

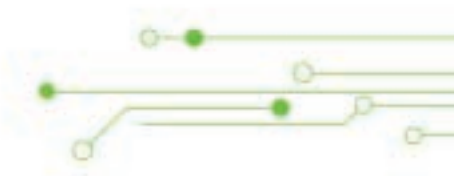


Interim Report **2003**

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.

INTERIM RESULTS FOR 2003

HIGHLIGHTS

- The unaudited turnover of the Group for the six months ended 30 June 2003 was approximately HK\$497,000.
- The Group recorded an unaudited loss attributable to shareholders of approximately HK\$3,072,000 for the six months ended 30 June 2003.
- Loss per share was approximately HK0.41cent.

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 and six months ended 30 June 2003 together with comparative unaudited figures for the corresponding periods in 2002 as follows:

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the three months and six months ended 30 June 2003

		Three months ended 30 June		Six months ended 30 June	
	Notes	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	2	392	157	497	463
Cost of sales		(115)	(338)	(208)	(636)
Gross profit/(loss)		277	(181)	289	(173)
Other revenue		19	35	54	49
Selling and distribution expenses		(43)	(35)	(116)	(51)
Administrative expenses		(1,355)	(2,151)	(2,784)	(4,443)
LOSS FROM OPERATING ACTIVITIES	3	(1,102)	(2,332)	(2,557)	(4,618)
Finance costs	4	(259)	(269)	(515)	(421)
LOSS BEFORE TAX		(1,361)	(2,601)	(3,072)	(5,039)
Tax	5	–	–	–	–
LOSS BEFORE MINORITY INTERESTS		(1,361)	(2,601)	(3,072)	(5,039)
Minority interests		–	–	–	–
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(1,361)	(2,601)	(3,072)	(5,039)
LOSS PER SHARE – basic	6	HK0.18 cent	HK0.40 cent	HK0.41 cent	HK0.77 cent

UNAUDITED CONSOLIDATED BALANCE SHEET

As at 30 June 2003

		30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets	7	<u>198</u>	<u>117</u>
CURRENT ASSETS			
Accounts receivable	8	–	150
Prepayments, deposits and other receivables		215	892
Cash and bank balances		<u>3,943</u>	<u>6,460</u>
		<u>4,158</u>	<u>7,502</u>
CURRENT LIABILITIES			
Accounts payable	9	(16)	(112)
Accrued liabilities, deposits and other payables		(859)	(1,237)
Due to a director		(566)	–
Convertible redeemable notes		(6,000)	–
Provision	10	–	(283)
		<u>(7,441)</u>	<u>(1,632)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(3,283)</u>	<u>5,870</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(3,085)</u>	5,987
NON-CURRENT LIABILITIES			
Due to a minority shareholder of a subsidiary		(401)	(401)
Convertible redeemable notes		(7,000)	(13,000)
		<u>(7,401)</u>	<u>(13,401)</u>
		<u>(10,486)</u>	<u>(7,414)</u>
CAPITAL AND RESERVES			
Issued capital		37,686	37,686
Reserves	12	(48,172)	(45,100)
		<u>(10,486)</u>	<u>(7,414)</u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2003

	Issued capital <i>HK\$'000</i>	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	32,686	15,120	(50,348)	(12)	(2,554)
Loss for the period	—	—	(5,039)	—	(5,039)
At 30 June 2002	<u>32,686</u>	<u>15,120</u>	<u>(55,387)</u>	<u>(12)</u>	<u>(7,593)</u>
At 1 January 2003	37,686	15,796	(60,886)	(10)	(7,414)
Loss for the period	—	—	(3,072)	—	(3,072)
At 30 June 2003	<u>37,686</u>	<u>15,796</u>	<u>(63,958)</u>	<u>(10)</u>	<u>(10,486)</u>

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2003

	Six months ended 30 June	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Net cash used in operating activities	(2,367)	(4,757)
Net cash (used in)/from investing activities	(150)	422
Net cash from financing activities	—	5,805
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,517)	1,470
Cash and cash equivalents at beginning of period	<u>6,460</u>	3,775
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>3,943</u>	<u>5,245</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>3,943</u>	<u>5,245</u>

Notes:

1. Basis of preparation

The unaudited consolidated interim accounts have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and the disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”).

