

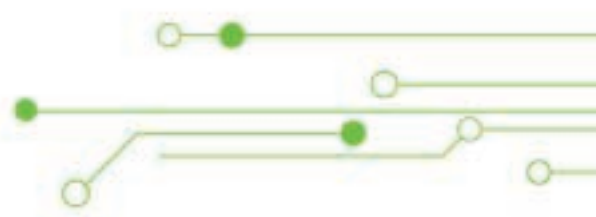
Glory Future

Annual Report 2004

光彩未來集團
Glory Future Group

Glory Future Group Limited

(incorporated in the Cayman Islands with limited liability)





Important Notice

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.



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Choi Koon Ming (*Chairman*)
Mr. Luan Shusheng (*Vice-chairman*)
Mr. Ng Kam Yiu (*Deputy Managing Director*)
Mr. Chow Yeung Tuen, Richard

Non-executive Director

Mr. Ha Kee Choy, Eugene

Independent Non-executive Directors

Mr. Cho Po Hong, Jimmy
Mr. Chik Sun Cheung
Ms. Ho Suk Yin, JP

COMPANY SECRETARY

Mr. Tsui Chun Kuen, CPA, FAIA

QUALIFIED ACCOUNTANT

Mr. Tsui Chun Kuen, CPA, FAIA

COMPLIANCE OFFICER

Mr. Ng Kam Yiu

AUTHORISED REPRESENTATIVES

Mr. Chow Yeung Tuen, Richard
Mr. Ng Kam Yiu

AUDIT COMMITTEE

Mr. Cho Po Hong, Jimmy
(*Committee Chairman*)
Mr. Chik Sun Cheung
Ms. Ho Suk Yin, JP

AUDITORS

Grant Thornton
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
International Bank of Asia

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

7th Floor, San Kei Tower
56-58 Yee Wo Street
Causeway Bay
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

Principal registrar
Bank of Butterfield International (Cayman) Ltd
Butterfield House
Fort Street, P.O. Box 705
George Town, Grand Cayman
Cayman Islands

Branch registrar

Tengis Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong



Chairman's Statement

On behalf of the board of directors (the "Board") of Glory Future Group Limited (the "Company"), I hereby present to our shareholders the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2004 (the "year").

For the year, the Group's turnover and loss attributable to shareholders were approximately HK\$133,000 and approximately HK\$3,765,000, representing a decrease of 87.5% and 34.6%, respectively, as compared with the previous year.

Year 2004 continued to be difficult and a downturn in the business performance was recorded. The Group is mainly engaged in web page design services, website application and technical support business in Hong Kong. After the signing of the "Closer Economic Partnership Arrangement between Hong Kong and the Chinese Mainland" (CEPA), Hong Kong's economy gradually recovered in 2004. However, the IT markets are still flat, and as a result competition in website business has intensified.

Under such circumstances, the Group will initiate a thorough review on its strategies and operations in the year.

Finally, on behalf of the Board, I would like to express my gratitude to the shareholders and professional advisors for their continuous support to the Company over the year, and to sincerely thank the management and staff for their dedication and diligence.

Choi Koon Ming

Chairman

Hong Kong, 22 March 2005

Management Discussion and Analysis

OVERVIEW

The world's economy is moving in a positive direction with a worldwide economic recovery or expansion underway that helps corporate earnings. Under the local circumstance, with the advent of the "Closer Economic Partnership Arrangement between Hong Kong and the Chinese Mainland II" (CEPA II) and Pan-Pearl River Delta corporation scheme, Hong Kong's economy has gradually recovered and competition among IT markets continues to be intense. In order to remain competitive, the Company and its subsidiaries (collectively the "Group") have taken tight measures in cost controls in its existing business and continued to explore new investment opportunities in other areas so as to optimise the shareholders' interest.

OPERATIONAL REVIEW

Due to keen competition, the Group recorded weak results for the year. To remedy the weakness, the Group has started to look for opportunities to diversify its revenue base and improve its trading performance.

FINANCIAL REVIEW

Liquidity and financial resources

The Group financed its operations primarily with internally generated cash flow 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 31 December 2004, the Group had cash and cash equivalent of approximately HK\$0.9 million (2003: HK\$4.3 million). During the year, the Group utilised approximately HK\$3.5 million to finance its operations (2003: HK\$4.7 million).

As at 31 December 2004, the Group had total outstanding borrowings of approximately HK\$17.3 million (2003: HK\$16.6 million). The borrowings mainly comprised an unsecured convertible redeemable note in the principal amount of HK\$7 million, which will mature on 28 March 2005 and the unsecured convertible redeemable bonds in the principal amount of HK\$9 million, which will mature on 27 October 2006 together with an unsecured interest-free advance of approximately HK\$0.8 million, which shall be repaid no later than 28 March 2005, and amount due to a minority shareholder of a subsidiary of HK\$0.4 million (2003: HK\$0.4 million), which is unsecured, interest free and not repayable within twelve months from 31 December 2004.

Management Discussion and Analysis

Capital structure

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

As at 31 December 2004, the Group had convertible redeemable note and bonds of an aggregate principal amount of HK\$16 million outstanding (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 year. There were no material acquisitions or disposals of subsidiaries and affiliated companies during the year (2003: Nil).

Segment comments

Due to the market competition and low profit margin, turnover in the segment Internet-based and Windows-based applications and web page design services dropped by approximately 87%, turnover for Website maintenance and technical support services dropped by approximately 97%.

All of the Group's turnover during the year were generated in the Hong Kong market.

Employee information

As at 31 December 2004, the Group employed a total of 6 (2003: 9) employees. The staff costs, excluding directors' remuneration, were approximately HK\$859,000 (2003: HK\$835,000). The decrease in staff costs was mainly attributable to the reduction in the number of staff during the year.

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 operates 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 recognise staff outstanding performance and help the Group retain key staff members.



Management Discussion and Analysis

Charges on group assets

As at 31 December 2004, none of the Group's assets was pledged (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 31 December 2004, but the Group will continue to look for new business opportunities.

