

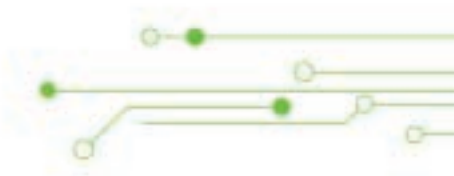


Third Quarterly Report **2003**

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.

THIRD QUARTERLY RESULTS FOR 2003

HIGHLIGHTS

- The unaudited turnover of the Group for the nine months ended 30 September 2003 was approximately HK\$604,000.
- The Group recorded an unaudited loss attributable to shareholders of approximately HK\$4,167,000 for the nine months ended 30 September 2003.
- Loss per share was approximately HK0.55 cent for the nine months ended 30 September 2003.

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 nine months ended 30 September 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 nine months ended 30 September 2003

	<i>Notes</i>	Three months ended		Nine months ended	
		30 September		30 September	
		2003	2002	2003	2002
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	107	119	604	582
Cost of sales		(82)	(210)	(291)	(846)
Gross profit/(loss)		25	(91)	313	(264)
Other revenue		15	31	69	80
Selling and distribution expenses		(44)	(117)	(159)	(168)
Administrative expenses		(884)	(2,096)	(3,667)	(6,539)
LOSS FROM OPERATING ACTIVITIES	3	(888)	(2,273)	(3,444)	(6,891)
Finance costs	4	(207)	(262)	(723)	(683)
LOSS BEFORE TAX		(1,095)	(2,535)	(4,167)	(7,574)
Tax	5	-	-	-	-
LOSS BEFORE MINORITY INTERESTS		(1,095)	(2,535)	(4,167)	(7,574)
Minority interests		-	150	-	150
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(1,095)	(2,385)	(4,167)	(7,424)
LOSS PER SHARE – basic	6	HK0.15cent	HK0.37cent	HK0.55cent	HK1.14cent

Notes:

1. Basis of preparation

The accounting policies and methods of computation adopted in the preparation of the 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 Hong Kong Statements of Standard Accounting Practice (“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 30 September		Nine months ended 30 September	
	2003 (Unaudited) HK\$’000	2002 (Unaudited) HK\$’000	2003 (Unaudited) HK\$’000	2002 (Unaudited) HK\$’000
Crediting:				
Interest income	<u>14</u>	<u>31</u>	<u>54</u>	<u>80</u>
Charging:				
Cost of services provided	82	210	291	846
Auditors’ remuneration	65	90	189	280
Provision for doubtful debts	–	–	2	–
Depreciation	25	368	134	1,313
Loss on disposal of fixed assets	<u>–</u>	<u>226</u>	<u>–</u>	<u>235</u>

4. Finance costs

	Three months ended 30 September		Nine months ended 30 September	
	2003 (Unaudited) HK\$’000	2002 (Unaudited) HK\$’000	2003 (Unaudited) HK\$’000	2002 (Unaudited) HK\$’000
Interest on other loans	–	–	–	2
Interest on finance leases	–	–	–	11
Interest on convertible redeemable notes	<u>207</u>	<u>262</u>	<u>723</u>	<u>670</u>
	<u>207</u>	<u>262</u>	<u>723</u>	<u>683</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 and nine months ended 30 September 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 Group did not generate any assessable profits in the respective jurisdictions during the three months ended 30 September 2003 and the corresponding period in 2002.

Provisions 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 nine months ended 30 September 2003 (nine months ended 30 September 2002: Nil).

The Group did not have any significant unprovided deferred tax liabilities in respect of the three months and nine months ended 30 September 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 nine months ended 30 September 2003 of HK\$1,095,000 and HK\$4,167,000 respectively (three months and nine months ended 30 September 2002: HK\$2,385,000 and HK\$7,424,000 respectively) and the weighted average number of 753,720,000 ordinary shares of the Company in issue during the aforementioned two periods ended 30 September 2003 (three months and nine months ended 30 September 2002: 653,720,000 shares).

