proceeds from disposal of property, plant and equipment	1,328,974	–
Acquisition of a subsidiary	–	(1,100,284)
Net cash generated from/(used in) investing activities	1,308,054	(3,473,267)
Cash flows from financing activities		
Interest paid	(4,814)	–
Net cash used in financing activities	(4,814)	–
Net decrease in cash and cash equivalents	(26,154,845)	(20,693,088)
Cash and cash equivalents at beginning of year	63,578,466	84,271,554
Cash and cash equivalents at end of year	37,423,621	63,578,466
Analysis of balances of cash and cash equivalents		
Cash and bank balances	5,571,611	38,783,660
Time deposits with original maturity of less than three months when acquired	31,852,010	24,794,806
	37,423,621	63,578,466

	Share capital RMB	Share premium* RMB	Statutory reserves* (note 21) RMB	Retained profits/ (Accumulated loss)* RMB	Total RMB
At 1 July 2003	10,500,000	40,026,000	413,500	46,169,236	97,108,736
Loss for the year	–	–	–	(21,601,978)	(21,601,978)
At 30 June 2004 and at 1 July 2004	10,500,000	40,026,000	413,500	24,567,258	75,506,758
Loss for the year	–	–	–	(31,568,130)	(31,568,130)
At 30 June 2005	10,500,000	40,026,000	413,500	(7,000,872)	43,938,628

* These reserve accounts comprise the consolidated reserves of RMB33,438,628 (2004: RMB65,006,758) in the consolidated balance sheet.

1. GENERAL INFORMATION

The Company is 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 and its shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "SEHK"). 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. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of preparation

The financial statements on pages 21 to 51 are prepared in accordance with and comply with all applicable Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements are prepared under the historical cost convention.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30 June each year. All material inter-company transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(c) Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

In the Company's balance sheet, subsidiaries are carried at cost less impairment losses. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired. In respect of acquisition of subsidiaries, goodwill is amortised to the consolidated income statement on a straight line basis over its estimated useful life. Goodwill is stated in the consolidated balance sheet at gross amount less accumulated amortisation and impairment losses.

(e) Property, plant and equipment

(i) Depreciation and amortisation

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

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	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	20%

(ii) Measurement bases

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets if it can be demonstrated that such expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the assets.

When assets are sold or retired, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the income statement.

(f) Research costs

All research costs are charged to the income statement 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.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(g) **Inventories**

Inventories, representing computer hardware, are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

(h) **Income tax**

Income tax for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are not discounted. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(i) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(j) **Revenue recognition**

Revenue is recognised when it is probable that the economic benefit will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) 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;

(ii) from the rendering of services, based on the stage of completion of 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; and

(iii) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable.

(k) **Employee benefits**

(i) Retirement benefits scheme

Pursuant to the relevant regulations of the government of the People's Republic of China except Hong Kong (the "PRC"), the subsidiaries operating in the PRC have participated in a local municipal government retirement benefits scheme (the "Retirement Benefits Scheme"), whereby the PRC subsidiaries are required to contribute a certain percentage of the basic salaries of their employees to the Retirement Benefits Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the PRC subsidiaries. The only obligation of the Group with respect to the Retirement Benefits Scheme is to pay the ongoing required contributions under the Retirement Benefits Scheme mentioned above. Contributions under the Retirement Benefits Scheme are charged to the income statement as incurred. There are no provisions under the Retirement Benefits Scheme whereby forfeited contributions may be used to reduce future contributions.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(k) Employee benefits (continued)

(i) Retirement benefits scheme (continued)

The Group has participated in a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") for its employees in Hong Kong who are eligible to participate in the MPF Scheme, in accordance with the Mandatory Provident Fund Schemes Ordinance. Contributions are made based on a percentage of the employee's basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

(ii) 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 income statement 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.

(l) Foreign currencies

The Group's principal operations are conducted in the PRC. 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 income statement.

The balance sheets of non-PRC subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date and their income statements are translated at the average rates for the year. Gains and losses arising on exchange are dealt with as movements in reserve.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(m) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight line basis over the lease terms.