Gearing ratio

As at 31 December 2004, the Group's gearing ratio was approximately -1.02 (2003: -1.26), based on the total borrowings of approximately HK\$17.3 million (2003: HK\$16.6 million) and deficiencies in assets of approximately HK\$16.9 million (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 year. 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 31 December 2004, the Group had no significant contingent liabilities (2003: Nil).

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Choi Koon Ming, aged 36, joined the Group on 8 August 2000 as the Chairman of the Company. Mr. Choi is responsible for formulating the overall strategic planning of the Group. He holds a Bachelor of Arts degree from the University of British Columbia. He is also an executive director of SW Kingsway Capital Holdings Ltd. He is the brother of Mr. Choi Koon Shum, the ultimate beneficial owner of Sun Wah Net Investment Limited.

Mr. Luan Shusheng, aged 42, joined the Group on 12 February 2003 as the Vice-chairman of the Company. Mr. Luan is responsible for overseeing the entire business operation of the Group. He has over 10 years of experience in Internet-related business and is a Senior Engineer. Mr. Luan earned a Master Degree in Material Management Engineering (Computing Application) from the Northern Jiaotong University in Beijing in 1986. He founded and served as the General Manager in a number of information technology companies in the PRC. Mr. Luan is also a director and substantial shareholder of Glory Cyber Company Ltd.

Mr. Ng Kam Yiu, aged 42, joined the Group on 8 January 2003 as the Deputy Managing Director of the Company. Mr. Ng is responsible for statutory compliance and business development of the Group. He has extensive experience in auditing and accounting. He acts as director of a number of subsidiaries of Sun Wah Hi-Tech Holdings Limited. He is also a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Mr. Chow Yeung Tuen, Richard, aged 48, joined the Group on 20 August 2001. Mr. Chow is a Certified Public Accountant with over 21 years of experience in auditing and taxation. Mr. Chow is also a Barrister of England and Wales. He acts as director of a number of subsidiaries of Sun Wah Group. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Company Secretaries and the Taxation Institute of Hong Kong. He holds a Master Degree in Business Administration from the University of East Asia, Macau.

Non-executive Director

Mr. Ha Kee Choy, Eugene, aged 47, joined the Group on 25 October 2000. Mr. Ha has over 14 years of experience in the finance and banking industry. He is a fellow member of the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong. He holds a Master Degree in Business Administration.

Directors and Senior Management

Independent Non-executive Directors

Mr. Cho Po Hong, Jimmy, aged 34, joined the Group on 1 November 2001. Mr. Cho is the Deputy Managing Director of Multifield International Holdings Limited and the Oriental Explorer Holdings Limited, both companies are listed on the Main Board of the Stock Exchange. He is responsible for overseeing overall operations and formulating the Corporate Strategy of both companies. He has over 12 years of experience in corporate finance and property development and management. He has been involved in financial services and property industry for over 10 years with a number of listed companies. He is an associate member of CPA Australia. He also holds an Honorary Bachelor Degree in Finance from the University of Washington in Seattle, USA, a Master Degree in Business Administration from the University of Adelaide, Australia and a Master Degree of Science in e-commerce from the University of Hong Kong.

Mr. Chik Sun Cheung, aged 52, joined the Group on 1 November 2004. Mr. Chik has extensive experience in distribution and production of movies, Japanese animation and television programming products. He holds a Bachelor Degree in Arts from Chu Hai College in Hong Kong.

Ms. Ho Suk Yin, JP, aged 54, joined the Group on 30 September 2004. She was awarded the Badge of Honor in 1995 and appointed Justice of the Peace since 1996. She is currently member of Employees' Retraining Board, member of Road Safety Campaign Committee, council member of HK Award for Young People, member of the Steering Committee on Youth Development Centre, member of the SCOLAR, member of Municipal Services Appeals Board and member of the Railway Objections Hearing Panel. Ms. Ho is an independent non-executive director of Soundwill Holdings Limited, a Company listed on the Main Board of the Stock Exchange. She holds a Master Degree in Business Administration from University of Santa Barbara California, U.S.A.

SENIOR MANAGEMENT

Mr. Tsui Chun Kuen, aged 54, is the financial controller, qualified accountant and the company secretary of the Company. Mr. Tsui holds a master degree of business administration from the University of East Asia in Macau in 1991. He is a fellow member of the Association of International Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group in September 2004, he served as a financial controller and a company secretary of a company listed on the GEM.



Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 14 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2004 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 23 to 57.

The directors do not recommend the payment of any dividend in respect of the year.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements of the Company, is set out on page 58 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in note 21 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 22 to the financial statements and in the consolidated statement of changes in equity, respectively.

Report of the Directors

DISTRIBUTABLE RESERVES

In accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business. The Company's share premium account, in the amount of HK\$15,796,000, may also be distributed in the form of fully paid bonus shares. Since the accumulated losses of the Company exceeded the amount standing to the credit of its share premium account as at 31 December 2004, the Company did not have any reserves available for distribution.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its shares during the year. Neither the Company, nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the percentage of sales and purchases attributable to the Group's major customers and suppliers were as follows:

- (i) The aggregate amount of turnover attributable to the Group's five largest customers represented 97% of the total turnover for the year. The turnover from the Group's largest customer represented 36% of the Group's total turnover for the year.
- (ii) The aggregate amount of purchases attributable to the Group's five largest suppliers represented the total purchases for the year. The purchases from the Group's largest supplier represented 49% of the Group's total purchases for the year.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS (continued)

As far as the directors are aware, other than Sun Wah Net Investment Limited ("Sun Wah"), a substantial shareholder of the Company, which is also a fellow subsidiary of Sun Wah Hi-Tech (H.K.) Limited and Sun Wah Media Holdings Limited, two of the top five customers of the Group for the year ended 31 December 2004, none of the directors of the Company or any of their associates, or any shareholders (which, to the knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Executive directors

Mr. Choi Koon Ming ("Mr. Choi")

Mr. Chow Yeung Tuen, Richard ("Mr. Chow")

Mr. Ng Kam Yiu ("Mr. Ng")

Mr. Luan Shusheng ("Mr. Luan")

Ms. Leung Wai Sze ("Ms. Leung") (Resigned on 1 September 2004)

Mr. Hui Ching Shan ("Mr. Hui") (Resigned on 21 October 2004)

Mr. Chau Chi Man ("Mr. Chau") (Resigned on 21 October 2004)

Non-executive director

Mr. Ha Kee Choy, Eugene ("Mr. Ha")

Independent non-executive directors

Mr. Cho Po Hong, Jimmy ("Mr. Cho")

Ms. Ho Suk Yin ("Ms. Ho") (Appointed on 30 September 2004)

Mr. Chik Sun Cheung ("Mr. Chik") (Appointed on 1 November 2004)

Mr. Chan Yan Tin, Andrew ("Mr. Chan") (Resigned on 1 November 2004)



Report of the Directors

DIRECTORS (continued)

In accordance with article 86(3) of the Company's articles of association, Mr. Chik and Ms. Ho will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

In accordance with article 87(1) and (2) of the Company's articles of association, Mr. Chow and Mr. Luan will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 to 9 of the annual report.

