GOLDING SOFT LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8190)

2006
ANNUAL 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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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

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

CONTENTS

CORPORATE INFORMATION

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 HONG KONG
Room 3605, 36/F., Tower One
Lippo Centre
89 Queensway
Hong Kong

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, ACA

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

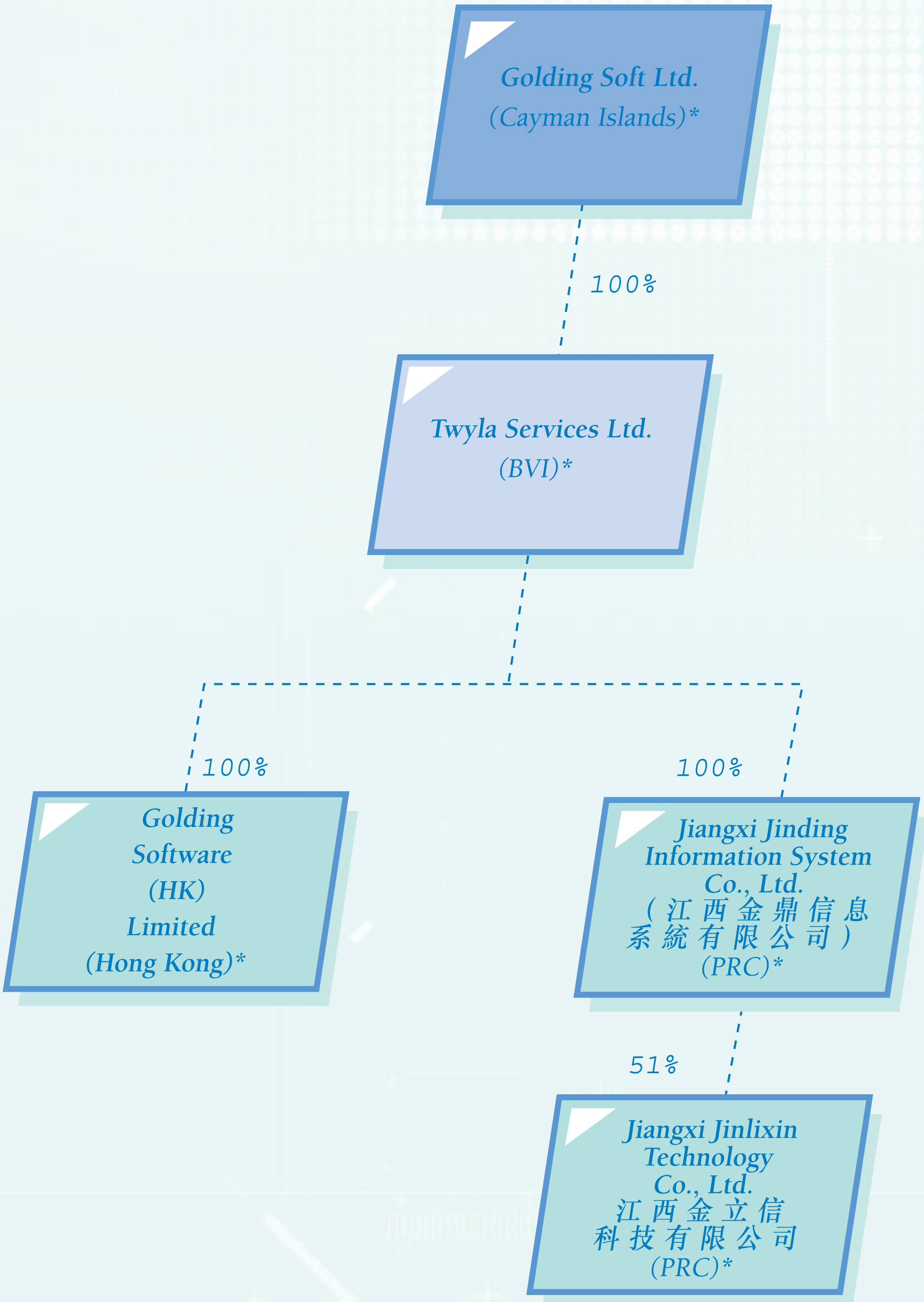
AUDIT COMMITTEE
Mr. Chan Ngai Sang, Kenny
Mr. Xing Fengbing
Mr. Chan Kin Sang

WEBSITE ADDRESS
www.goldingsoft.com

STOCK CODE
8190

GROUP STRUCTURE

The following chart sets out the structure of the Company and its 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 2006 (the "year").

RESULTS

Here are some financial and business highlights:

- Revenue for the year was approximately RMB38.6 million (2005: approximately RMB41.9 million);

- Gross profit margin for the year was 2.9% (2005: 2.8%);

- Loss attributable to equity holders of the Company for the year was approximately RMB20.6 million (2005: approximately RMB31.6 million);

- Loss per share for the year was RMB2.03 cents (2005: loss per share RMB3.16 cents); and

- Issue of 200,000,000 new shares of HK$0.01 each, giving rise the net proceeds of approximately RMB2.8 million.

PROSPECTS AND APPRECIATION

The Group has faced with the high competition in the IT industry in China. Looking forward, the Group, while focusing on its resources in the China, 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.

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 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.

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
11 August 2006

MANAGEMENT DISCUSSION AND ANALYSIS

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 2006.

FINANCIAL REVIEW

Revenue and gross profit

The Group generated a revenue of RMB38,564,763, representing a decrease of approximately 8.0% as compared with the year ended 30 June 2005. This was mainly attributable to the decrease of revenue from provision of system solutions in PRC. The gross profit margin ratio for the year ended 30 June 2006 was 2.9% while it was 2.8% for the previous year. The slight increase in gross profit margin was mainly due to the decrease in average cost of goods sold from system solutions segment.

Selling and distribution costs

The selling and distribution costs for the year were RMB5,551,046, representing a decrease of approximately 21.9% from last year. The decrease was mainly due to the reduction of staff costs as a result of the decrease in the number of sales representatives and the decrease in advertising and promoting activities conducted in PRC and North America.

Administrative expenses

The administrative expenses for the year were RMB9,200,357, representing an decrease of 24.1% from last year. The decrease was mainly due to an decrease in staff costs resulting from the decrease in the number of staff.

Other operating expenses

Other operating expenses for the year were RMB8,487,858, representing a decrease of 40.7% from last year. The decrease was mainly due to the decrease in the staff costs as a result of the reduction of the number of staff in the research and development.

Liquidity and financial resources

The Group generally finances its operation with internally generated cash flow. As at 30 June 2006, the Group had cash and bank balances amounting to a total of RMB22,757,685 (2005: RMB37,423,621) and the Group had a net current assets of RMB20,483,249 (2005: RMB35,404,625).

Charges on the Group's asset

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 2006 and 2005, 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.

On 5 June 2006, the Company issued 200,000,000 new shares of HK$0.01 each at the consideration of HK$0.01378 per share, giving rise the net proceeds of approximately RMB2,818,505 and hereby increasing the number of its shares issued to 1,200,000,000 as at 30 June 2006.

Exposure to Exchange Rate Risks

During the years ended 30 June 2006 and 2005, 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 2006, the Group and the Company did not have any significant contingent liabilities.

Employee information

For the year ended 30 June 2006, the staff cost, excluding directors' remuneration, amounted to approximately RMB10,480,728 (2005: RMB15,814,704) while the directors' remuneration amounted to approximately RMB1,156,574 (2005: 1,811,815). 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 decrease in staff costs was resulted from the decrease in the number of employees from 235 to 105.

