

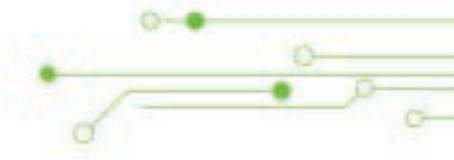


First Quarterly Report **2003**

光彩未來集團
Glory Future Group

Glory Future Group Limited

(incorporated in the Cayman Islands with limited liability)



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 these 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 of the Stock Exchange 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. GEM-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 at “www.hkgem.com” in order to obtain up-to-date information on GEM-listed issuers.

FIRST QUARTERLY RESULTS FOR 2003

HIGHLIGHTS

- The unaudited turnover of the Group for the three months ended 31 March 2003 was approximately HK\$105,000.
- The Group recorded an unaudited loss attributable to shareholders of approximately HK\$1,711,000 for the three months ended 31 March 2003.
- Loss per share was approximately HK0.23 cents.

RESULTS

The board of directors (the “Board”) of Glory Future Group Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31 March 2003 together with comparative unaudited figures for the corresponding period in 2002 as follows:

		For the three months ended 31 March	
	<i>Notes</i>	2003	2002
		HK\$'000	HK\$'000
Turnover	2	105	306
Cost of sales		(94)	(298)
		11	8
Gross profit			
Other revenue		35	14
		46	22
Selling and distribution expenses		(72)	(16)
Administrative expenses		(1,429)	(2,292)
		LOSS FROM OPERATING ACTIVITIES	(2,286)
	3	(1,455)	(2,286)
Finance costs	4	(256)	(152)
		LOSS BEFORE TAX	(2,438)
Tax	5	–	–
		LOSS BEFORE MINORITY INTERESTS	(2,438)
Minority interests		–	–
		NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	(2,438)
		(1,711)	(2,438)
LOSS PER SHARE – basic	6	HK0.23cents	HK0.37cents

Notes:–

1. Basis of preparation

The accounts have been prepared under the historical cost convention in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants.

2. Turnover

Turnover represents the net invoiced value of services rendered.

3. Loss from operating activities

The Group's loss from operating activities is arrived at after crediting and charging the following:

	For the three months ended 31 March	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Crediting:		
Interest Income	<u>24</u>	<u>14</u>
Charging:		
Cost of services provided	94	298
Auditors' remuneration	60	95
Provision for doubtful debts	2	–
Depreciation	<u>72</u>	<u>476</u>

4. Finance costs

	For the three months ended 31 March	
	2003 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000
Interest on other loans	–	2
Interest on finance leases	–	7
Interest on convertible redeemable notes	<u>256</u>	<u>143</u>
	<u>256</u>	<u>152</u>

5. Tax

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the three months ended 31 March 2003 and the corresponding period in 2002.

Provision for the tax of profits of subsidiaries operating outside Hong Kong has not been calculated as the Group did not generate any assessable profits in the respective jurisdictions during the three months ended 31 March 2003 and the corresponding period in 2002.

The Group did not have any significant unprovided deferred tax liabilities in respect of the three months ended 31 March 2003 and the corresponding period in 2002.

There are no significant potential deferred tax liabilities for which provision has not been made.

6. Loss per share

The calculation of basic loss per share is based on the net loss attributable to shareholders for the three months ended 31 March 2003 of HK\$1,711,000 (three months ended 31 March 2002: HK\$2,438,000) and the weighted average number of 753,720,000 ordinary shares of the Company in issue (three months ended 31 March 2002: 653,720,000 shares).

Diluted loss per share for the three months ended 31 March 2003 and that for the three months ended 31 March 2002 have not been presented as the share options outstanding during the periods had an anti-dilutive effect on the basic loss per share for both periods.

7. Reserves

	Share premium account <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2002	15,120	(50,348)	(12)	(35,240)
Loss for the period	—	(2,438)	—	(2,438)
At 31 March 2002	<u>15,120</u>	<u>(52,786)</u>	<u>(12)</u>	<u>(37,678)</u>
At 1 January 2003	15,796	(60,886)	(10)	(45,100)
Loss for the period	—	(1,711)	—	(1,711)
At 31 March 2003	<u>15,796</u>	<u>(62,597)</u>	<u>(10)</u>	<u>(46,811)</u>

8. Interim dividend

The Board does not recommend the payment of an interim dividend in respect of the three months ended 31 March 2003 (three months ended 31 March 2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's unaudited turnover for the three months ended 31 March 2003 was HK\$105,000, representing a decline of 66% as compared to the corresponding quarterly period in 2002. However, as a result of the aggressive strategies of the Board to minimize and control costs risks, the Group has successfully narrowed its loss attributable to shareholders by 30% to HK\$1,711,000, as compared to the loss of HK\$2,438,000 over the same period in 2002. The Board does not recommend the payment of an interim dividend.

