GOLDING SOFT LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8190)

2005/06

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

HIGHLIGHTS

The turnover of the Group for the nine months ended 31 March 2006 was approximately RMB29,221,000, representing a decrease of approximately 10.4% as compared to the corresponding period in 2005.

The unaudited loss before taxation of the Group for the nine months ended 31 March 2006 was approximately RMB17,843,000 as compared to the unaudited loss before taxation of the Group of approximately RMB21,268,000 for the corresponding period in 2005.

The loss per share was RMB1.79 cents for the nine months ended 31 March 2006.

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 and nine months ended 31 March 2006, together with the unaudited comparative figures for the corresponding period in 2005 as follows:

UNAUDITED CONSOLIDATED INCOME STATEMENT

		Three months ended 31 March		Nine months ended 31 March	
		2006	2005	**2006**	2005
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	Notes	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Turnover	3	**10,423**	7,475	**29,221**	32,611
Cost of sales		**(8,907)**	(7,459)	**(27,218)**	(32,044)
Gross profit		**1,516**	16	**2,003**	567
Other revenue	3	**169**	39	**628**	78
Distribution costs		**(836)**	(1,714)	**(4,851)**	(4,942)
Administrative expenses		**(2,116)**	(2,528)	**(7,278)**	(6,958)
Other operating expenses		**(770)**	(3,421)	**(8,350)**	(10,001)
Loss from operating activities		**(2,037)**	(7,608)	**(17,848)**	(21,256)
Finance cost		**–**	–	**(4)**	–
Loss before taxation		**(2,037)**	(7,608)	**(17,852)**	(21,256)
Taxation	4	**–**	–	**(2)**	(4)
Loss after taxation		**(2,037)**	(7,608)	**(17,854)**	(21,260)
Attributable to:					
Equity holders of the parent company		**(2,022)**	(7,610)	**(17,843)**	(21,268)
Minority interests		**(15)**	2	**(11)**	8
		(2,037)	(7,608)	**(17,854)**	(21,260)
Loss per share	5				
– Basic (RMB)		**(0.20) cents**	(0.76) cents	**(1.79) cents**	(2.13) cents

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 Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "SEHK").

2. **Basis of preparation and accounting policies**

   The unaudited consolidated third quarterly financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure requirements set out in Chapter 18 of The Rules Governing the Listing of Securities of the GEM Listing Rules on the SEHK.

The accounting policies and basis of preparation used in the preparation of the unaudited consolidated quarterly financial statements are consistent with those followed in the Group's annual financial statements for the year ended 30 June 2005 except that the Group has changed certain of its accounting policies following its adoption of new/ revised HKFRSs, (which also include the relevant new HKASs and Interpretations) issued by the HKICPA effective for the accounting period commencing on or after 1 January 2005, which are relevant to its operations, as set out below:

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 28	Investments in Associates
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
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities

The adoption of HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 24, 27, 28, 32, 33, 36, 37, 38, and 39 has no material impact on the accounting policies of the Group and the methods of computation of this set of quarterly financial statements.

All the standards have been applied retrospectively except where specific transitional provisions require a different treatment and accordingly the presentation of certain comparative amounts have been amended in accordance with HKAS 8. Due to the change in accounting policies, certain comparatives contained in this set of quarterly financial statements differ from those published in the financial statements for the year ended 30 June 2005.

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

(i) **Presentation of Financial Statements**

The application of HKAS 1 "Presentation of Financial Statements" 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 owners of the parent company is now presented as an allocation of the net result of the period.

(ii) **Leasehold Land**

The adoption of HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use right from property, plant and equipment to operating leases. In accordance with HKAS 17, a lease of land and building should be split into a lease of land and a lease of building according to their fair value at inception. A lease of land is an operating lease and a lease of building is a finance lease unless the two elements can not be allocated reliably at the inception of the lease, in which case the entire lease is classified as finance lease. Pursuant to these requirements, the up-front prepayments made for distinguishable leasehold land is accounted for as operating lease and amortised over its unexpired lease term, whereas undistinguishable leasehold land and building is stated collectively at cost less accumulated depreciation. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

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") software, provision of proprietary packaged ("PPS") software and provision of system solutions. Turnover and other revenue of the Group are shown as follows:

	Nine months ended 31 March	
	2006	2005
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Turnover		
Provision of ODM software	**463**	1,378
Provision of PPS software	**1,368**	–
Provision of system solutions	**27,390**	31,233
	29,221	32,611
Other revenue		
Interest income	**602**	78
Sundry income	**26**	–
Total revenue	**29,849**	32,689

4. **Taxation**

No Hong Kong profits tax has been provided for the nine months ended 31 March 2006 (corresponding period in 2005: 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.

