



Glory Future

Interim Report **2004**

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.

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## INTERIM RESULTS FOR 2004

### HIGHLIGHTS

- The unaudited turnover of the Group for the six months ended 30 June 2004 was approximately HK\$43,000.
- The Group recorded an unaudited loss attributable to shareholders of approximately HK\$1,849,000 for the six months ended 30 June 2004.
- Loss per share was approximately HK0.25 cent for the six months ended 30 June 2004.

### 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 2004 together with comparative unaudited figures for the corresponding periods in 2003 as follows:

#### UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

*For the three months and six months ended 30 June 2004*

	Notes	Three months ended 30 June		Six months ended 30 June	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	2	20	392	43	497
Cost of sales		(61)	(115)	(181)	(208)
Gross (loss)/profit		(41)	277	(138)	289
Other revenue		5	19	11	54
Selling and distribution expenses		(31)	(43)	(63)	(116)
Administrative expenses		(663)	(1,355)	(1,245)	(2,784)
LOSS FROM OPERATING ACTIVITIES	3	(730)	(1,102)	(1,435)	(2,557)
Finance costs	4	(207)	(259)	(414)	(515)
LOSS BEFORE TAX		(937)	(1,361)	(1,849)	(3,072)
Tax	5	—	—	—	—
LOSS BEFORE MINORITY INTERESTS		(937)	(1,361)	(1,849)	(3,072)
Minority interests		—	—	—	—
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(937)	(1,361)	(1,849)	(3,072)
LOSS PER SHARE – basic	6	HK0.12 cent	HK0.18 cent	HK0.25 cent	HK0.41cent

## UNAUDITED CONSOLIDATED BALANCE SHEET

As at 30 June 2004

		<b>30 June 2004 (Unaudited) HK\$'000</b>	31 December 2003 (Audited) HK\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Fixed assets	7	<b>153</b>	171
<b>CURRENT ASSETS</b>			
Accounts receivable	8	<b>13</b>	–
Prepayments, deposits and other receivables		<b>119</b>	191
Cash and bank balances		<b>2,314</b>	4,349
		<b>2,446</b>	4,540
<b>CURRENT LIABILITIES</b>			
Accounts payable	9	–	(37)
Accrued liabilities, deposits and other payables		<b>(655)</b>	(1,048)
Due to a related company		–	(113)
Unsecured and interest-free advance		<b>(562)</b>	–
Convertible redeemable notes		<b>(7,000)</b>	–
		<b>(8,217)</b>	(1,198)
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b>(5,771)</b>	3,342
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>(5,618)</b>	3,513
<b>NON-CURRENT LIABILITIES</b>			
Due to a minority shareholder of a subsidiary		<b>(401)</b>	(401)
Unsecured and interest-free advance		–	(282)
Convertible redeemable notes		<b>(9,000)</b>	(16,000)
		<b>(9,401)</b>	(16,683)
		<b>(15,019)</b>	(13,170)
<b>CAPITAL AND RESERVES</b>			
Issued capital		<b>37,686</b>	37,686
Reserves	11	<b>(52,705)</b>	(50,856)
		<b>(15,019)</b>	(13,170)

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2004

	Issued capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2003	37,686	15,796	(10)	(60,886)	(7,414)
Loss for the period	–	–	–	(3,072)	(3,072)
At 30 June 2003	<u>37,686</u>	<u>15,796</u>	<u>(10)</u>	<u>(63,958)</u>	<u>(10,486)</u>
At 1 January 2004	37,686	15,796	(10)	(66,642)	(13,170)
Loss for the period	–	–	–	(1,849)	(1,849)
At 30 June 2004	<u>37,686</u>	<u>15,796</u>	<u>(10)</u>	<u>(68,491)</u>	<u>(15,019)</u>

## UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2004

	Six months ended 30 June	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Net cash used in operating activities	(2,023)	(2,367)
Net cash used in investing activities	(12)	(150)
Net cash from financing activities	–	–
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,035)	(2,517)
Cash and cash equivalents at beginning of period	<u>4,349</u>	<u>6,460</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>2,314</u>	<u>3,943</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>2,314</u>	<u>3,943</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 2003.