The accounting policies and methods of computation adopted in the preparation of the interim accounts are consistent with those adopted in the annual accounts for the year ended 31 December 2002, except that the Group has adopted the revised SSAPs which became effective on 1 January 2003. The adoption of these revised SSAPs has no material effect on the Group’s results.

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:

	Three months ended		Six months ended	
	30 June		30 June	
	2003	2002	2003	2002
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Crediting:				
Interest Income	<u>16</u>	<u>35</u>	<u>41</u>	<u>49</u>
Charging:				
Cost of services provided	115	338	208	636
Auditors’ remuneration	63	95	123	190
Provision for doubtful debts	–	–	2	–
Depreciation	38	469	110	945
Loss on disposal of fixed assets	–	9	–	9

4. Finance costs

	Three months ended 30 June		Six months ended 30 June	
	2003 <i>(Unaudited)</i> <i>HK\$'000</i>	2002 <i>(Unaudited)</i> <i>HK\$'000</i>	2003 <i>(Unaudited)</i> <i>HK\$'000</i>	2002 <i>(Unaudited)</i> <i>HK\$'000</i>
Interest on other loans	–	–	–	2
Interest on finance leases	–	4	–	11
Interest on convertible redeemable notes	259	265	515	408
	259	269	515	421

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 and six months ended 30 June 2003 and the corresponding periods in 2002.

Provision for the tax of profits of subsidiaries operating outside Hong Kong has not been calculated as the assessable profit of the subsidiary is offset by the tax losses brought forward in the respective jurisdictions during the three months and six months ended 30 June 2003 (three months and six month ended 30 June 2002: Nil).

The Group did not have any significant unprovided deferred tax liabilities in respect of the three months and six months ended 30 June 2003 and the corresponding periods 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 and six months ended 30 June 2003 of HK\$1,361,000 and HK\$3,072,000 respectively (three months and six months ended 30 June 2002: HK\$2,601,000 and HK\$5,039,000 respectively) and the weighted average number of 753,720,000 ordinary shares of the Company in issue during the aforementioned two periods ended 30 June 2003 (three months and six months ended 30 June 2002: 653,720,000 shares).

Diluted loss per share for the three months and six months ended 30 June 2003 and that for the three months and six months ended 30 June 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 the relevant periods.

7. Fixed assets

Group

	Furniture, fixtures and fittings <i>(Unaudited)</i> <i>HK\$'000</i>	Computer and office equipment <i>(Unaudited)</i> <i>HK\$'000</i>	Total <i>(Unaudited)</i> <i>HK\$'000</i>
Cost:			
At beginning of period	2,183	2,188	4,371
Additions	186	5	191
Disposals	(1,953)	–	(1,953)
	<u>416</u>	<u>2,193</u>	<u>2,609</u>
At 30 June 2003			
Accumulated depreciation:			
At beginning of period	2,183	2,071	4,254
Provided during the period	10	100	110
Written back on disposals	(1,953)	–	(1,953)
	<u>240</u>	<u>2,171</u>	<u>2,411</u>
At 30 June 2003			
Net book value:			
At 30 June 2003	<u>176</u>	<u>22</u>	<u>198</u>
At 31 December 2002	<u>–</u>	<u>117</u>	<u>117</u>

8. Accounts receivable

A defined credit policy is maintained within the Group. The general credit terms range from one month to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by the senior management.