(n) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(o) Cash and cash equivalents

Cash comprises cash on hand and demand deposits repayable on demand with any bank or other financial institution. Cash includes deposits denominated in foreign currencies.

Cash equivalents represent 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. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(p) 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.

(q) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

(q) Segment reporting (continued)

Capital expenditure comprises additions to property, plant and equipment, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located and total assets and capital expenditure are where the assets are located.

(r) Recently issued accounting standards

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 30 June 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. TURNOVER AND OTHER REVENUE

Turnover represents the net invoiced value of goods sold and services rendered, after allowances for return and trade discounts, where applicable.

Analysis of turnover and other revenue is as follows:

	Group	
	2005	2004
	RMB	RMB
Turnover		
Sales of goods	**40,420,809**	17,348,798
Rendering of services	**1,499,850**	3,283,500
	41,920,659	20,632,298
Other revenue		
Interest income	**299,028**	305,687
Forfeited deposits	**–**	702,445
	299,028	1,008,132
	42,219,687	21,640,430

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 provided. 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 the distribution of computer hardware, strategic consultancy, the design and development of software, system networking and system integration for business management 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 assets.

There were no intersegment sales and transfers during the year (2004: Nil).

4. SEGMENT INFORMATION (continued)

(a) Business segments

The following table presents revenue, results information for the year ended 30 June 2005 and certain asset, liability and expenditure information for the Group's business segments.

Group

	ODM		Proprietary packaged software		System solutions		Consolidated	
	2005 RMB	2004 RMB	2005 RMB	2004 RMB	2005 RMB	2004 RMB	2005 RMB	2004 RMB
Segment revenue								
Sales to external customers	1,499,850	2,933,500	–	150,000	40,420,809	17,548,798	41,920,659	20,632,298
Segment results	296,526	1,666,787	–	69,730	864,317	463,334	1,160,843	2,199,851
Interest income and unallocated gains							299,028	305,687
Unallocated expenses							(33,545,156)	(24,158,928)
Loss from operating activities							(32,085,285)	(21,653,390)
Finance cost							(4,814)	–
Loss before taxation							(32,090,099)	(21,653,390)
Taxation							(4,450)	(2,622)
Loss before minority interests							(32,094,549)	(21,656,012)
Minority interests							526,419	54,034
Loss attributable to shareholders							(31,568,130)	(21,601,978)
Segment assets	125,600	180,400	15,000	15,000	3,470,946	4,118,866	3,611,546	4,314,266
Unallocated assets							46,178,061	77,470,150
Total assets							49,789,607	81,784,416
Segment liabilities	–	–	–	–	1,082,475	906,144	1,082,475	906,144
Unallocated liabilities							4,783,989	4,860,580
Total liabilities							5,866,464	5,766,724
Other segment information:								
Amortisation of goodwill	–	–	–	–	112,394	93,662	112,394	93,662
Impairment of goodwill	–	–	–	–	355,916	–	355,916	–
Provision for doubtful debts	126,200	628,128	–	–	833,919	–	960,119	628,128
Provision for slow-moving inventories	–	–	–	–	253,099	–	253,099	–

An analysis of the capital expenditure, depreciation charge and loss on disposal of property, plant and equipment for the business segments has not been presented because the majority of the related property, plant and equipment are used by more than one segment.

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue, results information for the year ended 30 June 2005 and certain asset and expenditure information for the Group's geographical segments.

Group

	North America		PRC*		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004
	RMB	RMB	**RMB**	RMB	**RMB**	RMB
Segment revenue:						
Sales to external customers	**965,250**	412,500	**40,955,409**	20,219,798	**41,920,659**	20,632,298
Segment results	**190,834**	804,226	**970,009**	1,395,625	**1,160,843**	2,199,851
Other segment information:						
Segment assets	**–**	82,500	**49,789,607**	81,701,916	**49,789,607**	81,784,416
Capital expenditure	**–**	–	**20,920**	2,381,141	**20,920**	2,381,141