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Except as disclosed in note 23 to the financial statements, no director had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Report of the Directors

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At the balance sheet date, the interests and short positions of the directors in the share capital of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rule 5.40 of the Rules Governing the Listing of Securities (the "GEM Listing Rules") on The Growth Enterprise Market (the "GEM") of the Stock Exchange, were as follows:

Long positions in ordinary 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 31 December 2004	Number of Post-IPO share options (Note 1)	Number of shares and underlying shares of the Company
Mr. Choi	Beneficial owner	100% (directly)	-	-	7,500,000	7,500,000
Mr. Ng	Beneficial owner	100% (directly)	-	-	3,000,000	3,000,000
Mr. Chow	Beneficial owner	100% (directly)	-	-	3,000,000	3,000,000
Mr. Luan	(a) Through a controlled corporation (Note 2) (b) Beneficial owner	(a) Through a controlled corporation (Note 2) (b) 100% (directly)	(a) 100,000,000 (Note 2)	13.3%	(b) 6,000,000	106,000,000

Report of the Directors

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Notes:

1. The interests of the directors in the share options of the Company are separately disclosed in note 21 to the financial statements.
2. 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. Mr. Luan is also a director of Glory Cyber. Glory Cyber's interest in the ordinary shares of the Company is also set out in the section headed "Interests and short position of shareholders discloseable under the SFO".

Save as disclosed above, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" above and in the share option scheme disclosures in note 21 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors or their respective spouse or minor children to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Detailed disclosures relating to the Company's share option scheme are set out in note 21 to the financial statements.

Report of the Directors

INTERESTS AND SHORT POSITION OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 December 2004, the following interests of 5% or more in the issued share capital, share options and convertible redeemable notes of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of issued share capital of the Company	Number of underlying shares of the Company held	Number of ordinary 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

Report of the Directors

INTERESTS AND SHORT POSITION OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of issued share capital of the Company	Number of underlying shares of the Company held	Number of ordinary 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.

Report of the Directors

INTERESTS AND SHORT POSITION OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

- (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. The indirect interest of Mr. Luan in the 100,000,000 ordinary shares held by Glory Cyber and interest of 6,000,000 share options are also set out in the section "Directors' interests and short positions in 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 the date of this report, Sun Wah is 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 ordinary shares of HK\$0.05 each in the Company, representing approximately 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 the date of this report.
- (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, no person other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" and shareholders, whose interests are set out in "Interests and short position of shareholders discloseable under the SFO" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

ADVANCE TO ENTITIES

The Group continues to record net deficiencies in assets of approximately HK\$16.9 million as at 31 December 2004. As the net tangible value of the Group was negative, the other receivables ("Other Receivables") of the Group as at 31 December 2004 give rise to a disclosure obligation under Rule 17.22 of the GEM Listing Rules, the information specified under Rule 17.17 was included as follows:

Other Receivables	As at 31 December 2004
	HK\$'000
Utility deposits (Note 1)	8
Prepayments (Note 2)	14
	22

Report of the Directors

ADVANCE TO ENTITIES (continued)

Notes:

1. The utility deposits paid comprise the following items:

	HK\$'000
Electricity deposits paid to The Hongkong Electric Co, Ltd.	4
IDD deposit paid to SmarTone Mobile Communications Limited	2
Others	2
	8

2. The breakdown of the prepayments is as follows:

	HK\$'000
Computer server maintenance paid to PCCW Limited	4
Annual registration fee for domain name paid to Finetop Technology Limited	3
Medical insurance paid to Blue Cross	3
Office insurance paid to Mansion Insurance Services Limited	2
Others	2
	14

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 and were unsecured and non-interest bearing.

CONTRACT OF SIGNIFICANCE

During the year, the Group has not entered into any contract of significance with its controlling shareholder or any of its subsidiaries.

During the year, no contract of significance for the provision of services to the Group by a controlling shareholder or any of its subsidiaries has been made.



Report of the Directors

AUDIT COMMITTEE

The Company has an audit committee which was established with written terms of reference in compliance with the GEM Listing Rules. The audit committee has three members comprising the three independent non-executive directors, Mr. Cho (Committee Chairman), Mr. Chik and Ms. Ho. The primary duties of the audit committee are to review and supervise the financial reporting process, internal controls and risk management of the Group. During the year, the audit committee held four meetings. The Group's financial statements for the year ended 31 December 2004 have been reviewed by the audit committee who is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange requirements and other legal requirements, and that adequate disclosures have been made.

COMPETITION AND CONFLICT OF INTERESTS

Mr. Luan is currently in control of a group of companies in the PRC and Hong Kong (the "GF Group") principally engaged in the software development and trading of computer hardware and software. Glory Cyber, 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.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received written confirmations from all independent non-executive directors in respect of their independence during the year and all independent non-executive directors are still being considered to be independent.



Report of the Directors

COMPLIANCE WITH RULES 5.34 TO 5.45 OF THE GEM LISTING RULES

In the opinion of the directors, the Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules during the period (in force prior to 1 January 2005 and applicable to the results announcement of the Company for the year) covered by the annual report except that non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with article 87(1) and (2) of the Company's articles of association.

