



GOLDING SOFT LIMITED

(Incorporated in the Cayman Islands with limited liability)



2005/06

FIRST QUARTERLY REPORT



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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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



HIGHLIGHTS

The turnover of the Group for the three months ended 30 September 2005 was approximately RMB8.6 million, representing a decrease of approximately 10.3% as compared to the three months ended 30 September 2004 (“corresponding period in 2004”).

For the three months ended 30 September 2005, the unaudited loss from operations of the Group was approximately RMB6.7 million (corresponding period in 2004: RMB5.7 million).

The loss per share was RMB0.67 cents for the three months ended 30 September 2005 (corresponding period in 2004: RMB0.57 cents).



RESULTS

The board of Directors (the “Board”) wishes to announce the unaudited results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 30 September 2005 (the “Period”), together with the unaudited comparative figures for the corresponding period in 2004 as follows:

	Notes	Three months ended 30 September	
		2005 (Unaudited) RMB	2004 (Unaudited) RMB
Turnover	3	8,644,559	9,637,420
Cost of sales		(8,414,220)	(9,137,276)
Gross profit		230,339	500,144
Other revenue	3	239,975	50,450
Selling and distribution costs		(1,483,822)	(1,156,577)
Administrative expenses		(2,670,687)	(2,904,434)
Other operating expenses		(3,034,480)	(2,224,044)
Loss from operating activities		(6,718,675)	(5,734,461)
Finance cost		(3,811)	–
Loss before taxation		(6,722,486)	(5,734,461)
Taxation	4	(168)	(795)
Loss for the period		(6,722,654)	(5,735,256)
Attributable to:			
Equity holders of the parent company		(6,724,577)	(5,739,250)
Minority interests		1,923	3,994
		(6,722,654)	(5,735,256)
Loss per share	5		
– Basic		(0.67) cents	(0.57) cents
– Diluted		N/A	N/A



Notes:

1. The Company

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 GEM of the Stock Exchange.

2. Basis of presentation and accounting policies

The unaudited condensed consolidated results incorporate those of the Company and its subsidiaries for the three months ended 30 September 2005.

The unaudited condensed consolidated results of the Group 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 and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”). They are prepared under the historical cost conversion.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2005 except that the Group has changed certain of its accounting policies following the adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods commencing on or after 1 January 2005.

From 1 July 2005, the Group has adopted all new HKFRSs pertinent to its operations.



The applicable HKFRSs are set out below and the comparative figures in 2004 have been reclassified in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payments

Significant effects on current, prior or future periods arising from the first-time application of the standards listed above in respect of presentation, recognition and measurement of accounts are described as follows:

The application of HKAS 1 led to an update of the presentation of financial statements. Minority interests are now included as a separate line item within equity. Profit and loss attributable to minority interests and that attributable to equity holders of the parent company is now presented as an allocation of the net result of the period.

The adoption of HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land are charged to the income statement on a straight-line basis over the period of the lease. In prior years, leasehold land and buildings are not separated and are classified under property, plant and equipment and carried at cost less accumulated depreciation and accumulated impairment losses.



The adoption of other new HKFRSs did not result in significant changes to the Group's accounting policies except certain presentation and disclosure of the accounts.

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

The Group principally operates in the People's Republic of China (the "PRC") with its business activities principally transacted in Renminbi ("RMB") and therefore, the results of the Group are expressed in RMB.

3. Turnover

The Group is 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. Turnover and other revenue of the Group are shown as follows:

	Three months ended 30 September	
	2005 (Unaudited) RMB	2004 (Unaudited) RMB
Turnover		
Provision of ODM softwares	59,100	58,900
Provision of proprietary packaged softwares	59,750	–
Provision of system solutions	8,525,709	9,578,520
	8,644,559	9,637,420
Other revenue		
Interest income	239,975	50,450
Total revenue	8,884,534	9,687,870



4. Taxation

No Hong Kong profits tax has been provided for the three months ended 30 September 2005 (corresponding period in 2004: Nil) as the Group did not generate any assessable profits arising from its operations in Hong Kong. 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.

	Three months ended	
	30 September	
	2005 (Unaudited) RMB	2004 (Unaudited) RMB
Provision for the Period		
Hong Kong	–	–
PRC	168	795
Tax charge for the period	168	795



5. Loss per share

The calculation of basic loss per share for the three months ended 30 September 2005 is based on the unaudited loss attributable to equity holders of the parent company of RMB6,724,577 (corresponding period in 2004: RMB5,739,250) and on the weighted average number of 1,000,000,000 ordinary shares (three months ended 30 September 2004: 1,000,000,000) ordinary shares in issue during the period.