### 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 June		Six months ended 30 June	
	2004 <i>(Unaudited)</i> HK\$’000	2003 <i>(Unaudited)</i> HK\$’000	2004 <i>(Unaudited)</i> HK\$’000	2003 <i>(Unaudited)</i> HK\$’000
Crediting:				
Interest Income	<u>5</u>	<u>16</u>	<u>11</u>	<u>41</u>
Charging:				
Cost of services provided	61	115	181	208
Auditors’ remuneration	60	63	120	123
Provision for doubtful debts	–	–	–	2
Depreciation	<u>20</u>	<u>38</u>	<u>41</u>	<u>110</u>

#### 4. Finance costs

	Three months ended		Six months ended	
	30 June		30 June	
	2004	2003	2004	2003
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on convertible redeemable notes	<u>207</u>	<u>259</u>	<u>414</u>	<u>515</u>

#### 5. Tax

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the three months and six months ended 30 June 2004 and the corresponding periods in 2003.

Provision for the tax of profits of subsidiaries operating outside Hong Kong has not been provided as the Group did not generate any assessable profits in the respective jurisdictions during the three months and six months ended 30 June 2004 (three months and six months ended 30 June 2003: Nil).

The Group did not have any significant unprovided deferred tax liabilities in respect of the three months and six months ended 30 June 2004 and the corresponding periods in 2003.

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 2004 of HK\$937,000 and HK\$1,849,000 respectively (three months and six months ended 30 June 2003: HK\$1,361,000 and HK\$3,072,000 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 2004 (three months and six months ended 30 June 2003: 753,720,000 shares).

Diluted loss per share for the three months and six months ended 30 June 2004 and that for the three months and six months ended 30 June 2003 have not been disclosed as the share options and convertible redeemable notes outstanding during the periods had an anti-dilutive effect on the basic loss per share for the relevant periods.

## 7. Fixed assets

Group

	<b>Furniture, fixtures and fittings</b> <i>(Unaudited)</i> <i>HK\$'000</i>	<b>Computer and office equipment</b> <i>(Unaudited)</i> <i>HK\$'000</i>	<b>Total</b> <i>(Unaudited)</i> <i>HK\$'000</i>
Cost:			
At beginning of period	423	2,113	2,536
Additions	6	17	23
	<hr/>	<hr/>	<hr/>
At 30 June 2004	429	2,130	2,559
	<hr/>	<hr/>	<hr/>
Accumulated depreciation:			
At beginning of period	273	2,092	2,365
Provided during the period	33	8	41
	<hr/>	<hr/>	<hr/>
At 30 June 2004	306	2,100	2,406
	<hr/>	<hr/>	<hr/>
Net book value:			
At 30 June 2004	123	30	153
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2003	150	21	171
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 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 senior management.

The aged analysis of accounts receivable is as follows:

Group

	<b>30 June 2004</b> <i>(Unaudited)</i> <i>HK\$'000</i>	31 December 2003 <i>(Audited)</i> <i>HK\$'000</i>
Current – 3 months	13	–
	<hr/> <hr/>	<hr/> <hr/>



## 9. Accounts payable

The aged analysis of accounts payable is as follows:

Group

	<b>30 June 2004 (Unaudited) HK\$'000</b>	31 December 2003 (Audited) HK\$'000
Current – 3 months	<u>–</u>	<u>37</u>

## 10. Segment Information

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

### (a) Business segments

The following table presents revenue and results for the Group's business segments.

	<b>Internet-based and Windows-based applications and web page design services</b>		<b>Website maintenance and technical support services</b>		<b>Consolidated</b>	
	<b>2004 HK\$'000</b>	<b>2003 HK\$'000</b>	<b>2004 HK\$'000</b>	<b>2003 HK\$'000</b>	<b>2004 HK\$'000</b>	<b>2003 HK\$'000</b>
Segment revenue:						
Sales to external customers	<u>41</u>	<u>437</u>	<u>2</u>	<u>60</u>	<u>43</u>	<u>497</u>
Segment results	<u>(191)</u>	<u>122</u>	<u>(11)</u>	<u>50</u>	<u>(202)</u>	<u>172</u>
Interest and other income					11	54
Unallocated expenses					<u>(1,244)</u>	<u>(2,783)</u>
Loss from operating activities					<u>(1,435)</u>	<u>(2,557)</u>
Finance costs					<u>(414)</u>	<u>(515)</u>
Loss before tax					<u>(1,849)</u>	<u>(3,072)</u>
Tax					<u>–</u>	<u>–</u>
Loss before minority interests					<u>(1,849)</u>	<u>(3,072)</u>
Minority interests					<u>–</u>	<u>–</u>
Net loss from ordinary activities attributable to shareholders					<u>(1,849)</u>	<u>(3,072)</u>

(b) *Geographical segments*

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

	Hong Kong		PRC		Consolidated	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	<u>43</u>	<u>174</u>	<u>–</u>	<u>323</u>	<u>43</u>	<u>497</u>