AUDITORS

Ernst & Young resigned as auditors of the Company with effect from 10 December 2004 and Grant Thornton were appointed on 6 January 2005 by the shareholders of the Company at an extraordinary general meeting to fill the casual vacancy so arising. There have been no other changes of auditors in the preceding three years. A resolution for the Company to re-appoint Grant Thornton as auditors of the Company will be proposed at the forthcoming annual general meeting.

By Order of the Board

Choi Koon Ming

Chairman

Hong Kong

22 March 2005

Report of the Auditors

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton 
均富會計師行

To the members of
Glory Future Group Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 23 to 57 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants

Hong Kong
22 March 2005

Consolidated income statement

For the year ended 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Turnover	5	133	1,063
Cost of sales		(324)	(932)
Gross (loss)/profit		(191)	131
Other revenue		24	81
Selling and distribution expenses		(129)	(212)
Administrative expenses		(2,637)	(4,843)
Loss from operating activities	6	(2,933)	(4,843)
Finance costs	7	(832)	(913)
Loss before tax		(3,765)	(5,756)
Tax	10	–	–
Loss before minority interests		(3,765)	(5,756)
Minority interests		–	–
Loss attributable to shareholders		(3,765)	(5,756)
Loss per share	12		
– Basic		HK0.50 cent	HK0.76 cent
– Diluted		N/A	N/A

Consolidated Balance Sheet

As at 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	118	171
Current assets			
Prepayments, deposits and other receivables		22	191
Cash and bank balances		893	4,349
		915	4,540
Current liabilities			
Accounts payable	15	–	(37)
Accrued liabilities, deposits and other payables		(653)	(1,048)
Due to a related company	16	–	(113)
Other loan	17	(71)	–
Unsecured and interest-free advances	18	(843)	–
Convertible redeemable notes	19	(7,000)	–
		(8,567)	(1,198)
Net current (liabilities)/assets		(7,652)	3,342
Total assets less current liabilities		(7,534)	3,513
Non-current liabilities			
Due to a minority shareholder of a subsidiary	20	(401)	(401)
Unsecured and interest-free advance	18	–	(282)
Convertible redeemable notes	19	(9,000)	(16,000)
		(9,401)	(16,683)
		(16,935)	(13,170)
CAPITAL AND RESERVES			
Issued capital	21	37,686	37,686
Reserves	22(a)	(54,621)	(50,856)
		(16,935)	(13,170)

Choi Koon Ming
Director

Chow Yeung Tuen, Richard
Director

Balance Sheet

As at 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	14	–	–
Current assets			
Prepayments		–	169
Due from a subsidiary	14	–	3
Cash and bank balances		588	3,861
		588	4,033
Current liabilities			
Accrued liabilities and other payables		(201)	(445)
Due to a subsidiary	14	(3)	(3)
Unsecured and interest-free advances	18	(843)	–
Convertible redeemable notes	19	(7,000)	–
		(8,047)	(448)
Net current (liabilities)/assets		(7,459)	3,585
Total assets less current liabilities		(7,459)	3,585
Non-current liabilities			
Unsecured and interest-free advance	18	–	(282)
Convertible redeemable notes	19	(9,000)	(16,000)
		(9,000)	(16,282)
		(16,459)	(12,697)
CAPITAL AND RESERVES			
Issued capital	21	37,686	37,686
Reserves	22(b)	(54,145)	(50,383)
		(16,459)	(12,697)

Choi Koon Ming
Director

Chow Yeung Tuen, Richard
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2004

	Notes	2004 HK\$'000	2003 HK\$'000
Cash flows from operating activities			
Loss before tax		(3,765)	(5,756)
Adjustments for:			
Depreciation	6	76	157
Provision for doubtful debts	6	–	2
Gain on disposal of property, plant and equipment	6	–	(1)
Interest income	6	(5)	(62)
Interest expense	7	832	913
Operating loss before working capital changes		(2,862)	(4,747)
Decrease in accounts receivable		–	148
Decrease in prepayments, deposits and other receivables		169	701
Decrease in accounts payable		(37)	(75)
Decrease in accrued liabilities, deposits and other payables		(395)	(190)
(Decrease)/Increase in an amount due to a related company		(113)	113
Cash used in operations		(3,238)	(4,050)
Interest paid		(271)	(674)
Net cash outflow from operating activities		(3,509)	(4,724)
Cash flows from investing activities			
Purchases of property, plant and equipment		(23)	(211)
Proceeds from disposal of property, plant and equipment		–	1
Interest received		5	62
Net cash outflow from investing activities		(18)	(148)

Consolidated Cash Flow Statement

For the year ended 31 December 2004

	2004 HK\$'000	2003 HK\$'000
Cash flows from financing activities		
Increase in other loan	71	–
Net proceeds from issue of convertible redeemable notes	–	2,761
Net cash inflow from financing activities	71	2,761
Net decrease in cash and cash equivalents	(3,456)	(2,111)
Cash and cash equivalents at beginning of year	4,349	6,460
Cash and cash equivalents at end of year	893	4,349
Analysis of balances of cash and cash equivalents		
Cash and bank balances	893	4,349

Consolidated Statement of Changes in Equity

For the year ended 31 December 2004

	Issued share capital HK\$'000	Share premium account HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2003	37,686	15,796	(10)	(60,886)	(7,414)
Loss for the year	–	–	–	(5,756)	(5,756)
At 31 December 2003 and 1 January 2004	37,686	15,796	(10)	(66,642)	(13,170)
Loss for the year	–	–	–	(3,765)	(3,765)
At 31 December 2004	37,686	15,796*	(10)*	(70,407)*	(16,935)

* These reserve accounts comprise the consolidated reserves of HK\$(54,621,000) (2003: HK\$(50,856,000)) in the consolidated balance sheet.

Notes to Financial Statements

For the year ended 31 December 2004

1. BASIS OF PRESENTATION

The financial statements have been prepared on a going concern basis, notwithstanding that the Group and the Company had net current liabilities and net deficiencies in assets as at 31 December 2004. In the opinion of the directors, the liquidity of the Group can be maintained in the forthcoming year, after taking into consideration the undertaking made by Sun Wah Net Investment Limited ("Sun Wah"), a substantial shareholder of the Company, to the Company to provide continual financial support to the Group so as to enable the Group to continue its day to day operations as a viable going concern up to 31 December 2005 inclusive.