Diluted loss per share for the three months and nine months ended 30 September 2003 and that for the three months and nine months ended 30 September 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. 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 and 1 July 2002	15,120	(55,387)	(12)	(40,279)
Loss for the period	–	(2,385)	–	(2,385)
Exchange difference	–	–	2	2
At 30 September 2002	<u>15,120</u>	<u>(57,772)</u>	<u>(10)</u>	<u>(42,662)</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 and 1 July 2003	15,796	(63,958)	(10)	(48,172)
Loss for the period	–	(1,095)	–	(1,095)
At 30 September 2003	<u>15,796</u>	<u>(65,053)</u>	<u>(10)</u>	<u>(49,267)</u>

8. Interim dividend

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

Business review

For the nine months ended 30 September 2003, the Group recorded unaudited turnover of approximately HK\$604,000, with an increase of 3.8% when compared to the corresponding period in 2002. During this period, the Group adopted stringent cost control measures, thereby reducing the expenditure by 43% to HK\$3,826,000, as compared to the corresponding period in 2002. As a result, the Group successfully narrowed its loss attributable to shareholders by 44% to HK\$4,167,000, as compared to the loss of HK\$7,424,000 over the same period in 2002. The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2003.

Since the global and local economy is still in a period of uncertainty and trading conditions in our key markets are still difficult, our customers have continued to defer spending on new information technology (“IT”). However, the management believes that the dip of our business performance is temporary and the excellent service quality of the Group would outweigh these negative factors for many of our customers in the near future.

Strategy review

In view of the disappointing business performance of the Group, we spent rigorous efforts to streamline and consolidate operations for improving long-term sustainable profitability. Our extensive actions to reduce costs and headcount have already reduced loss to some extent. As markets in Hong Kong are recovering in a slow pace, our increase in and acceleration of restructuring programs were unable to counterbalance this weak regional economy.

During the period under review, the Group made progress and continued to generate momentum in business development. Our focus is to get more long-term, repetitive revenue contracts though it may cause underperformance of our Group in the short term. We have significantly increased our long-term sales pipeline in Hong Kong and the People’s Republic of China (the “PRC”).

The management believes that high customer satisfaction levels are significantly determinant to the future business. We have always been committed to provide high quality support to, and become the first choice service provider of, our existing customers. The Group would build on its existing assets base, sharp focus on client development, in conjunction with rigorous cost control measures.

Outlook

We believe that the current trading conditions do not reflect the long term demand for high quality IT solutions in the Greater China region. The Mainland China and Hong Kong Closer Economic Partnership Arrangement (“CEPA”) is expected to drive economic recovery in Hong Kong generally. With the persistent high growth in the PRC’s Gross Domestic Product, the Group would be able to benefit from the CEPA. We will focus more on the Pearl River Delta region and capture the emerging opportunities from CEPA and China’s World Trade Organization accession. We are cautiously optimistic on the outlook, and wholly committed to our focus on generating value for our shareholders.

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 Company’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 September 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 other receivables as at 30 September 2003 were as follows:

	As at 30 September 2003 <i>HK\$’000</i>
Rental and utility deposits (note 1)	7
Prepayment (note 2)	73
	<hr/>
	80
	<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
	<hr/>
	7
	<hr/> <hr/>

2. The breakdown of the prepayment is as follows:

	<i>HK\$'000</i>
Annual listing fee for the period from October 2003 to December 2003 paid to the Stock Exchange	38
Medical insurance fee for the period from October 2003 to April 2004 paid to Blue Cross (Asia-Pacific) Insurance Limited	7
Government annual fee for the period from October 2003 to December 2003 paid to the government of the Cayman Islands	5
Rent for October 2003 paid to S.K. Property Management Limited	14
Secretarial fee for the period from October 2003 to December 2003 paid to Codan Trust Company (Cayman) Limited	5
Others	4
	<hr/>
	<u>73</u>

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 and non-interest bearing.