The aged analysis of accounts receivable is as follows:

Group

	30 June 2003 <i>(Unaudited)</i> <i>HK\$'000</i>	31 December 2002 <i>(Audited)</i> <i>HK\$'000</i>
Current– 3 months	–	144
Over 3 months	–	6
	<u>–</u>	<u>150</u>

9. Accounts payable

The aged analysis of accounts payable is as follows:

Group

	30 June 2003 (Unaudited) HK\$'000	31 December 2002 (Audited) HK\$'000
Current – 3 months	16	–
Over 3 months	–	112
	<u>16</u>	<u>112</u>

10. Provision

The Group was involved in a legal proceeding initiated by a former employee (the “Plaintiff”). During the period, a mutual agreement was reached between the Plaintiff and the Group whereby the Group has made a full settlement of the claims made by the Plaintiff and all related legal costs in amount of approximately HK\$283,000.

11. 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 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 segment represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the provision of Internet-based application and web page design services segment provides online trade-show and exhibition services and web page development work;
- (b) the web site maintenance segment represents the provision of monthly service for maintaining and updating web site; and
- (c) the provision of technical support and agency services segment includes the provision of consultation services relating to the implementation and application of computer systems and introducing customers for web site hosting, e-mail boxes services, domain name registration and international trading and business information services.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

The following table presents the revenue, results and certain asset, liability and expenditure information of the Group's business segments.

	Internet-based application and web page design services		Website maintenance services		Technical support and agency services		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
Segment revenue:										
Sales to external customers	437	319	6	144	54	-	-	-	497	463
Intersegment sales	-	-	-	-	-	-	-	-	-	-
Total	<u>437</u>	<u>319</u>	<u>6</u>	<u>144</u>	<u>54</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>497</u>	<u>463</u>
Segment results	<u>122</u>	<u>55</u>	<u>(4)</u>	<u>(279)</u>	<u>54</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>172</u>	<u>(224)</u>
Other and interest income									54	49
Unallocated expenses									(2,783)	(4,443)
Loss from operating activities									(2,557)	(4,618)
Finance costs									(515)	(421)
Loss before tax									(3,072)	(5,039)
Tax									-	-
Loss before minority interests									(3,072)	(5,039)
Minority interests									-	-
Net loss from ordinary activities attributable to shareholders									<u>(3,072)</u>	<u>(5,039)</u>

	Internet-based application and web page design services		Website maintenance services		Technical support and agency services		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	191	258	16	1,640	-	-	-	-	207	1,898
Unallocated assets									4,149	6,571
Total assets									4,356	8,469
Segment liabilities	277	545	-	-	-	-	-	-	277	545
Unallocated liabilities									14,565	15,517
Total liabilities									14,842	16,062
Other segment information:										
Depreciation	105	-	5	945	-	-	-	-	110	945
Other non-cash expenses	-	-	2	9	-	-	-	-	2	9
Capital expenditure	184	-	7	-	-	-	-	-	191	-

(b) Geographical segments

The following table presents the revenue of the Group's geographical segments.

	Hong Kong		PRC		Eliminations		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	174	144	323	319	-	-	497	463
Other segment information:								
Segment assets	3,466	7,682	890	787	-	-	4,356	8,469
Capital expenditure	191	-	-	-	-	-	191	-

12. 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 and 1 April 2002	15,120	(52,786)	(12)	(37,678)
Loss for the period	–	(2,601)	–	(2,601)
At 30 June 2002	<u>15,120</u>	<u>(55,387)</u>	<u>(12)</u>	<u>(40,279)</u>
At 1 January 2003	15,796	(60,886)	(10)	(45,100)
Loss for the period	–	(1,711)	–	(1,711)
At 31 March 2003 and 1 April 2003	15,796	(62,597)	(10)	(46,811)
Loss for the period	–	(1,361)	–	(1,361)
At 30 June 2003	<u>15,796</u>	<u>(63,958)</u>	<u>(10)</u>	<u>(48,172)</u>

13. Interim dividend

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2003 (six months ended June 2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2003, the Group recorded unaudited turnover of approximately HK\$497,000, with an increase of 7% when compared to the corresponding period in 2002. During this period, the Group adopted stringent cost control measures, thereby reducing the expenditure by 35% to HK\$2,900,000, as compared to the corresponding period in 2002. As a result, the Group has successfully narrowed its loss attributable to shareholders by 39% to HK\$3,072,000, as compared to the loss of HK\$5,039,000 over the same period in 2002. The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2003.