No diluted loss per share for the three months ended 30 September 2004 and 2005 has been presented because there is no dilutive potential ordinary shares in existence during the corresponding periods in 2004 and 2005.

6. Share capital and reserves

	Attributable to equity holders of the parent company						
	Share capital	Share premium	Statutory reserves	Retained profits/	Total	Minority interests	Total equity
				(Accumulated losses)			
	RMB	RMB	RMB	RMB	RMB	RMB	RMB
As at 1 July 2005	10,500,000	40,026,000	413,500	(7,000,872)	43,938,628	(15,485)	43,923,143
Net loss for the three months ended 30 September 2005	-	-	-	(6,724,577)	(6,724,577)	1,923	(6,722,654)
At 30 September 2005	10,500,000	40,026,000	413,500	(13,725,449)	37,214,051	(13,562)	37,200,489
As at 1 July 2004	10,500,000	40,026,000	413,500	24,567,258	75,506,758	(510,934)	74,995,824
Net loss for the three months ended 30 September 2004	-	-	-	(5,739,250)	(5,739,250)	3,994	(5,735,256)
At 30 September 2004	10,500,000	40,026,000	413,500	18,828,008	69,767,508	(506,940)	69,260,568



INTERIM DIVIDEND

The Board does not propose the payment of an interim dividend for the three months ended 30 September 2005 (corresponding period in 2004: Nil).

FINANCIAL REVIEW

The Group recorded a turnover of approximately RMB8.6 million for the three months ended 30 September 2005, representing a decrease of 10.3% as compared with the corresponding period in last year. The decrease in turnover of the Group is due to the increase in market competition in system solutions segment.

The Group's gross profit margin dropped to 2.6% during the three months ended 30 September 2005, as compared to 5.1% for the corresponding period in last year. The decrease in gross profit margin was due to the decrease in the profit margin segment of system solutions during the period.

BUSINESS REVIEW

Sales and marketing

The Group proactively carries out various marketing activities. The Group has 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.



Provision of ODM and proprietary package softwares

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 of our Group include Real Estate Administration of Ganzhou City, Jiangxi Province (江西省贛州市房地產管理局) and People's Procurator of Nanchang City (江西省南昌市東湖區人民檢察院).

Provision of system solutions

The Group also engages in distribution of Founder's computer products (方正電腦產品) in the PRC which could widen the Group's earning base and diversify the Group's business portfolio.

For e-business solutions in the PRC, some of the new clients include Nanchang Finance and Economic Institute (南昌財經學院).

RESEARCH AND DEVELOPMENT

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-sized entities and the supply chain management system, SOA, for the overseas market.

As at 30 September 2005, the Group has a pool of about 150 (2004: 85) IT professionals serving our customers.



OUTLOOK

Looking forward, the Group, while focusing on its resources in the PRC, is also looking to expand to the overseas market. 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 AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 September 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	9,720,000 ordinary shares (L)	Beneficial owner	0.97%

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



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 September 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 September 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. Xin Qian ("Mr. Xin")	66,900,000 ordinary shares (L)	Beneficial owner	6.69%
	3,740,000 ordinary shares (L)	Interest of controlled corporation (Note 2)	0.37%

Notes:

- The letter "L" represents the interests in the shares or the underlying shares of the Company.
- These shares are registered in the name of Unrivaled Beauty Profits Limited ("Unrivaled Beauty"). Mr. Xin is the respective owner of 38% of the issued share capital of Unrivaled Beauty. Under the SFO, Mr. Xin is individually deemed to be interested in all the shares registered in the name of Unrivaled Beauty.



Save as disclosed above, as at 30 September 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.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Board Practices and Procedures as set out in Rule 5.34 of the GEM Listing Rules for the three months ended 30 September 2005.

CORPORATE GOVERNANCE

The Company has adopted a code of conduct regarding securities transactions by Directors on terms on less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company has also made specific enquiry of the Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors.

COMPETING BUSINESS

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



PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 September 2005.

The share option scheme of the Company ("Post-IPO Scheme") was approved and adopted on 24 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 30 September 2005, no option has been granted or agreed to be granted under the Post-IPO Scheme.

AUDIT COMMITTEE

As required by Rules 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. This results announcement has been reviewed and approved by the audit committee of the Company.

By Order of the Board
Golding Soft Limited
Li Jiahui
Chairman

Hong Kong, 14 November 2005

As at the date of this report, the Board is composed of Mr. Li Jiahui and Mr. Huang Boqi as executive directors, and Mr. Chan Ngai Sang, Kenny, Mr. Chan Kin Sang and Mr. Xing Fengbing as independent non-executive directors.