**11. Reserves**

	Share premium account	Exchange fluctuation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2003	15,796	(10)	(60,886)	(45,100)
Loss for the period	<u>–</u>	<u>–</u>	<u>(1,711)</u>	<u>(1,711)</u>
At 31 March 2003 and 1 April 2003	15,796	(10)	(62,597)	(46,811)
Loss for the period	<u>–</u>	<u>–</u>	<u>(1,361)</u>	<u>(1,361)</u>
At 30 June 2003	<u>15,796</u>	<u>(10)</u>	<u>(63,958)</u>	<u>(48,172)</u>
At 1 January 2004	15,796	(10)	(66,642)	(50,856)
Loss for the period	<u>–</u>	<u>–</u>	<u>(912)</u>	<u>(912)</u>
At 31 March 2004 and 1 April 2004	15,796	(10)	(67,554)	(51,768)
Loss for the period	<u>–</u>	<u>–</u>	<u>(937)</u>	<u>(937)</u>
At 30 June 2004	<u>15,796</u>	<u>(10)</u>	<u>(68,491)</u>	<u>(52,705)</u>

**12. Interim dividend**

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2004 (six months ended June 2003: Nil).

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

For the six months ended 30 June 2004, the Group recorded unaudited turnover of approximately HK\$43,000. During this period, the Group adopted stringent cost control measures, thereby reducing the expenditure by 55% to HK\$1,308,000, as compared to the corresponding period in 2003. The Group has successfully narrowed its loss attributable to shareholders by 40% to HK\$1,849,000, as compared to the loss of HK\$3,072,000 over the same period in 2003. The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2004.

Despite of the slight improvement in market sentiment in the first six months of 2004, the prevailing market conditions for information technology (“IT”) industry could only be described as steady, and corporate IT spending remained tight.

### **Strategy review**

During the period under review, cost containment was the dominant theme throughout our group. We have implemented a stringent mechanism to save cost that includes modifying our policy on the expenditure. We would continue reducing all forms of discretionary spending, so as to maintain a skeleton crew in essential services only.

We have identified the need of introducing new initiative to the group. Our first priority is to exercise prudence in seeking new business opportunities that would enhance shareholders’ values and would bring the Group into a new phase of growth.

Besides carrying out negotiation with potential partners, we would continue putting effort in expanding our clientele base and in improving our efficiency at all levels of operation.

### **Outlook**

Recent evidence of slowdown in the pace of global economic expansion indicates a challenging environment encountering by the Group. Market sentiment has turned more cautious and has renewed concern about macro-economic control of the Mainland China.

Looking further ahead, the implementation of the Mainland China and Hong Kong Closer Economic Partnership Arrangement, Pan-Pearl River Delta cooperation scheme and Asian Games are going to inject tremendous vitality into the Pearl River Delta. These exciting projects are going to be translated into a huge investment in high-tech fields that we are ready for these opportunities.

## **FINANCIAL REVIEW**

### **Liquidity and financial resources**

The Group financed its operations primarily with internally generated cash flows together with the net proceeds from the issue of new shares by way of placing in December 2002 and the issue of convertible redeemable bonds in October 2003. The Group adhered to a prudent financial management policy.

As at 30 June 2004, the Group had cash and cash equivalent of approximately HK\$2.3 million (31 December 2003: HK\$4.3 million). During the period under review, the Group utilised approximately HK\$2.0 million to finance its operations (six months ended 30 June 2003: HK\$2.4 million).

As at 30 June 2004, the Group had total outstanding borrowings of approximately HK\$16.6 million (31 December 2003: HK\$16.3 million). The borrowings comprised an unsecured convertible redeemable note in principal amount of HK\$7 million, which will mature on 28 March 2005 and the unsecured convertible redeemable bonds in principal amount of HK\$9 million, which will mature on 27 October 2006 together with an unsecured interest-free advance of approximately HK\$0.6 million, which shall be repaid no later than 28 March 2005.

### **Capital structure**

As at 30 June 2004, the Company's total number of issued shares was 753,720,000 (31 December 2003: 753,720,000).

As at 30 June 2004, the Group had convertible redeemable note and bonds of an aggregate principal amount of HK\$16 million outstanding (31 December 2003: HK\$16 million). Such convertible note and bonds are unsecured, of which the HK\$7 million note bears interest at a rate of 8% per annum and the HK\$9 million bonds bear interest at a rate of 3% 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 2004 (six months ended 2003: Nil).

### **Segment comments**

As low profit margin and keen competition of existing business, the Group has determined to place less resources in existing business segment, and to put more effort in seeking new business opportunities that would generate a higher profitability. For the six months ended 30 June 2004, the turnover in the segment of Internet-based and Windows-based applications and web page design business dropped by 91% as compared to the corresponding period in 2003, which was caused by the keen market competition; whereas the turnover in the segment of website maintenance and technical support business dropped by 97% as compared to the same period in 2003, which was caused by the low profit margin in this segment.