The difficult trading environment we experienced in the first quarter of 2003 turned out to be more severe than anyone could have predicted. After the outbreak of SARS in Hong Kong, the People's Republic of China (the "PRC") and throughout the world, prospects of recovery of the economic conditions were further damaged by the slowdown of almost all economic activities, including spending on IT solutions, in the region. The destruction of business confidence had a profound impact on all kinds of economic activities and we are not exception. The Board is of the view that the poor economic atmosphere is the principal cause to the Group's disappointing business performance. Fortunately, with our stringent cost control measures, loss for the quarter under review has been narrowed.

Key developments

The appointment of the new senior management at the beginning of this year marked the start of a major drive to further develop the Group's business and to undertake a comprehensive review of the Group's operation as discussed below. The focus on discretionary spending produced a 29% drop in overheads in this quarter.

Strategy review

After the appointment of the new management, our Board decided that a comprehensive and far-reaching review of the Group's activities was essential so as to establish a route back to profitable growth. The Board's objective for this process is to find the best available option to create shareholders' value. In such respect, we are determined that:

- any operational strategy formulated by the management must show a clear route for delivering returns comparable with the Group's international peers;
- we must focus on the expansion of our businesses to those where the market growth potential is attractive and sector leadership is attainable;

- revenues must be driven more by the provision of value-added solutions and services to customers;
- the management team must put in place the talents to ensure accountability and delivery; and
- investors must be given transparency as to targets, progress and reporting of performance.

Looking ahead, the Group will actively manage its business to ensure that business performance will be improved under permissible circumstances and full value is realized.

Outlook

The robust economic development in the PRC and its huge market potentials offer a solid foundation for the Group to explore new business opportunities and forming valuable strategic partnerships there. However, with the technology sectors remaining depressed and the continued spreads of SARS in the region, economic recovery may be fragile.

We expect the first benefit from appointing the new management would become apparent in the second quarter. Provided that economic conditions do not deteriorate, we aim to offset the negative impact of SARS. The outbreak of SARS has generated unprecedented interest in business community: by deploying various IT solutions to bridge geographical barrier between overseas buyers and their manufacturing plants in the PRC. We expect that this would be a golden opportunity for the Group to position itself as such kind of solutions provider for local and international companies in Greater China region. We have set ourselves a bold vision and ambitious targets and the commitment among our employees and managers to these goals is growing day by day. We will continue to combine disciplined process with a systematic development of our talent base, in order to ensure that our strategy delivers the earnings progression of which your company is capable.

DISCLOSURES UNDER RULE 17.22 OF THE GEM LISTING RULES

As disclosed in the Company's announcement dated 26 March 2003, certain receivables of the Group constituted advances to entities exceeding 25% of the issuer's net tangible assets (which as at 31 December 2002 were in deficit) and were required to be disclosed by the Company under Rule 17.15 of the GEM Listing Rules.

As such receivables, comprising trade receivables (the “Trade Receivables”) and other receivables (the “Other Receivables”) of the Group, continued to exist as at 31 March 2003, details of such receivables would be required to be disclosed in this quarterly report pursuant to Rule 17.22 of the GEM Listing Rules.

Details of the Trade Receivables and Other Receivables as at 31 March 2003 were as follows:

Trade Receivables	As at 31 March 2003
Name of customer	HK\$'000
FCB Hong Kong Ltd	100
Draft Worldwide Ltd	67
	<hr/>
	167
	<hr/> <hr/>

Other Receivables	As at 31 March 2003
	HK\$'000
Rental and utility deposits (<i>note 1</i>)	600
Prepayment (<i>note 2</i>)	166
	<hr/>
	766
	<hr/> <hr/>

Notes:

- The deposits paid comprise the following items:

	<i>HK\$'000</i>
Rental deposit for 7/F, Man Yee Building paid to Man Hing Hong Land Investment Co. Ltd.	379
Rental deposit for 9/F, Man Yee Building paid to Sun Wah Hi-Tech (H.K.) Ltd.	210
Electricity deposit for 7/F, Man Yee Building paid to The Hong Kong Electric Co. Ltd.	7
Others	4
	<hr/>
	600
	<hr/> <hr/>