The directors are of the opinion that, in view of the measure taken above, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the financial statements have been prepared on a going concern basis.

2. CORPORATE INFORMATION

During the year, the Group was involved in the following principal activities:

- provision of Internet-based and Windows-based applications and web page design services
- provision of website maintenance and technical support services

3. PRINCIPAL ACCOUNTING POLICIES

(a) Recently issued accounting standards

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005.

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

Notes to Financial Statements

For the year ended 31 December 2004

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(b) Basis of preparation

These financial statements have been prepared in accordance with and comply with all applicable Hong Kong Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2004. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

(d) Subsidiaries

A subsidiary is a company whose financial and operating policies are controlled by the Company, directly or indirectly, so as to enable the Company to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

(e) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Notes to Financial Statements

For the year ended 31 December 2004

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over the following estimated useful lives:

Furniture, fixtures and fittings	3 to 5 years
Computer and office equipment	3 years

The gain or loss on disposal or retirement of property, plant and equipment recognised in the income statement is the difference between the net sales proceeds and the carrying amount of the relevant asset.

(g) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

(h) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash at bank and on hand, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Notes to Financial Statements

For the year ended 31 December 2004

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the income statement in the period in which it arises.

(j) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

(k) Income tax

Income tax comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes to Financial Statements

For the year ended 31 December 2004

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(k) Income tax (Continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are not discounted. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

(l) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the rendering of services, when the relevant services have been rendered; and
- (b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Notes to Financial Statements

For the year ended 31 December 2004

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(m) Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the income statement.

On consolidation, the financial statements of overseas subsidiaries are translated to Hong Kong dollars using the net investment method. The income statement of overseas subsidiaries are translated to Hong Kong dollars at the weighted average exchange rates for the year. The balance sheets of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates at the dates of cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

(n) Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries or the maximum mandatory contributions as required by the MPF Scheme and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

Notes to Financial Statements

For the year ended 31 December 2004

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(o) Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

4. 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.

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

- (a) the provision of Internet-based and Windows-based applications and web page design services segment provides application development work, web page development work, and online trade show and exhibition services; and
- (b) the website maintenance and technical support services segment represents the provision of monthly service for maintaining and updating website and consultation services relating to the implementation and application of computer systems.

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.

There was no intersegment sale and transfer during the year (2003: Nil).

Notes to Financial Statements

For the year ended 31 December 2004

4. SEGMENT INFORMATION (Continued)

(a) Business segments

The following tables present revenue, loss and asset, liability and expenditure information for the Group's business segments.

	Internet-based and Windows-based applications and web page design services		Website maintenance and technical support services		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	131	1,002	2	61	133	1,063
Segment results	(322)	(108)	2	24	(320)	(84)
Interest income					5	62
Other revenue					19	19
Unallocated expenses					(2,637)	(4,840)
Loss from operating activities					(2,933)	(4,843)
Finance costs					(832)	(913)
Loss before tax					(3,765)	(5,756)
Tax					-	-
Loss before minority interests					(3,765)	(5,756)
Minority interests					-	-
Loss attributable to shareholders					(3,765)	(5,756)

Notes to Financial Statements

For the year ended 31 December 2004

4. SEGMENT INFORMATION (Continued)

(a) Business segments (Continued)

	Internet-based and Windows-based applications and web page design services		Website maintenance and technical support services		Consolidated	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment asset	116	160	2	15	118	175
Unallocated assets	-	-	-	-	915	4,536
Total assets					1,033	4,711
Segment liabilities	234	384	-	1	234	385
Unallocated liabilities	-	-	-	-	17,734	17,496
Total liabilities					17,968	17,881
Other segment information :						
Depreciation	75	147	1	10	76	157
Other non-cash expenses	-	-	-	2	-	2
Capital expenditure	23	198	-	13	23	211

Notes to Financial Statements

For the year ended 31 December 2004

4. SEGMENT INFORMATION (Continued)

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

	Hong Kong		Mainland China		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	133	303	-	760	133	1,063
Other segment information :						
Segment assets	1,026	4,495	7	216	1,033	4,711
Capital expenditure	23	211	-	-	23	211

5. TURNOVER

Turnover represents the net invoiced value of services rendered.

Notes to Financial Statements

For the year ended 31 December 2004

6. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging/(crediting):

	2004 HK\$'000	2003 HK\$'000
Cost of services provided *	324	932
Auditors' remuneration	181	280
Staff costs (excluding directors' remuneration (note 8))		
Wages and salaries	859	835
Pension scheme contributions (defined contribution scheme)	51	34
	910	869
Provision for doubtful debts	–	2
Depreciation (note 13)	76	157
Gain on disposal of property, plant and equipment	–	(1)
Minimum lease payments under operating leases		
Land and buildings	177	768
Computer server	40	71
Exchange losses, net	–	1
Interest income	(5)	(62)

* Cost of services provided included HK\$234,000 (2003: HK\$303,000) relating to staff costs which are also included in the respective total amount disclosed above.

7. FINANCE COSTS

	Group	
	2004 HK\$'000	2003 HK\$'000
Interest on convertible redeemable notes	832	913

Notes to Financial Statements

For the year ended 31 December 2004

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities (the "GEM Listing Rules") on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Fees:		
Executive directors	–	180
Other emoluments of executive directors:		
Basic salaries, bonuses, housing benefits, other allowances and benefits in kind	535	735
Pension scheme contributions	18	24
	553	759

None of the non-executive or independent non-executive directors received any fees or other reimbursements or emoluments during the year.

Two executive directors each received an individual fee of HK\$ Nil (2003: HK\$90,000) for the year.

Two (2003: two) executive directors received individual emoluments of approximately HK\$333,000 and HK\$220,000 (2003: HK\$487,000 and HK\$272,000) during the year. No emoluments were paid to the remaining five (2003: five) executive directors during the year.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2003: Nil).

In addition to the above remuneration, in the year ended 31 December 2003, share options entitling holders thereof to subscribe for 32,500,000 shares were granted to certain directors in respect of their services to the Group. No value in respect of such share options granted has been charged to the income statement or is otherwise included in the above directors' remuneration disclosures. No share option is granted to any directors during the year.