Without question, the first six months of 2003 was a challenging period. The sudden outbreak of the severe acute respiratory syndrome (“SARS”) has presented a great challenge to all sectors in Hong Kong and the People’s Republic of China (the “PRC”). Inevitably, it aggravated the already weak demand in the IT market. However, the management of the Group believes that SARS would not have much material adverse effects on the Group.

Key developments

Our comprehensive skills to win customers enable us to capitalize on the emerging demand for Internet-based software application. We have signed up contracts with one international bank and a governmental bureau in Nanshan district, Shenzhen. This has further confirmed our position as an alternative choice provider of Internet-based software application to top multinational corporations and institutions in PRC.

Strategy review

In the past, the nature of our business largely depended upon wide acceptance of B2B e-commerce. This is a sensitivity we have been seeking to reduce. In the future, we target to pay more emphasis on developing Internet-based software application, to coincide with the rising demand of public and private sector in Hong Kong and the PRC. Our success in winning the contracts mentioned in the preceding paragraph proves that we are going to increase our market penetration to the market territories with potential.

We expect our customer base to grow. In the future, an increasing proportion of our revenues will come from longer-term Internet-based software application contracts which allow for continuing revenues.

The culture of Glory Future fits well with our target customers. The business expertise and knowledge of our management include years of experience in working with top multinational corporations and largest State-owned enterprises and PRC government bureaus. Such expertise enables us to speak the same language of our target customers. We are going to carry the business to go forward.

Outlook

The Mainland and Hong Kong Closer Economic Partnership Arrangement (CEPA) was concluded in late June, granting duty-free access of Hong Kong products to the PRC and allowing additional market access of Hong Kong companies in the PRC. We are confident that the implementation of CEPA would enhance business activities between Hong Kong and PRC. This would enable us to offer more Internet-based software application and related IT solutions to companies who are eager to explore the enormous market potential in PRC. This is a golden opportunity for the Group and we would strive hard to realize the potential.

The Group has identified a promising new direction of developing Internet-based software application, against a background of harsh economic conditions. The management is confident that the Group is going to strengthen its competitive position in the Greater China IT market. We are well positioned to take advantage of future opportunities. We firmly believe we have become stronger and better positioned to take advantage of an upturn in market conditions in future.

FINANCIAL REVIEW

Liquidity and financial resources

The Group financed its operations primarily with internally generated cash flows and the net proceeds from the issue of shares by way of placing in December 2002. The Group adhered to a prudent financial management policy.

As at 30 June 2003, the Group had cash and cash equivalent of approximately HK\$3.9 million (31 December 2002: HK\$6.5 million). During the period, the Group utilised approximately HK\$ 2.4 million to finance its operations (six months ended 30 June 2002: HK\$4.8 million).

As at 30 June 2003, the Group had total outstanding borrowings of HK\$13 million (31 December 2002: HK\$13 million). The borrowings comprised two unsecured convertible redeemable notes, of which HK\$6 million will mature on 19 August 2003 and HK\$7 million will mature on 28 March 2005.

Capital structure

As at 30 June 2003, the Company's total number of issued shares was 753,720,000 (31 December 2002: 753,720,000).

As at 30 June 2003, the Group had convertible redeemable notes of an aggregate principal amount of HK\$13 million outstanding (31 December 2002: HK\$13 million). Such convertible notes are unsecured and bear interest at a rate of 8% per annum.

Investment, material acquisitions and disposal of subsidiaries and affiliated companies

The Group held no significant investment during the period under review. There were no material acquisitions or disposals of subsidiaries and affiliated companies in the course of the six months ended 30 June 2003 (six month ended 2002: Nil).