* PRC and Hong Kong

5. LOSS FROM OPERATING ACTIVITIES

	Group	
	2005	2004
	RMB	RMB
Loss from operating activities is arrived at after charging:		
Cost of inventories sold	39,556,492	16,859,363
Cost of services provided	1,203,324	1,108,281
Goodwill:		
– Amortisation for the year*	112,394	93,662
– Impairment loss*	355,916	–
	468,310	93,662
Auditors' remuneration	420,000	735,000
Depreciation	3,270,741	2,647,891
Exchange losses, net*	340,650	39,051
Loss on disposal of property, plant and equipment*	63,640	–
Operating lease charges in respect of office premises, retail shops and warehouse	606,978	572,218
Pension scheme contributions	568,094	418,530
Provision for doubtful debts*	960,119	628,128
Provision for slow-moving inventories*	253,099	–
Research costs*	12,236,942	9,925,057
Interest charges on trust receipt loans repayable within five years	4,814	–
Staff costs (excluding directors' emoluments (note 23(a)) and pension scheme contribution)	15,844,704	11,333,161

* These items are included in other operating expenses on the face of the consolidated income statement.

6. TAXATION

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 (2004: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2005	2004
	RMB	RMB
Current year's provision:		
Hong Kong	**–**	–
PRC	**4,450**	2,622
Tax charge for the year	**4,450**	2,622

According to the Income Tax Law of the PRC and as approved by the relevant tax authorities, Jiangxi Jinding Information System Co., Ltd. ("Jiangxi Jinding"), a wholly-owned subsidiary of the Company operating in the PRC, was exempted from 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 Janaury 2000 to 31 December 2001 and is entitled to a 50% relief from CIT from 1 January 2002 to 31 December 2004. Since Jiangxi Jinding incurred a loss for the year, no income tax was provided.

Jiangxi Jinlixin Technology Co., Ltd. ("Jiangxi Jinlixin"), another subsidiary of the Company, is a domestic enterprise operating in the PRC. The applicable CIT rate is 33%.

6. TAXATION (continued)

Reconciliation between tax expense and accounting loss at applicable tax rate is as follows:

	Group	
	2005	2004
	RMB	RMB
Loss before taxation	(32,090,099)	(21,653,390)
Tax on loss before taxation, calculated at the rates applicable in the tax jurisdictions concerned	(9,897,062)	(7,114,710)
Tax loss not recognised	8,528,677	7,114,710
Expenses not deductible for tax	1,369,530	94,219
Unprovided deferred tax assets	–	(94,219)
Others	3,305	2,622
Actual income tax expense	4,450	2,622

The Group has tax losses arising in the PRC and other countries of RMB47,499,000 (2004: RMB21,653,000) that are available, within a maximum period of five years in the PRC, for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time. Apart from the above, there were no significant unrecognised deferred tax assets as at 30 June 2005.

At 30 June 2005, there was no significant unrecognised deferred tax liability (2004: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

No deferred tax has been provided by the Company as there were no material temporary differences.

7. LOSS ATTRIBUTABLE TO SHAREHOLDERS

Of the consolidated loss attributable to shareholders of RMB31,568,130 (2004: RMB21,601,978), a loss of RMB2,531,756 (2004: RMB3,366,968) has been dealt with in the financial statements of the Company.

8. DIVIDENDS

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.

9. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to shareholders for the year of RMB31,568,130 (2004: RMB21,601,978) and on the weighted average of 1,000,000,000 (2004: 1,000,000,000) ordinary shares in issue during the year.

Diluted loss per share for the years ended 30 June 2004 and 2005 was not presented as there is no dilutive potential share.

10. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings	Leasehold improvements	Computer equipment	Furniture, fixtures and office equipment	Motor vehicles	Total
	RMB	RMB	RMB	RMB	RMB	RMB
Cost						
At 1 July 2004	5,678,247	4,016,115	8,342,576	1,139,746	632,608	19,809,292
Additions	–	–	–	19,420	1,500	20,920
Disposals	(1,687,918)	–	–	–	–	(1,687,918)
At 30 June 2005	**3,990,329**	**4,016,115**	**8,342,576**	**1,159,166**	**634,108**	**18,142,294**
Accumulated depreciation						
At 1 July 2004	695,205	1,572,786	3,551,583	531,482	297,283	6,648,339
Charge for the year	281,136	1,133,394	1,527,378	206,159	122,674	3,270,741
Written back on disposal	(295,304)	–	–	–	–	(295,304)
At 30 June 2005	**681,037**	**2,706,180**	**5,078,961**	**737,641**	**419,957**	**9,623,776**
Net book value						
At 30 June 2005	**3,309,292**	**1,309,935**	**3,263,615**	**421,525**	**214,151**	**8,518,518**
At 30 June 2004	4,983,042	2,443,329	4,790,993	608,264	335,325	13,160,953