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. No options have been granted or agreed to be granted under the Scheme since its effective date on 24 January 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

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 software

Software outsourcing continues to be a 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 ODM software 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 software projects in Jiangxi Province, the PRC. Some of the new clients include Digital China (Shanghai) Limited (神州數碼(上海)有限公司) and Jiangxi Salten Mining Company Limited (江西鹽礦有限責任公司).

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 Jian Dacher Founder Technology Company Limited (吉安達誠方正科技有限公司) and Jiangxi Chang Cheng Network Technology Company Limited (江西長城網絡有限公司).

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 help widen the Group's earning base and diversify the Group's business portfolio. Furthermore, synergies between Jiangxi Jinlixin and the Group were developed since Jiangxi Jinlixin's products can complement the Group's system solutions.

MANAGEMENT DISCUSSION AND ANALYSIS

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 including the International ICT Expo in Hong Kong and other 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 completed the development of proprietary packaged software, Interoffice for domestic and overseas market.

As at 30 June 2006, the Group has a pool of 28 IT professionals serving our PRC customers (2005: 151).

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	
	2006	2005
R&D and technical support	28	151
Sales and marketing	43	53
Management, finance and administration	34	31
Total	105	235

DIRECTORS, SENIOR MANAGEMENT AND STAFF

EXECUTIVE DIRECTORS

Mr. Li Jiahui (李佳輝), aged 46, 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. Li was appointed as an executive Director in September 2001.

Mr. Huang Boqi (黃伯麒), aged 41, 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 41, is an independent non-executive Director of the Company. 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 66, is an independent non-executive Director of the Company. 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 54, is an independent non-executive Director of the Company and is currently a sole proprietor 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. Mr. Chan is a fellow of Institute of Directors and acts as an independent non-executive director in several listed companies in Hong Kong and Singapore. Mr. Chan was appointed as an independent non-executive Director in September 2004.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

SENIOR MANAGEMENT

Mr. Leung Wai Ping, Noel (梁偉平), aged 38, 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 sixteen 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 The Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants.

Mr. Hong Yupeng (洪煜鵬), aged 46, 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. Zhao Bing (趙冰), aged 32, is a chief engineer of the Group. Mr. Zhao is in charge of the overall management of technology and R&D of new products and services. Mr. Zhao joined the Group in December 1999 and has over nine years experience in software design. Mr. Zhao holds a degree of Bachelor of Science in Software Engineering from Nanchang University.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 30 June 2006.

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 25 to 67.

The Directors did not recommend the payment of any dividend in respect of the year ended 30 June 2006.

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 68. 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 12 to the financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 15 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 22 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.

REPORT OF THE DIRECTORS

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 24 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 30 June 2006, the Company's reserves available for distribution, calculated in accordance with the Companies Law of the Cayman Islands, amounted to RMB13,148,006 (2005: RMB28,604,064), subject to the restrictions stated in note 24 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

The information in respect of the Group's sales and purchases attributable to major customers and suppliers, respectively, during the year is as follows:

	Percentage of the Group's total %
The largest customer	12.0%
Five largest customers in aggregate	24.5%
The largest supplier	81.5%
Five largest suppliers in aggregate	97.4%

At no time during the year have the Directors, 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 major largest customers or suppliers referred to above.

DIRECTORS

The Directors of the Company during the year were:

Executive directors:
Mr. Li Jiahui
Mr. Huang Boqi

Independent non-executive directors:
Mr. Xing Fengbing
Mr. Chan Ngai Sang, Kenny
Mr. Chan Kin Sang

REPORT OF THE DIRECTORS

In accordance with article 108(A) of the Company's articles of association, Mr. Li Jiahui and Mr. Chan Ngai Sang, Kenny, 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 10 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 2006.

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 2006. Each of the two Directors has renewed a service agreement with the Company for a period commencing from 6 February 2006 to 5 February 2007.

Mr. Chan Kin Sang was appointed as an independent non-executive Director for an initial a term of one year expiring on 27 September 2005 and has renewed a service agreement with the Company for one year expiring on 27 September 2006.

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 27 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.

REPORT OF THE DIRECTORS

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 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	15.75%
Mr. Huang Boqi	The Company	9,830,000 ordinary shares (L)	Beneficial owner	0.82%

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

As at 30 June 2006, there are no outstanding options granted under the scheme. Details of the share option scheme are set out in note 23 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 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	26.00%
Benep Management Limited ("**Benep**")	312,000,000 ordinary shares (L)	Interest of controlled corporation *(Note 2)*	26.00%
Joinn Holdings Limited ("**Joinn**") (formerly known as Cytech Software Limited)	312,000,000 ordinary shares (L)	Interest of controlled corporation *(Note 2)*	26.00%
Pioneer Idea Finance Limited ("**Pioneer**")	312,000,000 ordinary shares (L)	Interest of controlled corporation *(Note 3)*	26.00%
Mr. Huang Quan ("**Mr. Huang**")	312,000,000 ordinary shares (L)	Interest of controlled corporation *(Note 3)*	26.00%
Mr. Li Jiahui	189,000,000 ordinary shares (L)	Beneficial owner	15.75%
Mr. Leung Chee Kwong	200,000,000 ordinary shares (L)	Beneficial owner	16.67%

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 21.25% and 36.52% 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 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.

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, (i) made operating lease payments of RMB441,000 in respect of the Group's office premises in Hong Kong to Joinn Investment Advisory Limited (formally known as "Cytech Software (H.K.) Limited"), which is a wholly-owned subsidiary of Joinn, a substantial shareholder of the Company; (ii) received rental income totally RMB126,000 from Joinn Strategic Holdings Limited in which Mr. Huang Quan is a shareholder. 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 27 to the financial statements.

Those transactions are de minimis transactions pursuant to Rule 20.31 of the GEM Listing Rules, which is exempted from the reporting, announcement and shareholders' approval requirements.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on page 18 to 23 of the annual report.

AUDITORS

The financial statements of the Company for the years ended 30 June 2005 and 2006 were audited by Messrs. Grant Thornton. A resolution to reappoint the retiring auditors, Messrs. Grant Thornton, will be put at the forthcoming annual general meeting of the Company.

The financial statements of the Company for the year ended 30 June 2004 were audited by Messrs. Ernst & Young and there have been no other changes of auditors of the Company in the past three years.

By Order of the Board
Golding Soft Limited

Li Jiahui
Chairman

Hong Kong
11 August 2006

CORPORATE GOVERNANCE REPORT

OVERVIEW

Corporate governance has always been a key concern and thus is essential to the success of the Company. The Company believes that improvement of corporate governance not only can help monitor and regulate its business activities effectively, but also can attract more institutional investors to invest in the Company, and thus shareholders' interests will be protected.

CORPORATE GOVERNANCE PRACTICES

The following documents form the framework for the code of corporate governance practice of the Company:

1. Code on the Corporate Governance;
2. Code of Conduct for Securities Transactions by Directors of the Company;
3. Duties of the Board of Directors (the "Board");
4. Segregation of Duties between the Chairman and the Chief Executive Officer;
5. Disciplinary Rules of the Company;
6. Term of Reference on the Audit Committee;
7. Term of Reference on the Remuneration Committee; and
8. Written guidelines for relevant employees in respect of their dealings in the securities of the Company.

The Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 15 to the GEM Listing Rules during the year ended 30 June 2006.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a Code of Conduct for Securities Transactions by Directors of the Company ("Code of Conduct") 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. Having made specific enquiries, all the Directors have confirmed that they have complied with such Code of Conduct regarding securities transaction by the Directors throughout the year ended 30 June 2006.

Specific employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with the same Code of Conduct. No incident of non-compliance was noted by the Company for the year ended 30 June 2006.

THE BOARD

Composition of the Board

The Company's Board of Directors is responsible for leadership and control of the Company. The Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs.

The second session of the Board currently comprises of two executive Directors and three independent non-executive Directors and all Directors served for the year ended 30 June 2006. Their terms of office are disclosed in the Director's Report on page 13. The biographical details of the Directors are set out on pages 9 to 10 of this annual report.

During the year, six Board meetings were held and the attendance record of the Board meeting is set out below:

	Attendance/ Number of meetings
Executive Directors	
Li Jiahui *(Chairman)*	6/6
Huang Boqi *(Chief Executive Officer)*	6/6
Independent non-executive Directors	
Chan Kin Sang	6/6
Chan Ngai Sang, Kenny	6/6
Xing Fengbing	5/6

In compliance with Rules 5.01 and 5.02 of the GEM Listing Rules, the Company has three independent non-executive Directors (the "INED(s)"), namely Mr. Chan Kin Sang, Mr. Chan Ngai Sang, Kenny and Mr. Xing Fengbing. These INEDs can help the management to formulate the Group's development strategies, ensure the Board prepares its financial and other mandatory reports in strict compliance with required standards, and ensure the Company maintains appropriate system to protect the interests of the Company and its shareholders. The Board has received the annual confirmation in respect of their independence from each of the INEDs, and believes that their independence is in compliance with the GEM Listing Rules as at the date of this annual report.

The Board has established two sub-committees: Audit Committee and Remuneration Committee. Both have terms of reference which accord with the principles set out in the CG Code. More details of these two sub-committees are set out in separate sections in this report.

OPERATION OF THE BOARD

Matters that need to be determined or considered by the Board include overall group strategies, substantial acquisitions, annual, interim and quarterly results, recommendations on the appointment or re-election of Directors, distribution of dividends and other substantial operating and financial matters. General daily and routine operating decision-makings are handled by the management.

The Board meets regularly at least four times a year at approximately quarterly intervals. Such regular meetings will normally involve the active participation, either in person or through other electronic means of communication, of a majority of Directors entitled to be present.

Notice of a regular Board meeting is usually given at least 14 days in advance to give all Directors an opportunity to attend. An agenda for each Board Meeting will be prepared and normally distributed to the Directors together with necessary Board materials papers at least 4 days before the Board Meeting. Directors are free to add items on the agenda as they may think fit. The Company Secretary is responsible for recording the matters considered and decisions reached by the Board including any concerns or dissenting views expressed raised by Directors. Minutes of Board Meetings and the Board Committed Meetings will be sent to all Directors for their comments and records as soon as after the Board meeting.

Before each Board meeting, the Directors are provided with a detailed agenda, sufficient relevant information and a reasonable notice period by the Company, so as to enable the Directors to attend the Board meeting and make appropriate decision in relation to the matters to be discussed. All Directors are entitled to include matters of their concern in the agenda of a Board meeting.

Minutes of Board Meetings and meetings of Board Committees are kept by the Company Secretary and such minutes are open for inspection within reasonable advance notice.

If a substantial shareholder or a director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will not be dealt with by way of written resolutions or by a committee (except an appropriate Board Committee set up for that purpose pursuant to a resolution passed in a Board Meeting) but will be resolved in a Board Meeting. Directors who, and whose associates, have no material interest in the transaction will be present at such Board meetings.

All Directors are free to access all the corporate information for the purpose of discharging their duties and responsibilities as Directors. The Directors may seek independent professional advice, if it is deemed necessary, at the Company's expenses. In addition, all Directors may have unrestricted access to the senior management of the Company.

Chairman and Chief Executive Officer

The posts of Chairman and Chief Executive Officer were held by different persons during the year. Mr. Li Jiahui served as an executive director and the Chairman of the Board, and Mr. Huang Boqi served as an executive director and the Chief Executive Officer. The separation of the roles and functions of the Chairman and Chief Executive Officer ensures a clear distinction in the Chairman's responsibility to manage the Board and the responsibility of the Chief Executive Officer to manage the Company's business activities.

Nomination of Directors

The Board has not established a nomination committee at the moment. The appointment of new director is therefore a matter for consideration and decision by the shareholders' meeting. The shareholder(s) considers that the new director is expected to have expertise in relevant area to make contribution to the Company and to have sufficient time to participate in the decision making process of the Company.

AUDIT COMMITTEE

The Company's audit committee (the "Audit Committee") has terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee include review and supervision of the financial reporting process and internal control and corporate governance issues of the Company and make relevant recommendations to the Board.

The Audit Committee comprises three members, Mr. Chan Kin Sang, Mr. Chan Ngai Sang, Kenny and Mr. Xing Fengbing, all are independent non-executive Directors. Mr. Chan Ngai Sang, Kenny has the appropriate financial and accounting experience required by the GEM Listing Rules and acts as the chairman of the Audit Committee.

During the year ended 30 June 2006, the Audit Committee held a total of four meetings, at which it reviewed the internal and external audit findings, the accounting principles and practices adopted by the Group, the listing and statutory compliance, and discussed the audit and internal control system, risk management and financial reporting matters (such as recommendations made to the Board to approve the quarterly, interim and annual results for the year).

The Audit Committee reports to the Board after each meeting and suggests the matters which need close attention of the Board, and reports any matter which it considers an action or improvement is needed and makes relevant recommendations.

CORPORATE GOVERNANCE REPORT

The attendance record of the Audit Committee for the year is set out below:

Committee members	Attendance/ No. of meetings
Mr. Chan Ngai Sang, Kenny	4/4
Mr. Chan Kin Sang	4/4
Mr. Xing Fengbing	4/4

REMUNERATION COMMITTEE

During the year, the remuneration committee of the Company (the "Remuneration Committee") was established with effective from 1 July 2005, which is mainly responsible for making recommendations to the Board in respect of the remuneration policy and structure of all Directors' and senior management. It annually reviews the existing remuneration policy and recommend to the Board changes to the Company's remuneration policy and structure.

The Remuneration Committee comprises three members. The Chairman of the Remuneration Committee is Mr. Chan Ngai Sang, Kenny, an independent non-executive Director, and the other members are Mr. Chan Kin Sang and Mr. Xing Fengbing, both of them being independent non-executive Directors.

During the year ended 30 June 2006, the Remuneration Committee held one meeting in which matters concerning the determination of remuneration of the Directors and senior management were discussed.

The attendance record of the Remuneration Committee for the year is set out below:

Committee members	Attendance/ No. of meetings
Mr. Chan Ngai Sang, Kenny	1/1
Mr. Chan Kin Sang	1/1
Mr. Xing Fengbing	1/1

REMUNERATION OF THE AUDITORS

For the year ended 30 June 2006, the Audit Committee of the Company had reviewed the performance of Grant Thornton as the external auditors of the Company and proposed to re-appoint Grant Thornton as the external auditors. For the year ended 30 June 2006, the Company agreed auditing fees of HK$380,000 (equivalent to RMB 399,000) payable to Grant Thornton. Grant Thornton had not provided non-auditing services to the Company and the Group during the year.