	Nine months ended 31 March	
	2006	2005
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Provision for the period		
Hong Kong	–	–
PRC	2	4
Tax charge for the period	2	4

There was no unprovided deferred tax in respect of the period and as at 31 March 2006 (31 March 2005: Nil).

5. Loss per share

The calculation of basic loss per share is based on the loss for the three months and nine months ended 31 March 2006 of approximately RMB2,022,000 and RMB17,843,000 respectively (loss for the three months and nine months ended 31 March 2005: RMB7,610,000 and RMB21,268,000 respectively) and on the weighted average of the 1,000,000,000 ordinary shares in issue during the three months and nine months ended 31 March 2006 (three months and nine months ended 31 March 2005: 1,000,000,000).

Diluted loss per share for the three months and nine months ended 31 March 2006 and 2005 was not presented as there is no dilutive potential ordinary shares.

6. Share capital and reserves

	Attributable to equity holders of the company						
	Share capital	Share premium	Statutory reserves	Retained profits/ (Accumulated losses)	Total	Minority interest	Total equity
	RMB'000	RMB'000	RMB'000	HK$'000	RMB'000	RMB'000	RMB'000
At 1 July 2005	10,500	40,026	414	(7,001)	43,939	(16)	43,923
Loss for the period	–	–	–	(17,843)	(17,843)	(11)	(17,854)
At 31 March 2006	10,500	40,026	414	(24,844)	26,096	(27)	26,069
At 1 July 2004	10,500	40,026	414	24,567	75,507	(511)	74,996
Loss for the period	–	–	–	(21,268)	(21,268)	8	(21,260)
At 31 March 2005	10,500	40,026	414	3,299	54,239	(503)	53,736

FINANCIAL REVIEW

The Group recorded a turnover of approximately RMB29,221,000 for the nine months ended 31 March 2006, representing a decrease of 10.4% as compared to the corresponding period in 2005. The gross profit margin increased from approximately 1.7% to 6.8% as compared to the corresponding period in last year. The increase in gross profit margin and the reduction of other operating expenses were mainly due to the reduction of labour costs as part of research and development costs incurred in the three month ended 31 March 2006. The reduction of labour costs in the three months ended 31 March 2006 was due to the implementation of a staff reduction scheme in December 2005.

BUSINESS REVIEW

Sales and marketing

The Group has been actively participating in bidding for the e-government projects in Jiangxi Province, the PRC. The Group has been recognised as "Jiangxi, Provincial Enterprise Information Advanced Work Unit" (江西省企業信息化先進單位) for the past three years.

The Group proactively carries out various marketing activities. The Group has participated in certain trade shows in Hong Kong and the PRC. These trade shows provide avenues 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, tertiary institutions, professional associations 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 Original Design Manufacturing 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 during the period include Digital China Software (Shanghai) Limited (神州數碼軟件(上海)有限公司).

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 widens 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 Jian Dacher Founder Technology Company Limited (吉安達誠方正科技有限公司).

RESEARCH AND DEVELOPMENT

The Group is developing new software to meet the market needs, for example, Zee Web, Inter-office and G-MLRP, both for domestic and overseas market.

As at 31 March 2006, the Group has a pool of about 30 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 purse high-profit margin software development projects in order to improve the Group's performance.

The Directors wish to inform shareholders that from time to time the Company may engage in discussions with third parties to explore opportunities to increase shareholders' value and is currently at a preliminary stage of exploring investment opportunities in the Mainland China and to diversify the business activities there.

In the meantime, the Company is also considering raising funds through various means, which include the issue of new shares of the Company, convertible bonds and/or debts.

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

As at 31 March 2006, 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	9,830,000 ordinary shares (L)	Beneficial owner	0.98%

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 31 March 2006, 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")	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. Huang")	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 31 March 2006, 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 nine months ended 31 March 2006.

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 nine months ended 31 March 2006.

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 31 March 2006, 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 report 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, 12 May 2006

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.