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

As at 30 September 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 the 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 the ordinary shares of HK\$0.05 each in the Company (the “Shares”) and underlying shares of the Company

Name of director	Capacity	Attributable interest to the director	Number of Shares held	Number of Pre-IPO share option (Note 1)	Number of Post-IPO share option (Note 2)	Aggregate interest	
						Number of Shares and underlying shares of the Company	Approximate percentage of the Company’s issued share capital as at 30 September 2003
Mr. Choi Koon Ming (“Mr. Choi”)	Beneficial owner	100% (directly)	–	5,024,000	7,500,000	12,524,000	1.7%
Mr. Hui Ching Shan	Beneficial owner	100% (directly)	–	5,024,000	6,000,000	11,024,000	1.5%
Mr. Ng Kam Yiu	Beneficial owner	100% (directly)	–	–	3,000,000	3,000,000	0.4%
Mr. Chow Yeung Tuen, Richard	Beneficial owner	100% (directly)	–	–	3,000,000	3,000,000	0.4%
Ms. Leung Wai Sze	Beneficial owner	100% (directly)	–	–	4,000,000	4,000,000	0.5%
Mr. Luan Shusheng (“Mr. Luan”)	(a) Interest of a controlled corporation (Note 3) (b) Beneficial owner	(a) Through a controlled corporation (Note 3) (b) 100% (directly)	(a) 100,000,000 (Note 3)	–	(b) 6,000,000	106,000,000	14.1%
Mr. Chau Chi Man	Beneficial owner	100% (directly)	–	–	3,000,000	3,000,000	0.4%

Notes:

1. Pre-initial public offering (“IPO”) share options

Details of the Pre-IPO share options of the Company granted to the directors of the Company are set out in the following table. Please also refer to the sub-section headed “Pre-IPO share options” under the section headed “Share options” below for more information on the Pre-IPO share options.

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

2. Post- IPO share options

Details of the Post-IPO share options of the Company granted to the directors of the Company are set out in the following table. Please also refer to the sub-section headed “Post-IPO share option scheme” under the section headed “Share options” below for more information on the Post-IPO share options.

Name of directors	Date of grant of share options	Number of Shares underlying the Post-IPO share options granted during the period under reviewed and being outstanding as at 30 September 2003	Exercise period of share options	Exercise price of share options HK\$
Mr. Choi	21 January 2003	7,500,000	21 January 2003 to 20 January 2008	0.1148
Mr. Hui Ching Shan	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
Ms. Leung Wai Sze	21 January 2003	4,000,000	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
		32,500,000		

3. Those 100,000,000 Shares were held by Glory Cyber Company Limited (“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, who is also a director of Glory Cyber. Glory Cyber’s interest in the Shares is also set out in the section headed “Interests discloseable under the SFO and substantial shareholders” below.

Save as disclosed above, as at 30 September 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 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 the outstanding Pre-IPO share options as at 30 September 2003 are set out in the section headed “Directors’ and chief executives’ interests or short positions in the shares, underlying shares or debentures” above.

As at 30 September 2003, the number of Shares issuable under the outstanding Pre-IPO share options represented approximately 1.3% of the Company’s total issued share capital 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 at a subscription price of HK\$0.1148 per Share were granted on 21 January 2003 to five executive directors and three employees of the Group. The closing price of the Shares immediately preceding the date on which those 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 at a subscription price of HK\$0.1084 per Share were granted on 30 April 2003 to two executive directors of the Company under the Post-IPO Scheme. The closing price of the Shares immediately preceding the date on which those share options were granted (i.e. 29 April 2003) was HK\$0.108 per Share.