RESPONSIBILITY FOR PREPARATION OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company and of the Group which give a true and fair view of the state of affairs of the Company and the Group on a going concern basis. As at 30 June 2006, the Directors were not aware of any material uncertainties or events which may have a significant impact on the Company's ability to operate as an on-going concern. Accordingly, the Directors have prepared the financial statements of the Company on an on-going concern basis. The responsibility of the auditors with respect to financial reporting are set out in the Report of the Auditors in this annual report.

INTERNAL CONTROL

For the year ended 30 June 2006, the Company periodically reviewed its internal control system to ensure its effectiveness and adequacy, which embraced financial, operational and risk management control. However, the Directors are aware that there is still room for the Company to improve these respective controls and the system as a whole.

INVESTOR RELATIONS

The Company has disclosed all necessary information to the shareholders in compliance with GEM Listing Rules. Updated and key information of the Group is also available on the Company's website. The Company also replied the enquires from shareholders timely. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries.

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 25 to 67 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 2006 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
11 August 2006

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2006

	Notes	2006 RMB	2005 RMB (Restated)
Revenue	5	38,564,763	41,920,659
Cost of sales		(37,439,117)	(40,759,816)
Gross profit		1,125,646	1,160,843
Other income	5	1,699,440	299,028
Selling and distribution costs		(5,551,046)	(7,106,834)
Administrative expenses		(9,200,357)	(12,115,562)
Other operating expenses		(8,487,858)	(14,322,760)
Operating loss		(20,414,175)	(32,085,285)
Finance cost	7	(3,590)	(4,814)
Loss before income tax	7	(20,417,765)	(32,090,099)
Income tax expense	8	(1,073)	(4,450)
Loss for the year		(20,418,838)	(32,094,549)
Attributable to:			
Equity holders of the Company		(20,594,890)	(31,568,130)
Minority interest		176,052	(526,419)
Loss for the year		(20,418,838)	(32,094,549)
Loss per share for loss attributable to the equity holders of the Company	11		
– Basic		(2.03)cents	(3.16)cents
– Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

as at 30 June 2006

	Notes	2006 RMB	2005 RMB (Restated)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	4,212,310	6,749,840
Land use rights	13	1,627,251	1,768,678
		5,839,561	8,518,518
Current assets			
Inventories	14	2,466,779	1,687,383
Trade receivables	16	2,037,065	1,007,318
Prepayments, deposits and other receivables	17	287,504	1,152,767
Due from a related company	21	126,000	–
Cash and cash equivalents	18	22,757,685	37,423,621
		27,675,033	41,271,089
Current liabilities			
Tax payable		–	1,221
Trade payables	19	575,928	–
Other payables and accruals	20	3,979,501	4,574,971
Trade deposits received		873,075	409,062
Due to related companies	21	1,763,280	881,210
		7,191,784	5,866,464
Net current assets		20,483,249	35,404,625
Net assets		26,322,810	43,923,143
EQUITY			
Equity attributable to Company's equity holders			
Share capital	22	12,600,000	10,500,000
Reserves		13,562,243	33,438,628
		26,162,243	43,938,628
Minority interest		160,567	(15,485)
Total equity		26,322,810	43,923,143

Li Jiahui
Director

Huang Boqi
Director

BALANCE SHEET

as at 30 June 2006

	Notes	2006 RMB	2005 RMB
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	15	**210,000**	210,000
Current assets			
Due from subsidiaries	15	**27,658,413**	40,605,291
Current liabilities			
Other payables and accruals	20	**2,120,407**	1,711,227
Net current assets		**25,538,006**	38,894,064
Net assets		**25,748,006**	39,104,064
EQUITY			
Equity attributable to Company's equity holders			
Share capital	22	**12,600,000**	10,500,000
Reserves	24	**13,148,006**	28,604,064
Total equity		**25,748,006**	39,104,064

Li Jiahui
Director

Huang Boqi
Director

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2006

	Notes	2006 RMB	2005 RMB (Restated)
Cash flows from operating activities			
Loss before income tax		(20,417,765)	(32,090,099)
Adjustment for:			
Amortisation of goodwill		–	112,394
Amortisation of land use rights	7	141,427	191,576
Depreciation	7	2,576,956	3,079,165
Impairment of goodwill		–	355,916
Interest expense	7	3,590	4,814
Interest income	5	(806,821)	(299,028)
(Gain)/ Loss on disposal of property, plant and equipment	7	(14,126)	63,640
Provision for impairment of receivables	7	299,121	960,119
Provision for slow-moving inventories		–	253,099
Operating loss before working capital changes		(18,217,618)	(27,368,404)
(Increase)/ decrease in inventories		(779,396)	14,425
Increase in trade receivables		(1,174,587)	(1,627,040)
Decrease in prepayments, deposits and other receivables		710,982	1,128,616
Increase in amount due from a related company		(126,000)	–
Increase in trade payables		575,928	–
(Decrease)/increase in other payables and accruals		(595,470)	682,528
Increase/(decrease) in trade deposits received		464,013	(4,800)
Increase/(decrease) in amounts due to related companies		882,070	(579,209)
Net cash outflow from operations		(18,260,078)	(27,753,884)
Interest received		806,821	299,028
Income taxes paid		(2,294)	(3,229)
Net cash used in operating activities		(17,455,551)	(27,458,085)
Cash flows from investing activities			
Purchases of property, plant and equipment	12	(77,300)	(20,920)
Proceeds from disposal of land use rights		–	1,328,974
Proceeds from disposal of property, plant and equipment		52,000	–
Net cash (used in)/ generated from investing activities		(25,300)	1,308,054

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 June 2006

	Notes	2006 RMB	2005 RMB (Restated)
Cash flows from financing activities			
Proceeds from issue of new ordinary shares, net of share issue expenses		2,818,505	–
Interest paid		(3,590)	(4,814)
Net cash generated/(used in) from financing activities		2,814,915	(4,814)
Net decrease in cash and cash equivalents		(14,665,936)	(26,154,845)
Cash and cash equivalents at beginning of year		37,423,621	63,578,466
Cash and cash equivalents at end of year		22,757,685	37,423,621
Analysis of balances of cash and cash equivalents			
Cash and bank balances		2,258,100	5,571,611
Time deposits with original maturity of less than three months when acquired		20,499,585	31,852,010
		22,757,685	37,423,621

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2006

	Equity attributable to equity holders of the Company					Minority interest	Total equity
	Share capital	Share premium*	Statutory reserves* (note 24)	Retained profit/ (Accumulated losses)*	Total		
	RMB	RMB	RMB	RMB	RMB	RMB	RMB (Restated)
Balance at 1 July 2004	10,500,000	40,026,000	413,500	24,567,258	75,506,758	510,934	76,017,692
Loss for the year	–	–	–	(31,568,130)	(31,568,130)	(526,419)	(32,094,549)
Total income and expenses for the year	–	–	–	(31,568,130)	(31,568,130)	(526,419)	(32,094,549)
Balance at 30 June 2005 and at 1 July 2005	10,500,000	40,026,000	413,500	(7,000,872)	43,938,628	(15,485)	43,923,143
Loss for the year	–	–	–	(20,594,890)	(20,594,890)	176,052	(20,418,838)
Total income and expenses for the year	–	–	–	(20,594,890)	(20,594,890)	176,052	(20,418,838)
Transfer to reserves	–	–	63,404	(63,404)	–	–	–
Issue of new shares (note 22)	2,100,000	793,800	–	–	2,893,800	–	2,893,800
Share issue expenses	–	(75,295)	–	–	(75,295)	–	(75,295)
Balance at 30 June 2006	**12,600,000**	**40,744,505**	**476,904**	**(27,659,166)**	**26,162,243**	**160,567**	**26,322,810**

* These reserve accounts comprise the consolidated reserves of RMB13,562,243 (2005: RMB33,438,628) 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.