2. The breakdown of the prepayment is as follows:

HK\$'000

Annual listing fee for the period from April 2003 to December 2003 paid to the Stock Exchange	113
Accounting software maintenance fee for the period from April 2003 to October 2003 paid to System Union Limited	20
Government annual fee for the period from April 2003 to December 2003 paid to the government of the Cayman Islands	14
Secretarial fee for the period from April 2003 to December 2003 paid to Codan Trust Company (Cayman) Ltd.	14
Others	5
	<hr/>
	<hr/>
	166

The Trade Receivables were resulted from the provision of Internet-based application, web page design services and web site maintenance by the Group to such customers. The Other Receivables were paid by the Group either as deposits or under pre-existing legal obligations made in the ordinary course of business of the Group.

The Trade Receivables are unsecured, interest free and their repayment terms range from one to three months. The Other Receivables are also unsecured.

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2003, the interests of the directors of the Company in the share capital of the Company or its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), were as follows:

Name of director	Type of interest	Number of issued ordinary shares of HK\$0.05 each in the Company held
Mr. Luan Shu Sheng ("Mr. Luan")	Corporate (<i>note</i>)	100,000,000

Note: These shares were held by Glory Cyber Company Limited, a company incorporated in Hong Kong with limited liability, the issued share capital of which is owned as to 70% by Mr. Luan and 30% by Mr. Chan Kam Wai, Stephen.

As at 31 March 2003, each of Mr. Choi Koon Ming ("Mr. Choi"), Mr. Hui Ching Shan ("Mr. Hui"), Mr. Ng Kam Yiu ("Mr. Ng") and Mr. Chow Yeung Tuen, Richard ("Mr. Chow") held options to subscribe for shares in the Company, details of which are set out in the section "Share option scheme" below.

Save as disclosed above, as at 31 March 2003, none of the directors had any personal, family, corporate or other beneficial interest in the issued share capital of the Company or any of its associated corporations as recorded in the register required to be kept under Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standard of dealings prescribed by the Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”).

DIRECTORS’ RIGHT TO ACQUIRE SHARES

Save as disclosed under the heading “Share option scheme” below, at no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The principal purpose of the share option scheme is to recognise the significant contributions of the directors and employees of the Group to the growth of the Group, by rewarding them with opportunities to obtain an ownership interest in the Company and to further motivate and give incentives to these persons to continue to contribute to the Group’s long term success and prosperity.

(a) Pre-Initial Public Offering (“IPO”) share option

On 25 October 2000, the Company granted options to certain directors of the Company which are exercisable during a period of three years commencing from the date of their respective first completed year of service with the Company.

Details of these options are as follows:

Directors	Number of shares underlying the Pre-IPO share options as at 1 January and 31 March 2003	Exercise period of share options	Exercise price of share options <i>HK\$</i>
Mr. Choi	5,024,000	8 August 2001 to 7 August 2004	0.25
Mr. Hui	5,024,000	25 October 2001 to 24 October 2004	0.25
	10,048,000		

As at 31 March 2003, the number of shares issuable under these share options granted represented approximately 1.3% of the Company's shares in issue as at that date.

(b) Post-IPO share option scheme

Under the share option scheme adopted on 19 February 2001, various options were granted on 21 January 2003 to four executive directors and four employees of the Group to enable them to subscribe for an aggregate of 26,000,000 shares of HK\$0.05 each of the Company at a subscription price of HK\$0.1148 per share during a period of five years after completion of his/her first year service with the Group. A summary of principle terms and conditions of the share option scheme are set out in the section headed "Share Option Scheme" in Appendix IV of the prospectus of the Company dated 26 February 2001.