Segment comments

The turnover from Internet-based application and web page design services increased by 37% compared to the corresponding period in 2002, and the turnover from technical support and agency service contributed HK\$54,000 to the Group during the period under review. The turnover of web site maintenance services dropped by 96% compared to the corresponding period in 2002, because of the keen market competition and the low profit margin. As a result, the management decided to place less resources in developing this sector. However the poor performance from web site maintenance was far offset by the performance on the Group's other two business sectors, resulting in 7% increase in total turnover.

Employee information

As at 30 June 2003, the Group employed a total of 9 (31 December 2002: 14) employees. The staff costs, excluding director's remuneration, were approximately HK\$648,000 (31 December 2002: 1,682,000). The decrease in staff costs was mainly attributable to reduction in the number of staff during the period under review.

The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group also operated a share option scheme where options to subscribe for shares may be granted to the executive directors and full-time employees of the Group. The aim of the scheme is to recognize staff outstanding performance and help the Group retain key staff members.

Charges on group assets

As at 30 June 2003, none of the Group's assets was pledged (31 December 2002: Nil).

Future plans for material investments or capital assets

Save as disclosed in the Company's prospectus dated 26 February 2001 (the "Prospectus") under the section headed "Statement of business objectives", the Group had no other future plans for material investments and acquisition of material capital assets as at 30 June 2003.

Gearing ratio

As at 30 June 2003, the Group's gearing ratio was approximately -1.24 (31 December 2002: -1.76), based on the total borrowings of approximately HK\$13 million (31 December 2002: HK\$13 million) and deficiencies in assets of approximately HK\$10.5 million (31 December 2002: approximately HK\$7.4 million)

Exposure to fluctuation in exchange rates

The Group's exposure to foreign currencies is limited to its investment in a foreign subsidiary, which is financed internally. Most of the Group's transactions, including borrowings, were conducted in Hong Kong dollars or Renminbi and the exchange rate of Renminbi to Hong Kong dollars has been relatively stable throughout the period under review. Moreover, it is also the Group's policy for each operating entity to borrow in local currencies, where possible, to minimise currency risk.

Contingent liabilities

As at 30 June 2003, the Group and the Company had no significant contingent liabilities (31 December 2002: Nil).

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 the Group's other receivables continued to exist, as at 30 June 2003, details of such receivables would be required to be disclosed in this interim report pursuant to Rule 17.22 of the GEM Listing Rules.

Details of other receivables as at 30 June 2003 were as follows:

	As at 30 June 2003
	<i>HK\$'000</i>
Rental and utility deposits (<i>note 1</i>)	11
Prepayment (<i>note 2</i>)	204
	<hr/>
	215
	<hr/> <hr/>

Notes:

1. The deposits paid comprise the following items:

	<i>HK\$'000</i>
Electricity deposit paid to The Hong Kong Electric Co. Ltd.	4
Water deposit paid to The Government of the HKSAR	1
IDD deposit paid to SmarTone Mobile Communications Limited	2
Others	4
	<hr/>
	11
	<hr/> <hr/>

2. The breakdown of the prepayment is as follows:

	<i>HK\$'000</i>
Annual listing fee for the period from July 2003 to December 2003 paid to the Stock Exchange	75
Accounting software maintenance fee for July 2003 to October 2003 paid to System Union Limited	9
Medical insurance fee for the period from July 2003 to April 2004 paid to Blue Cross (Asia-Pacific) Insurance Limited	10
Sponsor's fee for the period from July 2003 to September 2003 paid to Celestial Capital Limited	75
Government annual fee for the period from July 2003 to December 2003 paid to the government of the Cayman Islands	10
Secretarial fee for the period from July 2003 to December 2003 paid to Codan Trust Company (Cayman) Limited	9
Others	16
	<hr/>
	204
	<hr/> <hr/>

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 other receivables are unsecured.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a summary of the actual progress of the Group compared with the business objectives set out in the Prospectus for the period from 1 January 2003 to 30 June 2003 (the “Review Period”).