The Group's operations are principally conducted in the People's Republic of China, excluding Hong Kong and Macau (the "PRC") and Hong Kong. The consolidated financial statements have been prepared in Renminbi ("RMB"), being the functional currency of the Company.

The financial statements on pages 25 to 67 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants and the requirements of the Hong Kong Companies Ordinances. The financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinances and the Rules Governing the Listing of Securities on the GEM of the SEHK.

2. ADOPTION OF NEW OR REVISED HKFRS

In the current year, the Group has adopted the new or revised standards and interpretations of HKFRS, which are relevant to its operations. These include the following new, revised and renamed standards:

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 the 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

2. ADOPTION OF NEW OR REVISED HKFRS (continued)

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
HKAS 39 (Amendment)	Transitional and Initial Recognition of Financial Assets and Financial Liabilities

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 in the following notes:

2.1 Adoption of HKAS 1

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

2.2 Adoption of HKAS 17

In previous years, leasehold land and buildings were included in property, plant and equipment and carried at cost less accumulated depreciation and accumulated impairment losses.

Upon the adoption of HKAS 17, the land and buildings elements are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to leasehold land and land use rights under operating leases, which are carried at cost and subsequently recognised in the income statement on a straight-line basis over the lease term. This change in accounting policy has been applied retrospectively. Apart from the reclassification of the leasehold interests in land with carrying amount of RMB1,768,678 included in property, plant and equipment for the year ended 30 June 2005 to land use rights under operating leases, there is no other impact on the financial statements.

2. ADOPTION OF NEW OR REVISED HKFRS (continued)

2.3 Other standards adopted

The adoption of other new or revised standards or interpretations did not result in significant alterations to the Group's accounting policies. The specific transitional provisions contained in some of these standards were considered. The adoption of these other standards did not result in any changes to the amounts or disclosures in these financial statements.

2.4 New Standards or Interpretations that have been issued but are not yet effective

The Group has not early adopted the following Standards or Interpretations that have been issued but not yet effective. The Directors anticipate that the application of these standards or interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures[2]
HKAS 21(Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation[2]
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions[2]
HKAS 39 (Amendment)	The Fair Value Option[2]
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts[2]
HKFRS 6	Exploration for and Evaluation of Mineral Resources[2]
HKFRS 7	Financial Instruments – Disclosures[1]
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease[2]
HK(IFRIC) – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds[2]
HK(IFRIC) – Int 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment[3]
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[4]

[1] Effective for annual periods beginning on or after 1 January 2007
[2] Effective for annual periods beginning on or after 1 January 2006
[3] Effective for annual periods beginning on or after 1 December 2005
[4] Effective for annual periods beginning on or after 1 March 2006

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below. The financial statements are prepared under the historical cost convention.

It should be noted that accounting estimates and assumptions are used in preparation of financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

(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.

(c) Subsidiaries

Subsidiaries are entities over which the Company has the power to control the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

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

(d) Property, plant and equipment

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 costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

Depreciation is calculated on the straight-line basis to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

Leasehold 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%

The gain or loss on disposal or retirement of an item of property, plant and equipment recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(e) Research and development 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.

(f) Inventories

Inventories, representing computer hardware, are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. Net realisable value is the estimated selling prices in the ordinary course of business less any applicable selling expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

(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.

PRC corporate income tax is provided at rates applicable to an enterprise in the PRC on income for financial purpose, adjusted for income and expense items which are not assessable or deductible for income tax purposes.

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 difference arises from the initial recognition 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Income tax (continued)

Deferred tax assets and liabilities are not discounted. Deferred tax is calculated at the tax rates that are expected to apply in the year 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.

(i) Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of the Group's property, plant and equipment, land use rights and Company's investments in subsidiaries or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises.

An impairment loss on goodwill is not reversed in subsequent periods. 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 of an asset, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior year.

A reversal of an impairment loss is credited to the income statement in the period in which it arises.

(j) Revenue recognition

Revenue is recognised to the extent when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria are also met before revenue is recognised:

From the sale of goods

Revenue is recognised when the significant risks and rewards of ownership have passed 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) **Revenue recognition (continued)**

From the rendering of service

Revenue is recognised, 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.

Interest income

Revenue is recognised 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 PRC government, 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Employee benefits (continued)

(ii) Share-based employee compensation

The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

All share-based compensation is ultimately recognised as an expense in income statement, with a corresponding increase in the employee compensation reserve in equity. If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

At the time when the share options are exercised, the amount previously recognised in employee compensation reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in employee compensation reserve will be transferred to accumulated losses.

(l) Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transactions dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the income statement.

In the consolidated financial statements, all separate financial statements of subsidiaries, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rate at the balance sheet date. Income and expenses have been converted into the Group's presentation currency at the average rates over the reporting period. Any differences arising from this procedure have been dealt with in the currency translation reserve in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Operating leases

Operating lease payments are recognised as an expense on a straight-line basis. Affiliated costs, such as maintenance and insurance, are expensed as incurred.

Land use rights represent up-front payments to acquire long term interests in the usage of land. They are stated at cost net of any impairment losses and charged to the consolidated income statement over the remaining period of the lease on a straight line basis.

(n) Provisions

Provisions are recognised when present obligation will probably lead to an outflow of economic resources from the Group which can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognised as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long term provisions are discounted to their present values, where time value of money is material.

All provisions are reviewed at the balance sheet date and adjusted to reflect the current best estimates.

In those cases where the possible outflow of economic resources as a result of present obligations is considered impossible or remote, or the amount to be provided for cannot be measured reliably, no contingent liability is recognised in the balance sheet, unless assumed in the course of a business combination.

(o) Trade payables

Trade payables are initially at fair value, and subsequently measured at amortised cost, using effective interest rate method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Cash and cash equivalents

For the purpose of the consolidated cash flow statements, cash and cash equivalents comprise cash at banks, in hand and time deposit with original maturity of three months or less, less bank overdrafts which are repayable in demand and form an integral part of the Group's cash arrangement.

For the purpose of the balance sheet classification, cash and bank balances comprise cash at banks and in hand.

(q) Related parties

A party is considered to be related to the Group if:

(i) directly, or indirectly through one or more intermediaries, the party (1) controls, is controlled, or is under common control with, the Company/Group; (2) has an interest in the Company that gives it significant influence over the Company/Group; or (3) has joint control over the Company/Group;

(ii) the party is an associate;

(iii) the party is a jointly-controlled entity;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv); or

(vi) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Company/Group, or of any entity that is a related party of the Company/Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) **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.

In respect of business segments, unallocated costs represent corporate expenses. Segment assets consist primarily of land use rights, property, plant and equipment, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation.

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.

(s) **Issued capital**

Ordinary shares are classified as equity. Issued capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from equity (net of any related income tax benefit) to the extent that they are incremental costs directly attributable to the equity transaction.