## **Employee information**

As at 30 June 2004, the Group employed a total of 6 (31 December 2003: 9) employees. The staff costs, excluding directors' remuneration, were approximately HK\$383,000 (31 December 2003: HK\$835,000). 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 of the Company may be granted to the executive directors and full-time employees of the Group. The aim of the scheme is to recognize staff contribution to the Group and help the Group retain staff members.

## **Charges on group assets**

As at 30 June 2004, none of the Group's assets was pledged (31 December 2003: Nil).

## **Future plans for material investments or capital assets**

There was no specific plan for material investments and acquisition of material capital assets as at 30 June 2004, but the Group will continue to look for new business opportunities.

## **Gearing ratio**

As at 30 June 2004, the Group's gearing ratio was approximately -1.11 (31 December 2003: -1.23), based on the total borrowings of approximately HK\$16.6 million (31 December 2003: HK\$16.3 million) and deficiencies in assets of approximately HK\$15.0 million (31 December 2003: approximately HK\$13.2 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 2004, the Group and the Company had no significant contingent liabilities (31 December 2003: Nil).

## USE OF PROCEEDS

### Issue of new shares by way of placing 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 year ended 31 December 2003 and the period ended 30 June 2004 was in line with the proposed application as set out in a circular to shareholders of the Company dated 6 December 2002, as follows:

	<b>Amount extracted from the circular dated 6 December 2002 (after deduction of relevant expenses) <i>HK\$ million</i></b>	<b>Actual proceeds used up to 30 June 2004 <i>HK\$ million</i></b>
General working capital	<u>5.7</u>	<u>5.7</u>

### Issuance of convertible redeemable bonds in October 2003

In order to secure a long term financing resource and enhance the Group’s cash position, the Company issued the convertible redeemable bonds (the “Bonds”) of a principal amount of HK\$9 million to Sun Wah Net Investment Limited (“Sun Wah”) on 27 October 2003. The application of proceeds from the Bonds during the year ended 31 December 2003 and the period ended 30 June 2004 was in line with the proposed application as set out in a circular to shareholders of the Company dated 30 September 2003, as follows:

	<b>Amount extracted from the circular dated 30 September 2003 (after deduction of relevant expenses) <i>HK\$ million</i></b>	<b>Actual proceeds used up to 30 June 2004 <i>HK\$ million</i></b>
Repayment of Shareholder’s Loan	6.2	6.2
General working capital	<u>2.4</u>	<u>0.6</u>
Total	<u>8.6</u>	<u>6.8</u>

The remaining net proceeds as at 30 June 2004 was approximately HK\$1.8 million, which have been placed on short-term interest-bearing deposits with banks in Hong Kong.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 June 2004, the interests and short positions of the directors 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, Chapter 571 of the Laws of Hong Kong (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 5.46 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	Approximate percentage of the Company's issued share capital as at 30 June 2004	Number of Pre-IPO share options (Note 1)	Number of Post-IPO share options (Note 2)	Number of Shares and underlying shares of the Company
Mr. Choi Koon Ming ("Mr. Choi")	Beneficial owner	100% (directly)	–	–	5,024,000	7,500,000	12,524,000
Mr. Hui Ching Shan ("Mr. Hui")	Beneficial owner	100% (directly)	–	–	5,024,000	6,000,000	11,024,000
Mr. Ng Kam Yiu	Beneficial owner	100% (directly)	–	–	–	3,000,000	3,000,000
Mr. Chow Yeung Tuen, Richard	Beneficial owner	100% (directly)	–	–	–	3,000,000	3,000,000
Ms. Leung Wai Sze	Beneficial owner	100% (directly)	–	–	–	4,000,000	4,000,000
Mr. Luan Shusheng ("Mr. Luan")	(a) Through a controlled corporation (Note 3) (b) Beneficial owner	(a) Through a controlled corporation (Note 3) (b) 100% (directly)	(a) 100,000,000 (Note 3)	13.3%	–	(b) 6,000,000	106,000,000
Mr. Chau Chi Man	Beneficial owner	100% (directly)	–	–	–	3,000,000	3,000,000

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.

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

Name of directors	Date of grant of share options	Number of Shares underlying the Post-IPO share options as at		Exercise period of share options	Exercise price of share options HK\$
		1 January and 30 June 2004			
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
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, 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 June 2004, none of the directors 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 5.46 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 June 2004 are set out in the section headed “Directors’ interests and short positions in the shares and underlying shares” above.