Notes to Financial Statements

For the year ended 31 December 2004

8. DIRECTORS' REMUNERATION (Continued)

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office (2003: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2003: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining three (2003: three) non-director, highest paid employees for the year are as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	437	506
Pension scheme contributions	27	24
	464	530

The remuneration of each of the remaining three (2003: three) non-director, highest paid employees during the year fell within the range of nil to HK\$1,000,000 (2003: Nil to HK\$1,000,000).

During the year, no emoluments were paid by the Group to the five highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office (2003: Nil).

During the year ended 31 December 2003, 1,000,000 share options were granted to the two non-director, highest paid employees in respect of their services to the Group. No value in respect of the share options granted has been charged to the income statement, or is otherwise included in the above non-director, highest paid employees' remuneration disclosures.

10. TAX

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2003: Nil).

Notes to Financial Statements

For the year ended 31 December 2004

10. TAX (Continued)

During the year, provision for the profits tax of subsidiaries operating outside Hong Kong has not been provided as the subsidiaries did not generate any assessable profits in the respective jurisdictions during the year. No provision for profits tax of subsidiaries operating outside Hong Kong was made in last year as the Group had tax losses brought forward which was available to set off against the assessable profit arising in the respective jurisdictions.

The Group has tax loss arising from a subsidiary operating outside Hong Kong which is available for setting off against future taxable profit of that subsidiary for 5 years. Deferred tax asset has not been recognised in respect of the loss as it has arisen in a company that has been loss-making for some time.

As at 31 December 2004, the Group did not have any unprovided deferred tax liabilities (2003: Nil).

A reconciliation of the tax expense applicable to loss before tax using the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates are as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Loss before tax	(3,765)	(5,756)
Tax at the statutory rate of 17.5% in Hong Kong (2003: 17.5%)	(659)	(1,007)
Effect of different tax rates of the other jurisdictions	(22)	22
Income not subject to tax	–	(7)
Expenses not deductible for tax	343	1,037
Tax losses not recognised	338	2
Tax losses utilised from previous period	–	(47)
Tax charge at the Group's effective rate	–	–

11. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders dealt with in the financial statements of the Company for the year ended 31 December 2004 was HK\$3,762,000 (2003: HK\$5,623,000) (note 22(b)).

Notes to Financial Statements

For the year ended 31 December 2004

12. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$3,765,000 (2003: HK\$5,756,000) and 753,720,000 (2003: 753,720,000) ordinary shares of the Company in issue during the year.

Diluted loss per share for the years ended 31 December 2004 and 2003 have not been disclosed as the share options and convertible redeemable notes outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

13. PROPERTY, PLANT AND EQUIPMENT

Group

	Furniture, fixtures and fittings HK\$'000	Computer and office equipment HK\$'000	Total HK\$'000
Cost			
At beginning of year	423	2,113	2,536
Additions	6	17	23
At 31 December 2004	429	2,130	2,559
Accumulated depreciation and impairment			
At beginning of year	273	2,092	2,365
Provided during the year	66	10	76
At 31 December 2004	339	2,102	2,441
Net book value			
At 31 December 2004	90	28	118
At 31 December 2003	150	21	171

Notes to Financial Statements

For the year ended 31 December 2004

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	–	–
Due from a subsidiary	–	3
Due to a subsidiary	(3)	(3)

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

Company	Place of incorporation/ registration and operations	Particulars of issued share capital	Equity interest attributable to the Company		Principal activities
			Direct	Indirect	
E-silkroad.net Corporation	British Virgin Islands/ Hong Kong	1 ordinary share of US\$1 each	100%	–	Investment holding
E-silkroad.net Online Exhibition Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	–	100%	Development of e-commerce business, provision of web page design and website maintenance services
E-silkroad.net Online Commerce Limited	Hong Kong	10,000 ordinary shares of HK\$1 each	–	100%	Dormant

Notes to Financial Statements

For the year ended 31 December 2004

14. INVESTMENTS IN SUBSIDIARIES (Continued)

Company	Place of incorporation/ registration and operations	Particulars of issued share capital	Equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Business Essence Technology Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US\$1 each	–	100%	Investment holding, web page design services and application development
E-silkroad.net Resources Limited	British Virgin Islands	1 ordinary share of US\$1 each	–	100%	Dormant
中山市光彩未來 軟件有限公司 ("Zhongshan GF")	PRC*	HK\$8,000,000	–	95%	Provision of web page design services, application development and technical support services

* Zhongshan GF is registered as a contractual joint venture under the PRC law.

15. ACCOUNTS PAYABLE

An aged analysis of accounts payable is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Current – 3 months	–	37

Notes to Financial Statements

For the year ended 31 December 2004

16. DUE TO A RELATED COMPANY

The balance in 2003 represents an amount due to Glory Future Software Co., Ltd. ("Glory Software"), of which Mr. Luan Shusheng ("Mr. Luan"), an executive director of the Company, is also a substantial shareholder and director. The amount due to a related company, which represents a sub-contracting fee payable for Internet-based application development (note 23), is unsecured, interest-free and is repayable within 30 days. The balance was settled by the Group during the year.

17. OTHER LOAN

The balance is unsecured, interest-free and repayable on 30 July 2005.

18. UNSECURED AND INTEREST-FREE ADVANCES

Pursuant to a deed of confirmation signed between the Company and Sun Wah dated 8 September 2003, the Company is not obliged to pay any of the accrued interest (the "Interest") for the redeemable convertible note of HK\$7 million issued on 28 March 2002 (as further detailed in note 19(i)), due on or before the interest due dates (i.e. 28 September 2003, 28 March 2004, 28 September 2004 and 28 March 2005), if the directors of the Company have issued a written certificate to Sun Wah on the respective due date certifying that the Company is unable to pay the amount of the Interest. The entire sum of the Interest falling due are treated as unsecured and interest-free advances (the "Advances") made by Sun Wah to the Company. Sun Wah does not have any right to demand for repayment of the Advances and the entire sum of the Advances will only be repaid by the Company to Sun Wah at the initiative of the Company but no later than 28 March 2005.