According to the business objectives as stated in the Prospectus	Actual business progress in the Review Period
---	--

Content development

- | | |
|---|--|
| 1. Assess the possibility of and form alliances with Internet content providers to acquire content relating to international trade and commerce | The Group has seriously considered the benefits in forming alliances and its capabilities to develop its own contents. The Group has formed no alliance with any third party during the Review Period. Nevertheless, should there be any potential partner that will benefit the Group, the directors of the Company (the “Directors”) will reconsider such alliance proposal. |
| 2. Launch Spanish version of www.expo24hrs.net | Due to SARS and the U.S.A.’s attack on Iraq, the demand of overseas financial information content decreased. The Directors also consider that the existing versions are adequate to fulfill users’ needs, and therefore the Group continues to postpone the development of other new versions so as to minimize risk and to better allocate its resources. |
| 3. Continue development of the function of www.expo24hrs.net | The Directors consider that the existing system is sufficient to meet visitors’ need. |

Technology development

- | | |
|--|--|
| 1. Continuously evaluate the system load of www.expo24hrs.net and implement improvement plans, if required | No sign of overloading has been shown. The Group has regularly reviewed the current system to ensure its efficiency and capacity to meet visitors' demand. |
| 2. Assess new technologies available in the market to improve the functions and performance of www.expo24hrs.net | The Group has been regularly evaluating new technologies available in the market. However, technologies so far available were very limited and expensive. The Directors consider that the existing system is sufficient to meet visitors' need; the funding should be allocated into other segments. |
| 3. Form alliances with overseas technology consultants to strengthen the technical capabilities | The Group has performed assessment on the possibility of forming alliances with overseas technology consultants. However, the Directors have not found any suitable candidate and the Group defers the formations of any alliance until the market shows an upturn. |
| 4. Continue to develop new web applications to enhance the features and functions of www.expo24hrs.net | The current web is sufficient to meet the visitors' demand, therefore, the Directors is planning to relocate the capital resource to other segments. |

Marketing development

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|---|--|
| 1. Implement marketing plans of the Company in Hong Kong, Guangzhou and Zhongshan | The Hong Kong and the PRC markets continue to be the Group's major focus. A series of marketing plans target international and domestic corporation and governmental departments will be launched so as to increase the Group's awareness in the region. |
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| 2. Assess and develop opportunities to expand the marketing of www.expo24hrs.net into new international markets | The expansion of new international markets has been deferred due to the outbreak of SARS and the war on Iraq. |
| 3. Continue to explore and develop B2B e-commerce and other Internet and IT business opportunities | Ongoing efforts will be concentrated on developing internet software and exploring other internet and IT business opportunities which have a higher demand than B2B e-commerce in Hong Kong and the PRC. |

USE OF PROCEEDS

Use of proceeds from the Company's initial public offering ("IPO")

The proceeds from the Company's issue of new shares at the time of its listing on the GEM of the Stock Exchange on 2 March 2001, after deduction of the related issue expenses, were applied during the two year ended 31 December 2002 and the period ended 30 June 2003 in accordance with the proposed application set out in the Prospectus, as follows:

	Amount extracted from the Prospectus <i>HK\$ million</i>	Actual proceeds* being used up to 30 June 2003 <i>HK\$ million</i>
Purchase of fixed assets	3.1	3.1
Development of operation hardware and software	3.0	1.8
Expansion of overseas markets	2.0	–
Marketing and promotion	2.0	2.0
Working capital	12.5	15.7
	22.6	22.6
Total	22.6	22.6

* All the proceeds from the Company's issue of new shares at time of its listing on the GEM of the Stock Exchange on 2 March 2001 has been used up during the year ended 31 December 2002.

