



GOLDING SOFT LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8190)



**THIRD QUARTERLY REPORT
2006/2007**

HIGHLIGHTS

The turnover of the Group for the nine months ended 31 March 2007 was approximately RMB28,100,000, representing a decrease of approximately 3.8% as compared to the corresponding period in 2006.

The unaudited loss attributable to equity holders of the Company for the nine months ended 31 March 2007 was approximately RMB4,471,000 (the corresponding period in 2006: RMB17,843,000).

The loss per share was RMB0.37 cents for the nine months ended 31 March 2007 (in the corresponding period in 2006: RMB1.79 cents).

RESULTS

The board of Directors (the "Board") wishes to announce the unaudited results of the Company and its subsidiaries (collectively, the "Group") for the three months and nine months ended 31 March 2007, together with the unaudited comparative figures for the corresponding period in 2006 as follows:

CONSOLIDATED INCOME STATEMENT

		Unaudited			
		Three months ended 31 March		Nine months ended 31 March	
		2007	2006	2007	2006
Notes		RMB'000	RMB'000	RMB'000	RMB'000
	Revenue	7,217	10,423	28,100	29,221
	Cost of sales	(6,741)	(8,907)	(25,756)	(27,218)
	Gross profit	476	1,516	2,344	2,003
	Other income	200	169	724	628
	Selling and distribution costs	(205)	(836)	(870)	(4,851)
	Administrative expenses	(1,510)	(2,116)	(4,404)	(7,278)
	Other operating expenses	(435)	(770)	(2,317)	(8,350)
	Loss from operating activities	(1,474)	(2,037)	(4,523)	(17,848)
	Finance cost	-	-	-	(4)
	Loss before income tax	(1,474)	(2,037)	(4,523)	(17,852)
	Income tax expense	-	-	(5)	(2)
	Loss after income tax	(1,474)	(2,037)	(4,528)	(17,854)
	Attributable to:				
	Equity holders of the parent company	(1,422)	(2,022)	(4,471)	(17,843)
	Minority interests	(52)	(15)	(57)	(11)
		(1,474)	(2,037)	(4,528)	(17,854)
	Loss per share (RMB)				
	- Basic	(0.12) cents	(0.20) cents	(0.37) cents	(1.79) cents
	- Dilute	N/A	N/A	N/A	N/A

Notes:

1. The Company

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 28 August 2001 and its shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. Basis of preparation and accounting policies

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

The accounting policies and basis of preparation used in the preparation of the unaudited consolidated interim financial statements are consistent with those followed in the Group's annual financial statements for the year ended 30 June 2006.

The following new standards, amendments to standards and interpretations issued by HKICPA are applicable for the year ending 30 June 2007.

HKAS 19 (Amendment)	Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures ¹
HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation ¹
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions ¹
HKAS 39 (Amendment)	The Fair Value Option ¹
HKAS 39 & HKFRS 4 (Amendment)	Financial Instruments: Recognition and Measurement and Insurance Contracts – Financial Guarantee Contracts ¹
HKFRS 6	Exploration for and Evaluation of Mineral Resources ¹
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease ¹
HK(IFRIC) – Int 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds ¹

HK(IFRIC) – Int 6	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment ²
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies ³
HK(IFRIC) – Int 8	Scope of HKFRS 2 ⁴
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives ⁵

Note:

- ¹ Effective for annual periods beginning on or after 1 January 2006
² Effective for annual periods beginning on or after 1 December 2005
³ Effective for annual periods beginning on or after 1 March 2006
⁴ Effective for annual periods beginning on or after 1 May 2006
⁵ Effective for annual periods beginning on or after 1 June 2006

The above mentioned new standards, amendments to standards and interpretations have no material impact on the Group's operations.

The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the adoption of such standards and interpretations will not result in substantial changes to the Group's accounting policies.

HKAS 1 (Amendment)	Capital Disclosures ²
HKFRS 7	Financial Instruments – Disclosures ²
HKFRS 8	Operating segment ⁵
HK(IFRIC) 10	Interim Financial Reporting and Impairment ¹
HK(IFRIC) 11	HKFRS 2: Group and Treasury Share Transactions ³
HK(IFRIC) 12	Service Concession Arrangements ⁴

Notes:

- ¹ Effective for annual periods beginning on or after 1 November 2006
² Effective for annual periods beginning on or after 1 January 2007
³ Effective for annual periods beginning on or after 1 March 2007
⁴ Effective for annual periods beginning on or after 1 January 2008
⁵ Effective for annual periods beginning on or after 1 January 2009

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

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

3. Revenue and other income

The Group is principally engaged in three inter-related business segments, namely, provision of original design manufacturing (“ODM”) software, provision of proprietary packaged (“PPS”) software and provision of system solutions. Revenue and other income of the Group are shown as follows:

	Unaudited	
	Nine months ended	
	31 March	
	2007	2006
	RMB'000	RMB'000
Revenue		
Rendering of services	3,306	1,831
Sales of goods	24,794	27,390
	28,100	29,221
Other income		
Interest income	539	602
Sundry income	185	26
Total revenue	28,824	29,849

Analysis of the Group’s revenue in three-inter-related business segments is shown as follows:

	Unaudited	
	Nine months ended	
	31 March	
	2007	2006
	RMB'000	RMB'000
Provision of ODM software	1,850	463
Provision of PPS software	1,456	1,368
Provision of system solutions	24,794	27,390
	28,100	29,221

4. Income tax expense

No Hong Kong profits tax has been provided for the nine months ended 31 March 2007 (corresponding period in 2006: Nil) as the Group did not generate any assessable profits arising from its operations in Hong Kong. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Unaudited	
	Nine months ended	
	31 March	
	2007	2006
	RMB'000	RMB'000
Provision for the period		
Hong Kong	–	–
PRC	5	2
	<hr/>	<hr/>
Tax charge for the period	5	2
	<hr/>	<hr/>

There was no unprovided deferred tax in respect of the period and as at 31 March 2007 (31 March 2006: Nil).

