

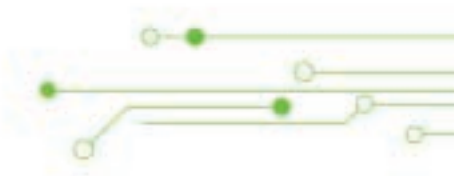


Third Quarterly Report **2004**

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.

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 2004

HIGHLIGHTS

- The unaudited turnover of the Group for the nine months ended 30 September 2004 was approximately HK\$85,000.
- The Group recorded an unaudited loss attributable to shareholders of approximately HK\$2,854,000 for the nine months ended 30 September 2004.
- Loss per share was approximately HK0.38 cent for the nine months ended 30 September 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 the nine months ended 30 September 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 the nine months ended 30 September 2004

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Turnover	2	42	107	85	604
Cost of sales		(85)	(82)	(267)	(291)
Gross (loss)/profit		(43)	25	(182)	313
Other revenue		6	15	17	69
Selling and distribution expenses		(36)	(44)	(99)	(159)
Administrative expenses		(723)	(884)	(1,967)	(3,667)
LOSS FROM OPERATING ACTIVITIES	3	(796)	(888)	(2,231)	(3,444)
Finance costs	4	(209)	(207)	(623)	(723)
LOSS BEFORE TAX		(1,005)	(1,095)	(2,854)	(4,167)
Tax	5	—	—	—	—
LOSS BEFORE MINORITY INTERESTS		(1,005)	(1,095)	(2,854)	(4,167)
Minority interests		—	—	—	—
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		(1,005)	(1,095)	(2,854)	(4,167)
LOSS PER SHARE – basic	6	HK0.13 cent	HK0.15 cent	HK0.38 cent	HK0.55 cent

Notes:

1. Basis of preparation

The unaudited consolidated profit and loss accounts have been prepared under the historical cost convention in accordance with Hong Kong Statements of Standard Accounting Practice and accounting principles generally accepted in Hong Kong 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 third quarterly report 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 September		Nine months ended 30 September	
	2004 (Unaudited) HK\$’000	2003 (Unaudited) HK\$’000	2004 (Unaudited) HK\$’000	2003 (Unaudited) HK\$’000
Crediting:				
Interest Income	<u>6</u>	<u>14</u>	<u>17</u>	<u>54</u>
Charging:				
Cost of services provided	85	82	267	291
Auditors’ remuneration	69	65	189	189
Provision for doubtful debts	–	–	–	2
Depreciation	<u>19</u>	<u>25</u>	<u>61</u>	<u>134</u>

4. Finance costs

	Three months ended 30 September		Nine months ended 30 September	
	2004 (Unaudited) HK\$’000	2003 (Unaudited) HK\$’000	2004 (Unaudited) HK\$’000	2003 (Unaudited) HK\$’000
Interest on convertible redeemable notes	<u>209</u>	<u>207</u>	<u>623</u>	<u>723</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 nine months ended 30 September 2004 and the corresponding periods in 2003.

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 and nine months ended 30 September 2004 and the corresponding periods in 2003.

The Group did not have any significant unprovided deferred tax liabilities in respect of the three months and nine months ended 30 September 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 the nine months ended 30 September 2004 of HK\$1,005,000 and HK\$2,854,000 respectively (three months and nine months ended 30 September 2003: HK\$1,095,000 and HK\$4,167,000 respectively) and the weighted average number of 753,720,000 ordinary shares of the Company in issue (three months and nine months ended 30 September 2003: 753,720,000 shares).

Diluted loss per share for the three months and nine months ended 30 September 2004 and that for the three months and nine months ended 30 September 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. 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 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>
At 1 January 2004	15,796	(66,642)	(10)	(50,856)
Loss for the period	–	(912)	–	(912)
At 31 March 2004 and 1 April 2004	15,796	(67,554)	(10)	(51,768)
Loss for the period	–	(937)	–	(937)
At 30 June 2004 and 1 July 2004	15,796	(68,491)	(10)	(52,705)
Loss for the period	–	(1,005)	–	(1,005)
At 30 September 2004	<u>15,796</u>	<u>(69,496)</u>	<u>(10)</u>	<u>(53,710)</u>

8. Interim dividend

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the nine months ended 30 September 2004, the Group recorded unaudited turnover of approximately HK\$85,000. During this period, the Group adopted stringent cost control measures, thereby reducing the expenditure by 46% to HK\$2,066,000, as compared to the corresponding periods in 2003. The Group has successfully narrowed its loss attributable to shareholders by 32% to HK\$2,854,000, as compared to the loss of HK\$4,167,000 over the same period in 2003. The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2004.

Strategy review

During the period under review, the Group has taken tight measures in cost control in order to ensure the effectiveness of all facets of operations.

The Group has been making efforts to consolidate resources, strengthen management and explore new business opportunities as to improve the Groups performance.

Outlook

Although the IT markets are still flat at the moment, the implementation of the Mainland China and Hong Kong Closer Economic Partnership Arrangement (CEPA), Pan-Pearl River Delta cooperation scheme and Asian Games are going to be translated into, as the management of the Group believes, a huge investment in high-tech fields. The Board believes that the Group will successfully explore new business opportunities as the economy continues to improve.

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

As at 30 September 2004, the interests or 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 (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 September 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)	–	–	–	7,500,000	7,500,000
Mr. Hui Ching Shan ("Mr. Hui") (resigned on 21 October 2004)	Beneficial owner	100% (directly)	–	–	5,024,000 (lapsed)	6,000,000 (lapsed)	11,024,000 (lapsed)
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
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 (resigned on 21 October 2004)	Beneficial owner	100% (directly)	–	–	–	3,000,000 (lapsed)	3,000,000 (lapsed)

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 1 January and 30 September 2004	Exercise period of share options	Exercise price of share options HK\$
Mr. Hui (resigned on 21 October 2004)	25 October 2000	5,024,000 (lapsed)	25 October 2001 to 24 October 2004	0.25

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 1 January and 30 September 2004	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 (resigned on 21 October 2004)	21 January 2003	6,000,000 (lapsed)	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 (resigned on 21 October 2004)	30 April 2003	3,000,000 (lapsed)	8 April 2004 to 7 April 2009	0.1084
		<u>28,500,000</u>	(9,000,000 share options lapsed on 21 October 2004)	

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 2004, none of the directors of the Company had any interests or 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.

INTERESTS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 September 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 September 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 Net Investment Limited (“Sun Wah”) (Note 4)	Beneficial owner	95,474,000	12.7%	320,000,000	415,474,000

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 September 2004	Number of underlying shares of the Company held	Number of Shares and underlying shares of the Company
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 September 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 September 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 Section 336 of SFO.

AUDIT COMMITTEE

The Company has an audit committee established with written terms of reference. The audit committee now has three members comprising the three independent non-executive directors, Messrs. Cho Po Hong, Jimmy (Committee Chairman), Chik Sun Cheung and Ms. Ho Suk Yin, JP. 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 nine months ended 30 September 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.

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.

By Order of the Board
Glory Future Group Limited
Choi Koon Ming
Chairman

Hong Kong, 8 November 2004

As at the date hereof, the executive directors are Messrs. Choi Koon Ming, Luan Shusheng, Ng Kam Yiu and Chow Yeung Tuen, Richard; the non-executive director is Ha Kee Choy, Eugene; and the independent non-executive directors are Messrs. Cho Po Hong, Jimmy, Chik Sun Cheung and Ms. Ho Suk Yin, JP.