Use of proceeds from the Company's placing of shares in December 2002

In order to raise funds and broaden its capital and shareholder base of the Group, the Company issued 100,000,000 ordinary shares of HK\$0.05 each at a price of HK\$0.06 per ordinary share (the "Placing") to Glory Cyber Company Limited ("Glory Cyber") on 31 December 2002. The application of proceeds from the Placing during the period was in line with the proposed application as set out in a circular to shareholders of the Company dated 6 December 2002, as follows:

	Amount extracted from the circular dated 6 December 2002 (after deduction of relevant expenses) <i>HK\$ million</i>	Actual proceeds being used up to 30 June 2003 <i>HK\$ million</i>
General working capital	<u>5.7</u>	<u>2.9</u>

The remaining net proceeds as at 30 June 2003 was approximately HK\$2.8 million, which have been placed on short-term interest-bearing deposits with banks in Hong Kong.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES

As at 30 June 2003, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and 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 under Section 352 of SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules, were as follows:

Long positions in shares

Name of director	Capacity	Number of issued ordinary share of HK\$0.05 each in the Company held	Percentage of issued share capital
Mr. Luan Shu Sheng ("Mr. Luan")	Interest of a controlled corporation (<i>note</i>)	100,000,000	13.3%

Note: These shares were held by Glory Cyber, 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. Mr. Luan is also a director of Glory Cyber. Glory Cyber's interest in the shares of the Company is set out in the section headed "Interests discloseable under the SFO and substantial shareholders" below.

Long positions in underlying shares

(a) Pre-IPO share options

Name of Directors	Date of grant	Number of shares underlying the Pre-IPO share options as at 1 January and 30 June 2003	Exercisable period	Exercise price HK\$
Mr. Choi Koon Ming ("Mr. Choi")	25 October 2000	5,024,000	8 August 2001 to 7 August 2004	0.25
Mr. Hui Ching Shan ("Mr. Hui")	25 October 2000	5,024,000	25 October 2001 to 24 August 2004	0.25
		10,048,000		

(b) Post-IPO share option scheme

Name of Directors	Date of grant	Number of shares underlying the Post-IPO share options as at 30 June 2003	Exercisable period	Exercise price HK\$
Mr. Choi	21 January 2003	7,500,000	21 January 2003 to 20 January 2008	0.1148
Mr. Hui	21 January 2003	6,000,000	21 January 2003 to 20 January 2008	0.1148
Mr. Ng Kam Yiu	21 January 2003	3,000,000	8 January 2004 to 7 January 2009	0.1148
Mr. Chow Yeung Tuen, Richard	21 January 2003	3,000,000	21 January 2003 to 20 January 2008	0.1148
Mr. Luan	30 April 2003	6,000,000	12 February 2004 to 11 February 2009	0.1084
Mr. Chau Chi Man	30 April 2003	3,000,000	8 April 2004 to 7 April 2009	0.1084
		<u>28,500,000</u>		

Save as disclosed above, as at 30 June 2003, none of the Directors and the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.40 of the GEM Listing Rules.

SHARE OPTIONS

(a) Pre-IPO share options

On 25 October 2000, the Company granted options to certain Directors 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 Pre-IPO options are set out in the sub-section headed “Long positions in underlying shares” under the section headed “Directors’ and chief executives’ interests or short positions in the shares, underlying shares or debentures”.

As at 30 June 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

The principal purpose of the share option scheme of the Company adopted on 19 February 2001 (the "Post-IPO 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.

Under the Post-IPO Scheme, share options entitling the holders thereof to subscribe for an aggregate of 26,000,000 shares of the Company were granted on 21 January 2003 to four executive Directors and four employees of the Group at a subscription price of HK\$0.1148 per share. The closing price of the shares of the Company immediately preceding the date on which the share options were granted (i.e. 20 January 2003) was HK\$0.114 per share. Furthermore, share options entitling the holders thereof to subscribe for an aggregate of 9,000,000 shares were granted on 30 April 2003 to two executive Directors at a subscription price of HK\$0.1084 per share. The closing price of the shares of the Company immediately preceding the date on which the share options were granted (i.e. 29 April 2003) was HK\$0.108 per share. These options enable the relevant directors/employees to subscribe for shares of HK\$0.05 each of the Company 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.