4. CRITICAL ACCOUNTING ESTIMATES

Estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at the balance sheet date.

4. CRITICAL ACCOUNTING ESTIMATES (continued)

(ii) Impairment of trade receivables

The Group's management assess the collectibility of trade receivables. This estimate is based on the credit history of its customers and the current market condition. Management reassess the impairment loss at the balance sheet date.

5. REVENUE AND OTHER INCOME

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and services rendered, after allowances for return and trade discounts, where applicable.

An analysis of the Group's revenue and other income is as follows:

	Group	
	2006 RMB	2005 RMB
Revenue		
Sales of goods	36,549,640	40,420,809
Rendering of services	2,015,123	1,499,850
	38,564,763	41,920,659
Other income		
Interest income	806,821	299,028
Sundry income	892,619	–
	1,699,440	299,028
	40,264,203	42,219,687

6. 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 they provide. 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 (2005: Nil).

6. SEGMENT INFORMATION (continued)

(a) Business segments

The following table presents revenue, results information for the year ended 30 June 2006 and certain asset, liability and expenditure information for the Group's business segments.

Group

	ODM		Proprietary packaged software		System solutions		Consolidated	
	2006 RMB	2005 RMB	2006 RMB	2005 RMB	2006 RMB	2005 RMB	2006 RMB	2005 RMB (Restated)
Segment revenue								
Sales to external customers	1,864,973	1,499,850	150,150	–	36,549,640	40,420,809	38,564,763	41,920,659
Segment results	234,952	296,526	18,915	–	871,779	864,317	1,125,646	1,160,843
Interest income and unallocated gains							1,699,440	299,028
Unallocated expenses							(23,239,261)	(33,545,156)
Operating loss							(20,414,175)	(32,085,285)
Finance cost							(3,590)	(4,814)
Loss before income tax							(20,417,765)	(32,090,099)
Income tax expense							(1,073)	(4,450)
Loss for the year							(20,418,838)	(32,094,549)
Segment assets	–	125,600	22,600	15,000	4,561,396	3,470,946	4,583,996	3,611,546
Unallocated assets							28,930,598	46,178,061
Total assets							33,514,594	49,789,607
Segment liabilities	–	–	–	–	1,982,808	1,082,475	1,982,808	1,082,475
Unallocated liabilities							5,208,976	4,783,989
Total liabilities							7,191,784	5,866,464
Other segment information:								
Provision for impairment of receivables	13,100	126,200	–	–	286,021	833,919	299,121	960,119

An analysis of the capital expenditure, depreciation charge, amortisation of land use rights and gain 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 and land use rights are used by more than one segment.

6. SEGMENT INFORMATION (continued)

(b) Geographical segments

The following table presents revenue, results information for the year ended 30 June 2006 and certain asset and expenditure information for the Group's geographical segments.

Group

	North America		PRC*		Consolidated	
	2006 RMB	2005 RMB	2006 RMB	2005 RMB	2006 RMB	2005 RMB
Segment revenue:						
Sales to external customers	–	965,250	38,564,763	40,955,409	38,564,763	41,920,659
Segment results	–	190,834	1,125,646	970,009	1,125,646	1,160,843
Other segment information:						
Segment assets	–	–	33,514,594	49,789,607	33,514,594	49,789,607
Capital expenditure	–	–	77,300	20,920	77,300	20,920

* PRC and Hong Kong

7. LOSS BEFORE INCOME TAX

	Group	
	2006	2005
	RMB	RMB
		(Restated)
Loss before income tax is arrived at after charging:		
Cost of inventories sold	35,677,861	39,556,492
Cost of services provided	1,761,256	1,203,324
Auditors' remuneration	399,000	420,000
Amortisation of land use rights*	141,427	191,576
Depreciation**	2,576,956	3,079,165
Exchange losses, net***	126,889	340,650
(Gain)/ Loss on disposal of property, plant and equipment***	(14,126)	63,640
Operating lease charges in respect of office premises, retail shops and warehouse	540,222	606,978
Pension scheme contributions	406,031	568,094
Provision for impairment of receivables***	299,121	960,119
Research costs***	8,061,848	12,236,942
Interest charges on trust receipt loans repayable within one year	3,590	4,814
Staff costs (excluding directors' emoluments (note 26(a)) and pension scheme contribution)	10,480,728	15,814,704

* Amortisation of land use rights of RMB7,160(2005: RMB5,997) has been included in cost of sales, RMB15,557 (2005: RMB20,983) in administrative expenses and RMB118,710 (2005: RMB164,596) in other operating expenses.

** Depreciation of RMB129,867 (2005: RMB95,992) has been included in cost of sales, RMB294,138 (2005: RMB348,496) in administrative expenses and RMB2,152,951 (2005: RMB2,634,677) in other operating expenses.

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

8. INCOME TAX EXPENSE

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 (2005: 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	
	2006	2005
	RMB	RMB
Current year's provision:		
Hong Kong	**–**	–
PRC	**1,073**	4,450
Tax charge for the year	**1,073**	4,450

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 January 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., another subsidiary of the Company, is a domestic enterprise operating in the PRC. The applicable CIT rate is 33%.

8. INCOME TAX EXPENSE (continued)

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

	Group	
	2006 RMB	2005 RMB
Loss before income tax	(20,417,765)	(32,090,099)
Tax on loss before taxation, calculated at the rates applicable in the tax jurisdictions concerned	(6,416,097)	(9,897,062)
Tax loss not recognised	5,968,974	8,528,677
Tax effect of non-deductible expenses	712,357	1,369,530
Tax effect of non-taxable revenue	(264,161)	–
Others	–	3,305
Actual income tax expense	1,073	4,450

The Group has tax losses arising in the PRC and other countries of RMB68,263,242 (2005: RMB47,499,000) 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 2006.

At 30 June 2006, there was no significant unrecognised deferred tax liability (2005: 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.

9. LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Of the consolidated loss attributable to equity holders of the Company of RMB20,594,890 (2005: RMB31,568,130), a loss of RMB16,174,563 (2005: RMB2,531,756) has been dealt with in the financial statements of the Company.

10. 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.

11. LOSS PER SHARE

The calculation of basic loss per share is based on the loss for the year attributable to the equity holders of the Company of RMB20,594,890 (2005: RMB31,568,130) and on the weighted average of 1,014,246,575 (2005: 1,000,000,000) ordinary shares in issue during the year.

Diluted loss per share for the years ended 30 June 2005 and 2006 was not presented as there is no dilutive potential share.