Prior to the due date on 28 September 2003, 28 March 2004 and 28 September 2004, the directors of the Company issued written certificates to Sun Wah certifying that the Company was unable to repay the accrued interest of HK\$282,000, HK\$279,000 and HK\$282,000 due on 28 September 2003, 28 March 2004 and 28 September 2004, respectively. Since all the Advances are repayable no later than 28 March 2005 unless Sun Wah otherwise agrees in writing, the Advances were therefore treated as current liabilities. An accrual has also been made as at the balance sheet date for the interest arising from 28 September 2004 to 31 December 2004.

Notes to Financial Statements

For the year ended 31 December 2004

19. CONVERTIBLE REDEEMABLE NOTES

	Notes	Group and Company	
		2004 HK\$'000	2003 HK\$'000
At beginning of year		16,000	13,000
New issue		–	9,000
Redemption		–	(6,000)
		16,000	16,000
Less: Note due within one year and included under current liabilities	(i)	(7,000)	–
	(ii)	9,000	16,000

Notes:

- (i) Pursuant to a subscription agreement dated 15 February 2002, on 28 March 2002, the Company issued a convertible redeemable note to Sun Wah for the principal amount of HK\$7 million. Such convertible note is unsecured and bears interest at a rate of 8% per annum, and the interest is repayable half yearly in arrears. Under the terms of this note, the Company may redeem the whole or part of the principal amount at any time before the maturity date on 28 March 2005, subject to the right of Sun Wah to convert the amount that the Company is exercising its redemption right into Company's ordinary shares of HK\$0.05 each at par, subject to adjustment. Furthermore, Sun Wah has the right to redeem the whole or part of the principal amount in cash or convert the whole or part of the principal amount into the Company's ordinary shares of HK\$0.05 each at par, subject to adjustment, at any time before the maturity date on 28 March 2005. In such circumstances, the Company may, instead of redeeming the note or such part thereof in cash at the face value of the note plus accrued interest, elect to satisfy the redemption by the issue of ordinary shares of the Company.

The Company will only redeem the whole or such part thereof, or elect to satisfy the redemption request made by Sun Wah, in cash, if the adequacy of working capital and liquidity of the Group are not impaired by such cash redemption.

On 8 September 2003, the Company and Sun Wah entered into a deed of confirmation in respect of the repayment of accrued interest on the convertible redeemable note. Further details are set out in note 18 to the financial statements.

Notes to Financial Statements

For the year ended 31 December 2004

19. CONVERTIBLE REDEEMABLE NOTES (Continued)

Notes: (Continued)

- (ii) On 27 October 2003, the Company issued convertible redeemable bonds to Sun Wah for the principal amount of HK\$9 million. Such convertible redeemable bonds are unsecured and bear interest, which is repayable half yearly in arrears, at a rate of 3% per annum. Under the terms of these bonds, the Company shall have the right at any time before the maturity date on 27 October 2006, to redeem or purchase the whole or part of the bonds from the holder. Sun Wah has the right to convert the whole or part of the principal amount of the bonds into Company's ordinary shares of HK\$0.05 each at par, subject to adjustment, at any time before the maturity date on 27 October 2006. However, Sun Wah does not have any rights to request for redemption of the whole or part of the convertible bonds before the maturity date on 27 October 2006. Moreover, no assignment or transfer of the bonds may be made without the prior consent of the Company.

The Company will only redeem the whole or such part thereof, in cash, if the adequacy of working capital and liquidity of the Group are not impaired by such cash redemption. The directors of the Company have confirmed that the possibility of the Company redeeming the whole or such part thereof, in cash, in the twelve month period after the balance sheet date, is remote. Accordingly, the principal of the convertible redeemable bonds has been classified as a non-current liability of the Group and the Company.

20. DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount due to a minority shareholder of a subsidiary is unsecured and interest-free. The minority shareholder has undertaken not to demand repayment within a period of twelve months from the balance sheet date.

21. SHARE CAPITAL

	2004 HK\$'000	2003 HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.05 each	100,000	100,000
Issued and fully paid:		
753,720,000 (2003: 753,720,000) ordinary shares of HK\$0.05 each	37,686	37,686

Notes to Financial Statements

For the year ended 31 December 2004

21. SHARE CAPITAL (Continued)

Share option scheme

The particulars of the Company's pre-Initial Public Offering ("IPO") share options and post-IPO share option scheme are disclosed below:

(a) Pre-IPO share options

The pre-IPO share options were granted to certain directors and former directors to recognise their significant contributions to the growth of the Group prior to the listing of the shares of the Company on the GEM.

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

Details of these options are as follows:

Directors	Number of share options at 1 January 2004	Number of share options cancelled during the year	Number of share options at 31 December 2004	Date of grant of share options	Exercise period of share options	Exercise price of share options HK\$
Mr. Choi Koon Ming	5,024,000	(5,024,000)	-	25 October 2000	8 August 2001 to 7 August 2004	0.25
Mr. Hui Ching Shan ("Mr. Hui")	5,024,000	(5,024,000)*	-	25 October 2000	25 October 2001 to 24 October 2004	0.25
	<u>10,048,000</u>	<u>(10,048,000)</u>	-			

* The 5,024,000 Pre-IPO share options lapsed upon the resignation of Mr. Hui as an executive director of the Group.

Notes to Financial Statements

For the year ended 31 December 2004

21. SHARE CAPITAL (Continued)

(b) Post-IPO share option scheme

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

The eligible participants of the Post-IPO share option scheme are the directors of the Company and its subsidiaries and full-time employees of the Group. The Post-IPO share option scheme became effective on 2 March 2001 and, unless otherwise cancelled or amended, will remain in force for 10 years from its date of adoption on 19 February 2001.

Under the Post-IPO share option scheme, the maximum number of unexercised share options permitted to be granted is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Post-IPO share option scheme in aggregate cannot exceed 25% of the total number of shares of the Company in issue at any time for which Post-IPO share options may be granted under the Post-IPO share option scheme. However, following the introduction of the revised Chapter 23 of the GEM Listing Rules, the initial total number of shares which may be issued upon exercise of an option to be granted under the Post-IPO share option scheme and any other schemes must not in aggregate exceed 10% of the shares of the Company immediately following the listing of the shares of the Company on the GEM. Subject to the approval of the Company's shareholders, the aggregate number of the Company's shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO share option scheme and any other share option schemes of the Company shall not exceed 30% of the Company's shares in issue from time to time.