As at 30 June 2004, 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 directors/employees to subscribe for Shares during a period of five years after completion of his/her first year service with the Group. There were 1,500,000 Post-IPO share options lapsed upon the resignation of an employee of the Group during the year 2003. 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 to 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 2004	Granted/Lapsed during the period under review	As at 30 June 2004
Directors of the Company In aggregate ( <i>note 1</i> )	32,500,000	–	32,500,000
Employees In aggregate	1,000,000	–	1,000,000
	<u>33,500,000</u>	<u>–</u>	<u>33,500,000</u>

*Notes:*

- (1) Details of the Post-IPO share options granted to the directors of the Company are set out in the section headed “Directors’ interests and short positions in the shares and underlying shares” above.
- (2) None of the Post-IPO share options granted and outstanding as at 1 January 2004 was cancelled during the period under review.

### 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 June 2004, the following persons (other than the directors 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 and nature of interest	Number of Shares held	Percentage of issued share capital of the Company as at 30 June 2004	Number of underlying shares of the Company held	Number of Shares and underlying shares of the Company
global.com Investments Corp. (Note 1)	Beneficial owner	155,570,000	20.6%	–	155,570,000
Santana Enterprises Limited (Note 1)	Through a controlled corporation	155,570,000	20.6%	–	155,570,000
Yuen Fat Ching (Note 1)	Settlor	155,570,000	20.6%	–	155,570,000
Bornwise Investments Limited (Note 2)	Security interest	155,570,000	20.6%	–	155,570,000
Cheung Wo Sin (Note 2)	Through a controlled corporation	155,570,000	20.6%	–	155,570,000
Glory Cyber (Note 3)	Beneficial owner	100,000,000	13.3%	–	100,000,000
Mr. Luan (Note 3)	Through a controlled corporation	100,000,000	13.3%	6,000,000	106,000,000
Sun Wah (Note 4)	Beneficial owner	95,474,000	12.7%	320,000,000	415,474,000
Sun Wah Hi-Tech Holdings Limited (Note 4)	Through a controlled corporation	95,474,000	12.7%	320,000,000	415,474,000
Choi Koon Shum (Note 4)	Through a controlled corporation	95,474,000	12.7%	320,000,000	415,474,000
Tai Lee Assets Limited (Note 5)	Beneficial owner	94,406,000	12.5%	–	94,406,000
Tsoi Siu Lan, Mazie (Note 5)	Through a controlled corporation	94,406,000	12.5%	–	94,406,000
Ceroilfood Finance Limited (Note 6)	Beneficial owner	83,022,000	11.0%	–	83,022,000
China National Cereals Oils and Footstuffs Import and Export Corporation (Note 6)	Through a controlled corporation	83,022,000	11.0%	–	83,022,000

*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 the 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 and interest of 6,000,000 share options are also set out in the section headed “Directors’ interests and short positions in the shares and underlying shares” above.
- (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. As at 30 June 2004, Sun Wah was also the holder of convertible redeemable note and bonds of an aggregate principal amount of HK\$16 million issued by the Company, upon exercise of the conversion rights attaching thereto would entitle Sun Wah to subscribe for 320,000,000 Shares, representing about 29.8% 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 that date.
- (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 the import and export of cereals, oil and foodstuffs in The People’s Republic of China (the “PRC”).

Save as disclosed above, as at 30 June 2004, the directors of the Company were not aware of any other person (other than the directors of the Company) who had an interest or short position in the Shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

## **OTHER INTERESTS DISCLOSEABLE UNDER THE SFO**

Save as disclosed in the paragraphs headed “Directors’ interests and short positions in the shares and underlying shares” 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 and underlying Shares that is discloseable under the SFO.

## **AUDIT COMMITTEE**

The Company has an audit committee established with written terms of reference. The audit committee now 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 months ended 30 June 2004 have been reviewed by the audit committee, who 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.

In view of the amendments to the GEM Listing Rules which became effective on 31 March 2004, the audit committee will be reconstituted upon the appointment of an additional independent non-executive director in compliance with Rule 5.05 of the GEM Listing Rules.

## **COMPLIANCE WITH RULES 5.35 TO 5.45 OF THE GEM LISTING RULES**

The Company has complied with the board practices and procedures as set out in Rules 5.35 to 5.45 of the GEM Listing Rules throughout the period under review.

## **COMPETITION AND CONFLICT OF INTERESTS**

Mr. Luan, a director of the Company who is indirectly 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), 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. 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 directors, 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 under review.

By Order of the Board  
**Choi Koon Ming**  
*Chairman*

Hong Kong, 4 August 2004