Details of these options are as follows:

Name or category of participant	Number of underlying shares				Exercise period of share options
	As at 1 January 2003	Granted on 21 January 2003	Lapsed during the period	As at 31 March 2003	
<i>Directors</i>					
Mr. Choi	–	7,500,000	–	7,500,000	21 January 2003 to 20 January 2008
Mr. Hui	–	6,000,000	–	6,000,000	21 January 2003 to 20 January 2008
Mr. Ng	–	3,000,000	–	3,000,000	8 January 2004 to 7 January 2009
Mr. Chow	–	3,000,000	–	3,000,000	21 January 2003 to 20 January 2008
<i>Other employees</i>					
In aggregate	–	6,500,000	(1,500,000)*	5,000,000	
	–	26,000,000	(1,500,000)	24,500,000	

* Share options lapsed upon the resignation of the employees of the Group during the period.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2003, the following interests of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name	Number of shares held	Percentage of the Company's share capital
global.com Investments Corp. (Note 1)	155,570,000	20.6%
Glory Cyber Company Limited (Note 2)	100,000,000	13.3%
Sun Wah Net Investment Limited (Note 3)	95,474,000	12.7%
Tai Lee Assets Limited (Note 4)	94,406,000	12.5%
Ceroilfood Finance Limited (Note 5)	83,022,000	11.0%

Notes:

- (1) global.com Investments Corp. is a company wholly-owned by Santana Enterprises Limited as the trustee of The YFC Unit Trust, 99.9% of the units of which are owned by The YFC Family Trust, a discretionary trust of which Yuen Chi Mann, Celina and Yuen Chi Tsen, Ronnie, children of Mr. Yuen Fat Ching (“Mr. Yuen”), are the only beneficiaries. The balance of 0.1% of the units of The YFC Unit Trust is held by Mr. Yuen’s mother. Mr. Yuen is the settlor of The YFC Family Trust.
- (2) Glory Cyber Company Limited is a company incorporated in Hong Kong with limited liability, the issued share capital of which is owned as to 70% by Mr. Luan and 30% by Mr. Chan Kam Wai, Stephen.
- (3) Sun Wah Net Investment Limited (“Sun Wah”) is a wholly-owned subsidiary of Sun Wah Hi-Tech Holdings Limited, which is wholly and beneficially owned by Mr. Choi Koon Shum, the brother of Mr. Choi. As at the date of this announcement, Sun Wah is also the holder of convertible redeemable notes of an aggregate principal amount of HK\$13 million issued by the Company. Upon full conversion of the notes, Sun Wah will hold additional interests ranging from approximately 18.8% to 24.5% of the enlarged issued share capital of the Company without taking into account any of the shares which may fall to be issued upon the exercise of any share options outstanding as at the date of this announcement.
- (4) Tai Lee Assets Limited is beneficially owned by Ms. Tsoi Siu Lan, Mazie, who is the sister of Mr. Choi.
- (5) Ceroilfood Finance Limited is a wholly-owned subsidiary of China National Cereals Oils and Foodstuffs Import and Export Corporation, a state-owned enterprise, which is principally engaged in importing and exporting of cereals, oil and foodstuffs in the PRC.

Save as disclosed above, the directors are not aware of any person who was, directly or indirectly, interested in 10% or more of the issued share capital of the Company as at 31 March 2003 which was required to be recorded under Section 16(1) of the SDI Ordinance.

SPONSORS’ INTERESTS

Pursuant to the agreement entered into between the Company and Celestial Capital Limited (“CCL”), the sponsor of the Company, CCL will act as the Company’s continuing sponsor with effect from 1 October 2001 to 31 December 2003.

As at 31 March 2003, CCL, its respective directors, employees and associates, did not have any interest in the securities of the Company or any members of the Group, or any right to subscribe for or to nominate persons to subscribe for the securities of the Company or any members of the Group.

AUDIT COMMITTEE

The Company has an audit committee established with written terms of reference in compliance with the GEM Listing Rules. The audit committee has three members comprising the two independent non-executive directors, Messrs. Cho Po Hong, Jimmy (Committee Chairman) and Chan Yan Tin, Andrew, and one executive director, Mr. Chow Yeung Tuen, Richard. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls of the Group. The Group's quarterly results for the three months ended 31 March 2003 have been reviewed by the audit committee, who are of the opinion that such statements comply with the applicable accounting standards, and the Stock Exchange and legal requirements, and that adequate disclosures have been made.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules throughout the period under review.

COMPETITION AND CONFLICT OF INTERESTS

Mr. Luan is currently in control of a group of companies in the PRC and Hong Kong (the "GF Group") principally engaged in the software development and trading of computer hardware and software. Glory Cyber Company Limited, being a substantial shareholder of the Company, is one of the members of the GF Group. As the Group is considering to expand its business activities to include software development activity, the business of Mr. Luan may compete with the potential business of the Group.

Save as disclosed above, none of the director, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the businesses of the Group or has any other conflict of interests with the Group.

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 period.

By Order of the Board
Choi Koon Ming
Chairman

Hong Kong, 13 May 2003