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings RMB	Leasehold improvements RMB	Computer equipment RMB	Furniture, fixtures and office equipment RMB	Motor vehicles RMB	Total RMB
At 1 July 2004						
Cost						
– as previously reported	5,678,247	4,016,115	8,342,576	1,139,746	632,608	19,809,292
– effect of adopting HKAS 17	(3,831,644)	–	–	–	–	(3,831,644)
As restated	1,846,603	4,016,115	8,342,576	1,139,746	632,608	15,977,648
Accumulated depreciation						
– as previously reported	(695,205)	(1,572,786)	(3,551,583)	(531,482)	(297,283)	(6,648,339)
– effect of adopting HKAS 17	478,776	–	–	–	–	478,776
As restated	(216,429)	(1,572,786)	(3,551,583)	(531,482)	(297,283)	(6,169,563)
Net book value	1,630,174	2,443,329	4,790,993	608,264	335,325	9,808,085
Year ended 30 June 2005						
Opening net book amount						
– as previously reported	4,983,042	2,443,329	4,790,993	608,264	335,325	13,160,953
– effect of adopting HKAS 17	(3,352,868)	–	–	–	–	(3,352,868)
As restated	1,630,174	2,443,329	4,790,993	608,264	335,325	9,808,085
Additions	–	–	–	19,420	1,500	20,920
Depreciation	(89,560)	(1,133,394)	(1,527,378)	(206,159)	(122,674)	(3,079,165)
Closing net book amount	1,540,614	1,309,935	3,263,615	421,525	214,151	6,749,840

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Leasehold land and buildings RMB	Leasehold improvements RMB	Computer equipment RMB	Furniture, fixtures and office equipment RMB	Motor vehicles RMB	Total RMB
At 30 June 2005/ 1 July 2005						
Cost						
– as previously reported	3,990,329	4,016,115	8,342,576	1,159,166	634,108	18,142,294
– effect of adopting HKAS 17	(2,143,726)	–	–	–	–	(2,143,726)
As restated	1,846,603	4,016,115	8,342,576	1,159,166	634,108	15,998,568
Accumulated depreciation						
– as previously reported	(681,037)	(2,706,180)	(5,078,961)	(737,641)	(419,957)	(9,623,776)
– effect of adopting HKAS 17	375,048	–	–	–	–	375,048
As restated	(305,989)	(2,706,180)	(5,078,961)	(737,641)	(419,957)	(9,248,728)
Net book value	1,540,614	1,309,935	3,263,615	421,525	214,151	6,749,840
Year ended 30 June 2006						
Opening net book amount						
– as previously reported	3,309,292	1,309,935	3,263,615	421,525	214,151	8,518,518
– effect of adopting HKAS 17	(1,768,678)	–	–	–	–	(1,768,678)
As restated	1,540,614	1,309,935	3,263,615	421,525	214,151	6,749,840
Additions	–	–	74,800	2,500	–	77,300
Disposals	–	–	–	–	(37,874)	(37,874)
Depreciation	(89,556)	(754,445)	(1,439,323)	(196,452)	(97,180)	(2,576,956)
Closing net book amount	**1,451,058**	**555,490**	**1,899,092**	**227,573**	**79,097**	**4,212,310**
At 30 June 2006						
Cost	1,846,603	4,016,115	8,417,376	1,161,666	463,190	15,904,950
Accumulated depreciation	(395,545)	(3,460,625)	(6,518,284)	(934,093)	(384,093)	(11,692,640)
Net book value	**1,451,058**	**555,490**	**1,899,092**	**227,573**	**79,097**	**4,212,310**

The Group's leasehold buildings are situated in the PRC and held under medium term leases.

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 June 2006

13. LAND USE RIGHTS

	Group 2006 RMB	2005 RMB (Restated)
At the beginning of year		
Gross amount	2,143,726	3,831,644
Accumulated amortisation	(375,048)	(478,776)
Net book value	1,768,678	3,352,868
For the year		
Opening net book value	1,768,678	3,352,868
Disposals	–	(1,392,614)
Amortisation	(141,427)	(191,576)
Net book value	1,627,251	1,768,678
At the end of year		
Gross amount	2,143,726	2,143,726
Accumulated amortisation	(516,475)	(375,048)
Net book value	1,627,251	1,768,678

The land use rights of the Group are situated in the PRC is held under a medium term lease.

14. INVENTORIES

	Group 2006 RMB	2005 RMB
Finished goods	2,719,878	1,940,482
Less: write-down of inventories to net realisable value	(253,099)	(253,099)
	2,466,779	1,687,383

15. INVESTMENTS IN SUBSIDIARIES

The Company's investments in subsidiaries comprise:

	2006 RMB	2005 RMB
Unlisted shares, at cost	**210,000**	210,000
Due from subsidiaries	**41,658,413**	40,605,291
Less: Provision for impairment	**(14,000,000)**	–
	27,658,413	40,605,291

The balances due from subsidiaries included in the Company's current assets are interest-free, unsecured and repayable on demand.

The Directors consider that in the light of the recurring operating losses of certain subsidiaries and unfavourable market conditions, the recoverable amount of these subsidiaries has been reduced to the estimated net realisable value of their identifiable net assets. Accordingly, an aggregate impairment loss of RMB14,000,000 (2005: Nil) in respect of the Company's amount due from subsidiaries was recognised.

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

NOTES TO FINANCIAL STATEMENTS

for the year ended 30 June 2006

15. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of principal subsidiaries are as follows (continued):

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		Principal activities
			Directly	Indirectly	
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

16. 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.

	Group	
	2006	2005
	RMB	RMB
Trade receivables	2,335,281	1,967,437
Less: Provision for impairment of receivables	(298,216)	(960,119)
	2,037,065	1,007,318

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	
	2006	2005
	RMB	RMB
Within one month	956,081	621,273
One to two months	271,786	162,915
Two to three months	771,010	133,280
Three months to one year	38,188	71,650
Over one year	–	18,200
	2,037,065	1,007,318

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2006	2005
	RMB	RMB
Prepayments	371,540	925,360
Deposits and other receivables	113,254	270,416
	484,794	1,195,776
Less: Provision for impairment	(197,290)	(43,009)
	287,504	1,152,767

18. CASH AND CASH EQUIVALENTS

	Group	
	2006	2005
	RMB	RMB
Cash and bank balances	2,258,100	5,571,611
Time deposits	20,499,585	31,852,010
Cash and cash equivalents	22,757,685	37,423,621

At the balance sheet date, the cash and bank balances of the Group denominated in RMB amounted to RMB1,283,700 (2005: RMB2,590,244). 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.

19. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date is as follows:

	Group	
	2006	2005
	RMB	RMB
Within one month	27,284	–
One to two months	520,933	–
Two to three months	12,580	–
Three months to one year	15,131	–
	575,928	–

20. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2006	2005	2006	2005
	RMB	RMB	RMB	RMB
Other payables	1,078,372	866,817	209,834	118,803
Accruals	2,901,129	3,708,154	1,910,573	1,592,424
	3,979,501	4,574,971	2,120,407	1,711,227

21. DUE FROM/(TO) RELATED COMPANIES

(a) 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 RMB415,708 (2005: RMB660,709) is unsecured, interest free and repayable on demand.

(b) Amount due to Joinn Investment Advisory Limited ("Joinn Investment")(formerly known as Cytech Software (H.K.) Limited), a subsidiary of Joinn Holdings Limited ("Joinn Holdings") which is a substantial shareholder of the Company, of RMB1,347,572 (2005: RMB220,501) is unsecured, interest free and repayable on demand.

21. DUE FROM/(TO) RELATED COMPANIES (continued)

(c) Particulars of the amount due from a related company disclosed pursuant to Section 161 B of the Hong Kong Companies Ordinance are as follows:

Name	**Joinn Strategic Holdings Limited ("Joinn Strategic")**
Substantial shareholder connected with borrower	Mr Huang Quan
Amounts outstanding at	
1 July 2005	Nil
30 June 2006	RMB126,000
Maximum amount outstanding during the year	RMB126,000
Terms	Unsecured, interest-free and repayable on demand

Mr. Huang Quan, a substantial shareholder and director of Joinn Holdings, is the beneficial owner of all the shares of Joinn Strategic.