The cost of leasehold land and buildings includes the cost of land use rights in the amount of RMB2,144,000 (2004: RMB3,832,000). The Group's leasehold land and buildings are situated in the PRC and held under medium term leases.

11. GOODWILL

Group

	RMB
Cost	
At 1 July 2004 and **at 30 June 2005**	**561,972**
Accumulated amortisation and impairment	
At 1 July 2004	93,662
Amortisation provided during the year	112,394
Impairment loss	355,916
At 30 June 2005	**561,972**
Net book value	
At 30 June 2005	**–**
At 30 June 2004	468,310

12. INVENTORIES

Group

	2005 RMB	2004 RMB
Finished goods	**1,940,482**	1,954,907
Less: provision for slow-moving inventories	**(253,099)**	–
	1,687,383	1,954,907

No inventories were carried at net realisable value at the balance sheet date (2004: Nil).

13. INVESTMENTS IN SUBSIDIARIES

The Company's investments in subsidiaries comprises:

	2005 RMB	2004 RMB
Unlisted shares, at cost	**210,000**	210,000

The balances due from subsidiaries included in the Company's current assets are interest-free, unsecured and have no fixed terms of repayment.

13. INVESTMENTS IN SUBSIDIARIES (continued)

The table below lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

Particulars of principal subsidiaries are as follows:

Name	Place and date of incorporation and operations	Particulars of nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company Directly	Indirectly	Principal activities
Twyla Services Limited	British Virgin Islands 22 May 1997 (limited company)	100 ordinary shares of US$1 each	100	–	Investment holding
Jiangxi Jinding Information System Co., Ltd. (江西金鼎信息系統有限公司)	PRC 30 April 1999 (wholly foreign-owned enterprise)	Registered capital of US$1,000,000	–	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 (limited company)	2 ordinary shares of HK$2 each	–	100	Software business
Jiangxi Jinlixin Technology Co., Ltd. (江西金立信科技有限公司)	PRC 26 May 2003 (domestic enterprise)	Registered capital of RMB1,150,000	–	51	Sale of computer hardware and accessories, office equipment and electronics, and provision of system solutions

14. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit period is generally for a period of one to three months, extending up to three to six months for major customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management.

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

	Group	
	2005	2004
	RMB	RMB
Within one month	621,273	129,549
One to two months	162,915	–
Two to three months	133,280	82,500
Three months to one year	71,650	128,348
Over one year	18,200	–
	1,007,318	340,397

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2005	2004
	RMB	RMB
Prepayments	925,360	2,146,501
Deposits and other receivables	270,416	177,891
	1,195,776	2,324,392
Less: Provision for doubtful debts	(43,009)	(43,009)
	1,152,767	2,281,383

16. CASH AND CASH EQUIVALENTS

	Group	
	2005	2004
	RMB	RMB
Cash and bank balances	5,571,611	38,783,660
Time deposits	31,852,010	24,794,806
Cash and cash equivalents	37,423,621	63,578,466

At the balance sheet date, the cash and bank balances of the Group denominated in RMB amounted to RMB2,590,244 (2004: RMB20,217,612). RMB is not freely convertible into other currencies. However, under the PRC'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.

17. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2005	2004	2005	2004
	RMB	RMB	RMB	RMB
Other payables	866,817	547,511	118,803	121,373
Accruals	3,708,154	3,344,932	1,592,424	1,916,223
	4,574,971	3,892,443	1,711,227	2,037,596

18. DUE TO RELATED COMPANIES

Amount due to Cytech Software (HK) Limited ("Cytech"), a subsidiary of Joinn Holdings Limited which is a substantial shareholder of the Company, of RMB220,501 (2004: RMB553,266) is unsecured, interest free and has no fixed terms of repayment.