5. Loss per share

The calculation of basic loss per share is based on the loss for the three months and nine months ended 31 March 2007 of approximately RMB1,422,000 and RMB4,471,000 respectively (loss for the three months and nine months ended 31 March 2006: RMB2,022,000 and RMB17,843,000 respectively) and on the weighted average of the 1,200,000,000 ordinary shares in issue during the three months and nine months ended 31 March 2007 (three months and nine months ended 31 March 2006: 1,000,000,000).

Diluted loss per share for the three months and nine months ended 31 March 2007 and 2006 was not presented as there is no dilutive potential ordinary shares.

6. Share capital and reserves

	Attributable to equity holders of the company					Minority interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Statutory reserves RMB'000	Accumulated losses HK\$'000	Total RMB'000		
At 1 July 2006	12,600	40,744	477	(27,659)	26,162	161	26,323
Loss for the period	-	-	-	(4,471)	(4,471)	(57)	(4,528)
At 31 March 2007	12,600	40,744	477	(32,130)	21,691	104	21,795
At 1 July 2005	10,500	40,026	414	(7,001)	43,939	(16)	43,923
Loss for the period	-	-	-	(17,843)	(17,843)	(11)	(17,854)
At 31 March 2006	10,500	40,026	414	(24,844)	26,096	(27)	26,069

FINANCIAL REVIEW

The Group recorded a turnover of approximately RMB28,100,000 for the nine months ended 31 March 2007, representing a decrease of 3.8% as compared to the corresponding period in 2006. The gross profit margin increased from approximately 6.9% to 8.3% as compared to the corresponding period in last year. The increase in gross profit margin and the reduction of other operating expenses were mainly due to the reduction of labour costs since January 2006.

BUSINESS REVIEW

We are principally engaged in three inter-related business segments, namely provision of original design manufacturing ("ODM") software, provision of proprietary packaged software and provision of system solutions. The current status of our business segments is shown as follows:

Provision of ODM software

This segment mainly consists of the e-government projects.

Software outsourcing continues to be a trend in the development of global software market, and the ODM software market in the PRC has continued to grow over the past years. Accordingly, our core strategy is to establish and maintain long-term relationship with international technology vendors and constantly improve our product quality and standard in order to keep abreast of the latest software development trend.

Provision of proprietary packaged software

The packaged software market in the PRC is subject to intense competition. This strongly affected our sales of proprietary packaged software. To improve our competitiveness in the software industry, we are continuously striving our packaged software and to develop innovative software for different customers.

Provision of systems solutions

We also engage in the distribution of Founder's computer products (方正電腦產品) in the PRC.

Sales and marketing

We actively participate in bidding for e-government projects in Jiangxi Province, the PRC and pro-actively carry out various marketing activities, such as the trade shows and exhibitions in the PRC and overseas.

RESEARCH AND DEVELOPMENT

We have 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, and we maintained the ISO9001: 2000 Certification. Our continued compliance with ISO9001: 2000 standard in the Group's quality management system is a reflection of our dedication to maintain our product quality and standard.

We continuously upgrade and develop our products and services for domestic and overseas markets.

As at 31 March 2007, we had a pool of 28 (31 March 2006: 30) IT professionals servicing our customers.

OUTLOOK

Looking forward, we will continue to pursue high-profit margin software development projects and also explore other business opportunities in order to improve our performance.

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

As at 31 March 2007, 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.

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

A. Substantial Shareholders

So far as is known to the Directors, as at 31 March 2007, 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")	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 31 March 2007, the Company has not been notified of any other person (other than a Director or the chief executive of the Company) having an interest or short position in the shares or the underlying shares of Company representing 5% or more of the issued share capital of the Company.

BOARD PRACTICES AND PROCEDURES

The Company has complied with Board Practices and Procedures as set out in Rule 5.34 of the GEM Listing Rules for the nine months ended 31 March 2007.

CORPORATE GOVERNANCE

For the nine months ended 31 March 2007, the Company complied with the provisions set out in Appendix 15 of the Code on Corporate Governance Practice of the Rules Governing the Listing of Securities on the GEM ("GEM Listing Rules") of the Stock Exchange.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the nine months ended 31 March 2007.

COMPETING BUSINESS

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31 March 2007.

The share option scheme of the Company ("Post-IPO Scheme") was approved and adopted on 24 January 2002. The principal purpose of the Post-IPO Scheme is to enable the Company to grant options to selected persons as incentives and rewards for their contribution to the Group.

As at 31 March 2007, no option has been granted or agreed to be granted under the Post-IPO Scheme.

AUDIT COMMITTEE

As required by Rules 5.28 of the GEM Listing Rules, the Company has established an audit committee which comprises three independent non-executive directors, Mr. Chan Ngai Sang, Kenny, Mr. Chan Kin Sang and Mr. Xing Fengbing. Mr. Chan Ngai Sang, Kenny was appointed as the Chairman of the audit committee. The primary responsibilities of the audit committee are to review the Group's annual report and financial statements, half-yearly reports and quarterly reports and to provide advice and comments to the Board of Directors. The audit committee also meets with the Group's senior management and external auditors to review the effectiveness of the internal control systems. This report has been reviewed and approved by the audit committee of the Company which was of the opinion that the preparation of such results complied with applicable accounting standards and the requirements and that adequate disclosures have been made.

By Order of the Board
Golding Soft Limited
Li Jiahui
Chairman

Hong Kong, 14 May 2007

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