22. SHARE CAPITAL

Company

	2006		2005	
	HK$	RMB	HK$	RMB
Authorised:				
20,000,000,000 ordinary shares of HK$0.01 each	**200,000,000**	**210,000,000**	200,000,000	210,000,000
Issued and fully paid:				
1,200,000,000 (2005: 1,000,000,000) ordinary shares of HK$0.01 each	**12,000,000**	**12,600,000**	10,000,000	10,500,000

22. SHARE CAPITAL

Company

	Number of shares	Amount RMB
Issued and fully paid:		
At 1 July 2004, 30 June 2005 and 1 July 2005	1,000,000,000	10,500,000
New shares issued for private placement	200,000,000	2,100,000
At 30 June 2006	**1,200,000,000**	**12,600,000**

The movements in share capital were as follows:

On 5 June 2006, 200,000,000 new ordinary shares of HK$0.01 each were offered to an investor in connection with a private placement. The issued and paid-up share capital of the Company was then increased to RMB12,600,000 comprising of 1,200,000,000 ordinary shares of HK$0.01 each. The 200,000,000 new shares of HK$0.01 each rank pari passu in all respects with the existing issued shares of the Company. The net proceeds of approximately RMB2,818,505 are used as general working capital.

23. 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

23. SHARE OPTION SCHEME (continued)

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.

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.

24. RESERVES

Group

In accordance with the relevant laws and regulations of the PRC and the articles of association of Jiangxi Jinding and Jiangxi Jinlixin, subsidiaries of the Company, the subsidiaries are required to transfer 10% of their profits after tax prepared in accordance with the accounting regulations in the PRC to the statutory reserve until the reserve balance reaches 50% of their registered capital. Such reserve may be used to reduce any losses incurred or to be capitalised as paid-up capital.

In addition, Jiangxi Jinlixin is required to transfer 5% of its profit after income tax prepared in accordance with the accounting regulations in the PRC to the statutory public welfare reserve. The use of the statutory public welfare reserve is restricted to capital expenditure for employees' facilities. This statutory public welfare reserve is non-distributable except upon liquidation of the subsidiary.

Company

	Share premium RMB	Accumulated losses RMB	Total RMB
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 and at 1 July 2005	40,026,000	(11,421,936)	28,604,064
Issue of new shares	793,800	–	793,800
Share issue expenses	(75,295)	–	(75,295)
Net loss for the year	–	(16,174,563)	(16,174,563)
At 30 June 2006	**40,744,505**	**(27,596,499)**	**13,148,006**

The share premium account of the Company arises on shares issued at a premium. Under the Companies Law of the Cayman Islands, the share premium is distributable to the shareholders of the Company 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.

25. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had the following operating lease commitments:

At 30 June 2006, the total future minimum lease payments under non-cancellable operating leases for office premises, retail shops and warehouse are as follows:

	2006 RMB	2005 RMB
Within one year	84,000	114,444
In the second to fifth years inclusive	–	84,000
	84,000	198,444

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.

The Company did not have any lease commitments as at 30 June 2005 and 2006.

26. 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 2006		
	Fees RMB	Salaries, allowances and benefits in kind RMB	Total RMB
Executive directors:			
– Mr. Li Jiahui	–	342,974	342,974
– Mr. Huang Boqi	–	360,000	360,000
	–	702,974	702,974
Independent non-executive directors:			
– Mr. Chan Ngai Sang, Kenny	151,200	–	151,200
– Mr. Xing Fengbing	151,200	–	151,200
– Mr. Chan Kin Sang	151,200	–	151,200
	453,600	–	453,600
	453,600	702,974	1,156,574

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

(a) Directors' emoluments (continued)

		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		–	144,643	144,643
		–	1,265,523	1,265,523
Non-executive director:				
– Mr. Gao Junhua	(b)	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		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) resigned with effect from 1 March 2005

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

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

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 2005 and 2006.

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.

(b) **Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year included two (2005: NIL) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2005: five) individuals during the year are as follows:

	2006	2005
	RMB	RMB
Salaries, bonuses, allowances and benefits in kind	**1,187,364**	2,951,000

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 2005 and 2006.

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.

27. RELATED PARTY TRANSACTIONS

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

	Notes	**2006 RMB**	2005 RMB
Operating lease rentals paid to a related company	(i)	**441,000**	441,000
Rental income received from a related company	(ii)	**126,000**	–

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

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

(b) Compensation of key management personnel

	2006 RMB	2005 RMB
Total remuneration of directors and other members of key management during the year		
– short-term employee benefits	**1,969,938**	2,331,686

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates and currency exchange rates. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risk is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

As at 30 June 2006, the Group's financial instruments mainly consisted of cash and bank balances, trade receivables, other receivables, amount due from a related company, trade payables, amount due to related companies and other payables.

(i) **Interest rate risk**

The Group's exposure to risk resulting from changes in interest is minimal.

(ii) **Foreign currency risk**

The Group's exposure to risk resulting from changes in foreign currency exchange rates is minimal.

(iii) **Credit risk**

The carrying amounts of trade receivables and other receivables and amounts due from related parties represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other significant concentration of credit risk. No other financial assets carry a significant exposure to credit risk.

(iv) **Fair value**

The fair value of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements on pages 25 to 67 were approved by the board of directors on 11 August 2006.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and minority interest of the Group for the last five financial years, as extracted from the published audited financial statements and restated as appropriate, is set out below.

RESULTS	2006 RMB	2005 RMB (Restated)	2004 RMB (Restated)	2003 RMB	2002 RMB
Revenue	38,564,763	41,920,659	20,632,298	38,769,882	63,293,948
Cost of sales	(37,439,117)	(40,759,816)	(17,967,644)	(13,716,561)	(16,868,235)
Gross profit	1,125,646	1,160,843	2,664,654	25,053,321	46,425,713
Other income	1,699,440	299,028	1,008,132	843,013	560,658
Selling and distribution costs	(5,551,046)	(7,106,834)	(4,785,902)	(7,323,827)	(8,676,134)
Administrative expenses	(9,200,357)	(12,115,562)	(9,854,376)	(8,837,950)	(6,288,063)
Other operating expenses	(8,487,858)	(14,322,760)	(10,685,898)	(2,997,062)	(1,240,860)
Operating (loss)/ profit	(20,414,175)	(32,085,285)	(21,653,390)	6,737,495	30,781,314
Finance costs	(3,590)	(4,814)	–	–	–
(Loss)/ Profit before income tax	(20,417,765)	(32,090,099)	(21,653,390)	6,737,495	30,781,314
Income tax expense	(1,073)	(4,450)	(2,622)	(2,247,670)	(2,776,873)
(Loss)/ Profit for the year	(20,418,838)	(32,094,549)	(21,656,012)	4,489,825	28,004,441
Attributable to:					
Equity holders of the Company	(20,594,890)	(31,568,130)	(21,601,978)	4,489,825	28,004,441
Minority interest	176,052	(526,419)	(54,034)	–	–
(Loss)/ Profit for the year	(20,418,838)	(32,094,549)	(21,656,012)	4,489,825	28,004,441

	2006 RMB	2005 RMB	2004 RMB	2003 RMB	2002 RMB
Assets and liabilities and minority interest					
Total assets	33,514,594	49,789,607	81,784,416	102,797,777	101,677,296
Total liabilities	(7,191,784)	(5,866,464)	(5,766,724)	(5,689,041)	(9,058,385)
Minority interest	(160,567)	15,485	(510,934)	–	–
	26,162,243	43,938,628	75,506,758	97,108,736	92,618,911