Amount due to 南昌金鼎軟件發展有限公司 ("Nanchang Jinding"), being a company established in the PRC in which Mr. Huang Boqi, a director of the Company, has beneficial interests, of RMB660,709 (2004: RMB907,153) is unsecured, interest free and has no fixed terms of repayment.

19. SHARE CAPITAL

Company

	2005		2004	
	HK$	RMB	HK$	RMB
Authorised:				
20,000,000,000 ordinary shares of HK$0.01 each	**200,000,000**		200,000,000	
Issued and fully paid:				
1,000,000,000 ordinary shares of HK$0.01 each	**10,000,000**	**10,500,000**	10,000,000	10,500,000

20. SHARE OPTION SCHEME

The Company operates a share options 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 who 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 as at the date on which the Scheme was adopted without prior approval from the Company's shareholders.

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.

20. SHARE OPTION SCHEME (continued)

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.

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, whichever is 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 approval date of the financial statements, no options have been granted or agreed to be granted under the Scheme since its effective date on 24 January 2002.

21. 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 25.

In accordance with the relevant PRC regulations, Jiangxi Jinding, being a subsidiary of the Company and a wholly foreign-owned enterprise established in the PRC, is required to appropriate not less than 10% of its profits after tax to its statutory reserves, until the balance of the reserves reaches 50% of its registered capital. Subject to certain restrictions as set out in the relevant PRC regulations, the statutory reserves may be used to offset against Jiangxi Jinding's accumulated losses, if any.

Company

	Share premium account RMB	Accumulated losses RMB	Total RMB
At 1 July 2003	40,026,000	(5,523,212)	34,502,788
Net loss for the year	–	(3,366,968)	(3,366,968)
At 30 June 2004 and at 1 July 2004	40,026,000	(8,890,180)	31,135,820
Net loss for the year	–	(2,531,756)	(2,531,756)
At 30 June 2005	40,026,000	(11,421,936)	28,604,064

The share premium account of the Company includes premium arising from shares issued upon the listing of the Company's shares on GEM. Under the Companies Law of the Cayman Islands, the credit standing to the share premium account can be applied for the distribution of dividends to the shareholders of the Company provided that immediately following the date on which the dividend is 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.

22. COMMITMENTS

At the balance sheet date, the Group had the following outstanding commitments:

(a) **Operating lease commitments**

The total future minimum lease payments under non-cancellable operating leases for office premises, retail shops and warehouse are as follows:

	2005 RMB	2004 RMB
Within one year	114,444	131,142
In the second to fifth years inclusive	84,000	–
	198,444	131,142

The Group leases certain of its office premises, retail shops and warehouse under operating lease arrangements with leases negotiated for terms ranging from one to two year. None of the leases includes contingent rentals.

(b) **Capital commitments**

	2005 RMB	2004 RMB
Contracted, but not provided for:		
Overseas agency service fees	288,750	–

The Company did not have any significant commitments as at 30 June 2005 (2004: Nil).

23. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) **Directors' emoluments**

Remuneration of the directors disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

		Year ended 30 June 2005		
	Notes	Fees RMB	Salaries, allowances and benefits in kind RMB	Total RMB
Executive directors:				
– Mr. Li Jiahui		–	385,880	385,880
– Mr. Xin Qian	(a)	–	367,500	367,500
– Mr. Wen Ruifeng	(a)	–	367,500	367,500
– Mr. Huang Boqi	(b)	–	144,643	144,643
		–	1,265,523	1,265,523
Non-executive director:				
– Mr. Gao Junhua	(c)	126,000	–	126,000
Independent non-executive directors:				
– Mr. Chan Ngai Sang, Kenny		151,200	–	151,200
– Mr. Xing Fengbing		151,200	3,232	154,432
– Mr. Chan Kin Sang	(d)	114,660	–	114,660
		417,060	3,232	420,292
		543,060	1,268,755	1,811,815

Notes:

(a) resigned with effect from 6 February 2005

(b) appointed with effect from 6 February 2005

(c) resigned with effect from 1 March 2005

(d) appointed with effect from 28 September 2004

23. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(a) **Directors' emoluments (continued)**

	Year ended 30 June 2004		
	Fees RMB	Salaries, allowances and benefits in kind RMB	Total RMB
Executive directors:			
– Mr. Li Jiahui	–	419,580	419,580
– Mr. Xin Qian	–	630,000	630,000
– Mr. Wen Ruifeng	–	630,000	630,000
	–	1,679,580	1,679,580
Non-executive director:			
– Mr. Gao Junhua	189,000	–	189,000
Independent non-executive directors:			
– Mr. Chan Ngai Sang, Kenny	151,200	–	151,200
– Mr. Xing Fengbing	151,200	–	151,200
	302,400	–	302,400
	491,400	1,679,580	2,170,980

The remuneration paid to each of the directors fell within the band of nil to RMB1,000,000 for each of the two years ended 30 June 2004 and 2005.

There was no emolument paid by the Group to its directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

23. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included no (2004: two) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the five (2004: remaining three) individuals during the year are as follows:

	2005 RMB	2004 RMB
Salaries, bonuses, allowances and benefits in kind	**2,951,000**	1,852,200

The remuneration paid to each of the non-director, highest paid employees fell within the band of nil to RMB1,000,000 for each of the two years ended 30 June 2004 and 2005.

There was no emolument paid by the Group to any of these five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

24. RELATED PARTY TRANSACTIONS

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

	Notes	**2005 RMB**	2004 RMB
Operating lease rentals paid to a related company	(i)	**441,000**	441,000
Sales made to a related company	(ii)	**266,192**	–

(i) The rentals were paid, in respect of the Group's office premises situated in Hong Kong, to Cytech. The directors of the Company have confirmed that the monthly rentals were calculated with reference to open market rentals for similar premises.

(ii) The sales were made to Nanchang Jinding. The directors of the Company have confirmed that the sales were made with reference to the prices and conditions offered to the major customers of the Group.

25. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements on pages 21 to 51 were approved by the board of directors on 12 August 2005.

FIVE YEAR FINANCIAL SUMMARY

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

RESULTS	2005 RMB	2004 RMB	2003 RMB	2002 RMB	2001 RMB
Turnover	41,920,659	20,632,298	38,769,882	63,293,948	31,736,557
Cost of sales	(40,759,816)	(17,967,644)	(13,716,561)	(16,868,235)	(7,751,584)
Gross profit	1,160,843	2,664,654	25,053,321	46,425,713	23,984,973
Other revenue	299,028	1,008,132	843,013	560,658	215,485
Selling and distribution costs	(7,106,834)	(4,785,902)	(7,323,827)	(8,676,134)	(5,415,221)
Administrative expenses	(12,115,562)	(9,854,376)	(8,837,950)	(6,288,063)	(2,714,383)
Other operating expenses	(14,322,760)	(10,685,898)	(2,997,062)	(1,240,860)	(638,788)
Profit/(Loss) from operating activities	(32,085,285)	(21,653,390)	6,737,495	30,781,314	15,432,066
Finance cost	(4,814)	–	–	–	–
Profit/(Loss) before taxation	(32,090,099)	(21,653,390)	6,737,495	30,781,314	15,432,066
Taxation	(4,450)	(2,622)	(2,247,670)	(2,776,873)	–
Profit/(Loss) before minority interests	(32,094,549)	(21,656,012)	4,489,825	28,004,441	15,432,066
Minority interests	526,419	54,034	–	–	–
Profit/(loss) attributable to shareholders	(31,568,130)	(21,601,978)	4,489,825	28,004,441	15,432,066
Assets and liabilities and minority interests					
Total assets	49,789,607	81,784,416	102,797,777	101,677,296	17,011,048
Total liabilities	(5,866,464)	(5,766,724)	(5,689,041)	(9,058,385)	(2,712,578)
Minority interests	15,485	(510,934)	–	–	–
	43,938,628	75,506,758	97,108,736	92,618,611	(14,298,470)