The Post-IPO share options enable the relevant director/employee to subscribe for Shares 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 Post-IPO 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 the Post-IPO share options are as follows:

Name or category of participant	Number of share options			
	As at 1 January 2003	Granted during the period under review	Lapsed during the period under review	As at 30 September 2003
Directors of the Company				
In aggregate (note 1)	–	32,500,000	–	32,500,000
Other employees				
In aggregate	–	2,500,000	1,500,000 (note 2)	1,000,000
	–	35,000,000	1,500,000	33,500,000

Notes:

- (1) Details of the Post-IPO share options granted to the directors of the Company are set out in the section headed “Directors’ and chief executives’ interests or short positions in the shares, underlying shares or debentures” above.
- (2) The 1,500,000 Post-IPO share options lapsed upon the resignation of the employees of the Group, who were grantees of such Post-IPO share options, during the period under review.
- (3) None of the Post-IPO share 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 of the Company 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 of the Company 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 September 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 and underlying shares of the Company

Name of substantial shareholder of the Company	Capacity	Number of Shares held	Number of underlying shares of the Company held	Aggregate interest	
				Number of Shares and underlying shares of the Company	Percentage of issued share capital of the Company as at 30 September 2003
global.com Investments Corp. (Note 1)	Beneficial owner	155,570,000	–	155,570,000	20.6%
Yuen Fat Ching (Note 1)	Settlor	155,570,000	–	155,570,000	20.6%
Bornwise Investments Limited (Note 2)	Security interest	155,570,000	–	155,570,000	20.6%
Cheung Wo Sin (Note 2)	Interest of a controlled corporation	155,570,000	–	155,570,000	20.6%
Glory Cyber (Note 3)	Beneficial owner	100,000,000	–	100,000,000	13.3%
Sun Wah Net Investment Limited (“Sun Wah”) (Note 4)	Beneficial owner	95,474,000	210,000,000	305,474,000	40.5%
Sun Wah Hi-Tech Holdings Limited (Note 4)	Interest of a controlled corporation	95,474,000	210,000,000	305,474,000	40.5%
Choi Koon Shum (Note 4)	Interest of a controlled corporation	95,474,000	210,000,000	305,474,000	40.5%
Tai Lee Assets Limited (Note 5)	Beneficial owner	94,406,000	–	94,406,000	12.5%
Tsoi Siu Lan, Mazie (Note 5)	Interest of a controlled corporation	94,406,000	–	94,406,000	12.5%
Ceroilfood Finance Limited (Note 6)	Beneficial owner	83,022,000	–	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	–	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 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. Bornwise Investments Limited and Mr. Cheung Wo Sin are deemed to be interested in 155,570,000 shares registered in name of global.com Investments Corp. as such shares have been pledged to Bornwise Investments Limited.
- (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, a director of the Company. The indirect interest of Mr. Luan in the 100,000,000 Shares held by Glory Cyber is also set out in the section headed “Directors’ and chief executive’s interests or short positions in the shares, underlying shares or debentures” above.
- (4)
 - (a) 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.
 - (b) As at 30 September 2003, Sun Wah was the holder of a HK\$7 million convertible note of the Company, upon exercise of the conversion rights attaching thereto would entitle Sun Wah to subscribe for a maximum of 210,000,000 Shares.
- (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.

Save as disclosed above, as at 30 September 2003, the directors of the Company 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 as recorded in the register required to be kept under Section 336 of the SFO.

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 of the Company, there is no other person who has an interest or short position in the Shares, underlying Shares 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 has act as the Company’s continuing sponsor with effect from 1 October 2001 to 31 December 2003.

As at 30 September 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 and nine months ended 30 September 2003 have been reviewed by the audit committee, which is 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, a director of the Company who is interested in 100,000,000 issued Shares (representing about 13.3% of the existing issued share capital of the Company) (such Shares are held by Glory Cyber) indirectly, 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. The main product of the GF Group is logistics software, the main function of which is to assist an enterprise transmitting and managing the flow of capital, inventories, information and human resources. The target customers of GF Group are companies based in the PRC. On the other hand, the Group is considering to expand its business activities to include software development activity. The targeted product of the Group is Internet-based software application. The targeted customers of the Group are private and public sectors in Hong Kong and the PRC. Therefore, the business of the GF Group, which is controlled by 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, 12 November 2003