Details of these options are as follows:

Name or category of participant	Number of share options			
	As at 1 January 2003	Granted during the period	Lapsed during the period	As at 30 June 2003
Directors				
In aggregate (<i>note 1</i>)	–	28,500,000	–	28,500,000
Other employees				
In aggregate	–	6,500,000	(1,500,000) <i>(note 2)</i>	5,000,000
	–	35,000,000	(1,500,000)	33,500,000

Notes:

- (1) Details of these options are set out in the sub-section headed “Long positions in underlying shares” under the section headed “Directors’ and chief executives’ interests or short positions in the shares, underlying shares or debentures”.
- (2) Share options lapsed upon the resignation of the employees of the Group during the period.
- (3) None of the options granted during the period under review was cancelled.

Valuation of share options

The options granted are not recognized in the financial statements until they are exercised. The Directors consider that it is not appropriate to state the value of the share options granted during the period on the ground that a number of variables which are crucial to the valuation of the option value cannot be reasonably determined. Accordingly, the Directors believe that any valuation of the share options based on a great number of speculative assumptions would not be meaningful and may be misleading to the shareholders.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2003, the following persons (other than the directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in shares

Name	Capacity	Number of shares held	Percentage of issued share capital
global.com Investments Corp. (Note 1)	Beneficial owner	155,570,000	20.6%
Bornwise Investments Limited (Note 2)	Security interest	155,570,000	20.6%
Cheung Wo Sin (Note 2)	Interest of a controlled corporation	155,570,000	20.6%
Glory Cyber (Note 3)	Beneficial owner	100,000,000	13.3%
Sun Wah Net Investment Limited (“Sun Wah”) (Note 4)	Beneficial owner	95,474,000	12.7%
Sun Wah Hi-Tech Holdings Limited (Note 4)	Interest of a controlled corporation	95,474,000	12.7%
Choi Koon Shum (Note 4)	Interest of a controlled corporation	95,474,000	12.7%
Tai Lee Assets Limited (Note 5)	Beneficial owner	94,406,000	12.5%
Tsoi Siu Lan, Mazie (Note 5)	Interest of a controlled corporation	94,406,000	12.5%
Ceroilfood Finance Limited (Note 6)	Beneficial owner	83,022,000	11.0%
China National Cereals Oils and Foodstuffs Import and Export Corporation (Note 6)	Interest of a controlled corporation	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) Bornwise Investments Limited is a company incorporated in the British Virgin Islands and beneficially owned by Mr. Cheung Wo Sin.
- (3) Glory Cyber 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.
- (4) 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.
- (5) Tai Lee Assets Limited is beneficially owned by Ms. Tsoi Siu Lan, Mazie, who is the sister of Mr. Choi.
- (6) 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.

Long positions in underlying shares

As at 30 June 2003, the following person (other than the directors and chief executive of the Company) had interests in the underlying shares of equity derivatives (being convertible notes) issued by the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name	Maximum number of underlying shares	Percentage of issued share capital
Sun Wah (<i>Note</i>)	244,285,714	32.4%

Note: Sun Wah is a substantial shareholder of the Company. The Company has issued two convertible redeemable notes to Sun Wah with an aggregate principal amount of HK\$13 million. Upon full conversion of the two 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 granted by the Company.

Save as disclosed above, as at 30 June 2003, the Directors were not aware of any other person (other than the directors and chief executive of the Company) who had an interest and 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/or were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

OTHER INTERESTS DISCLOSEABLE UNDER THE SFO

Save as disclosed in the paragraphs headed “Directors’ and chief executive’s interests or short positions in the shares, underlying shares or debentures” and “Interests discloseable under the SFO and substantial shareholders” above, so far as is known to the Directors, there is no other person who has an interest or short position in the shares, underlying shares of the Company that is discloseable under the SFO.

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 30 June 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 interim results for the three months and six month ended 30 June 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 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, 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, 4 August 2003