Notes to Financial Statements

For the year ended 31 December 2004

21. SHARE CAPITAL (Continued)

(b) Post-IPO share option scheme (Continued)

The maximum number of share issued and to be issued upon exercise of the options granted under the Post-IPO share option scheme and any other share option schemes of the Company to each of any eligible persons (including those cancelled, exercised and outstanding options), in any twelve months period up to the date of the latest grant shall not exceed 1% of the Company's shares in issue provided that the number of shares issued and to be issued upon exercise of all options granted and to be granted to each of the independent non-executive directors or substantial shareholders of the Company or any of their respective associates in the twelve months period up to the date of such grant in excess of 0.1% of the Company's shares in issue and with a value in excess of HK\$5 million must be approved in advance by the Company's independent shareholders. Any further grant of options in excess of such limit must be separately approved by shareholders in general meeting in accordance with the requirements of the GEM Listing Rules.

The offer of a grant of share options may be accepted in writing within 21 days from the date of the offer. The exercise period of the share options granted is determinable by the directors, and shall not be less than three years and not be later than ten years from the date of the offer of the share options or the expiry date of the Post-IPO share option scheme, if earlier.

The subscription price is equal to the higher of (i) the nominal value of the shares of the Company; (ii) the closing price per share of the Company as stated in the Stock Exchange's daily quotation sheet on the date of grant; and (iii) the average closing price per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant.

Notes to Financial Statements

For the year ended 31 December 2004

21. SHARE CAPITAL (Continued)

(b) Post-IPO share option scheme (Continued)

The following share options were outstanding under the scheme during the year:

Directors	Number of share options				Date of grant of share options	Exercise period of share options*	Exercise price of share options** HK\$	Closing price of shares immediately before the date of grant of options HK\$
	At 1 January 2004	Granted during the year	Lapsed during the year	At 31 December 2004				
Mr. Choi Koon Ming	7,500,000	-	-	7,500,000	21 January 2003	21 January 2003 to 20 January 2008	0.115	0.114
Mr. Hui Ching Shan	6,000,000	-	(6,000,000)#	-	21 January 2003	21 January 2003 to 20 January 2008	0.115	0.114
Mr. Ng Kam Yiu	3,000,000	-	-	3,000,000	21 January 2003	8 January 2004 to 7 January 2009	0.115	0.114
Mr. Chow Yeung Tuen, Richard	3,000,000	-	-	3,000,000	21 January 2003	21 January 2003 to 20 January 2008	0.115	0.114
Ms. Leung Wai Sze	4,000,000	-	(4,000,000)#	-	21 January 2003	21 January 2003 to 20 January 2008	0.115	0.114
Mr. Luan	6,000,000	-	-	6,000,000	30 April 2003	12 February 2004 to 11 February 2009	0.108	0.108
Mr. Chau Chi Man	3,000,000	-	(3,000,000)#	-	30 April 2003	8 April 2004 to 7 April 2009	0.108	0.108
	<u>32,500,000</u>	<u>-</u>	<u>(13,000,000)</u>	<u>19,500,000</u>				

Notes to Financial Statements

For the year ended 31 December 2004

21. SHARE CAPITAL (Continued)

(b) Post-IPO share option scheme (Continued)

	Number of share options			At 31 December 2004	Date of grant of share options	Exercise period of share options*	Exercise price of share options** HK\$	Closing price of shares immediately
	At 1 January 2004	Granted during the year	Lapsed during the year					before the date of grant of options HK\$
Other employees								
	500,000	-	(500,000) ^{##}	-	21 January 2003	29 April 2003 to 28 April 2008	0.115	0.114
	500,000	-	(500,000) ^{##}	-	21 January 2003	14 May 2003 to 13 May 2008	0.115	0.114
	1,000,000	-	(1,000,000)	-				
Total	33,500,000	-	(14,000,000)	19,500,000				

* The vesting period of the share options is from the date of the grant until the commencement of the exercised period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes, in the Company's share capital.

The 13,000,000 post-IPO share options lapsed upon the resignation of directors of the Company.

The 1,000,000 post-IPO share options lapsed upon the resignation of employees of the Group.

At the balance sheet date, the Company had 19,500,000 post-IPO share options outstanding, which together represented approximately 3% of the Company's shares in issue as at that date. The exercise in full of all the remaining share options would, under the present capital structure of the Company, result in the issue of 19,500,000 additional shares of HK\$0.05 each with gross proceeds of approximately HK\$2,201,000. Up to the date of this financial statements, none of the share options has been exercised.

Notes to Financial Statements

For the year ended 31 December 2004

22. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(b) Company

	Share premium account HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2003	15,796	(60,556)	(44,760)
Loss for the year	–	(5,623)	(5,623)
At 31 December 2003 and 1 January 2004	15,796	(66,179)	(50,383)
Loss for the year	–	(3,762)	(3,762)
At 31 December 2004	15,796	(69,941)	(54,145)

The share premium account of the Group and the Company arises on shares issued at a premium.

In accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business. The share premium account may also be distributed in the form of fully paid bonus shares.

Notes to Financial Statements

For the year ended 31 December 2004

23. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following related party transactions during the year.

		Group	
	Notes	2004 HK\$'000	2003 HK\$'000
Rental expenses paid to :			
Sun Wah Hi-Tech (H.K.) Limited ("Sun Wah Hi-Tech")	(a)	–	280
Wellman Investment Limited ("Wellman")	(b)	120	90
Building management fee paid to SK Property Management Limited ("SK Property")			
	(b)	47	35
Service fee income for Internet-based application and web page design services received from:			
Sun Wah Media Holdings Limited ("Sun Wah Media")	(c)	(23)	(42)
SW Rogers Media Limited ("SW RML")	(c)	(16)	–
SW Mandarin.net Holdings Limited ("SW MHL")	(c)	(40)	–
Chinese Media Executives Association Limited ("Chinese Media")	(c)	–	(29)
Sun Wah Hi-Tech	(c)	(48)	–
Subcontracting fee paid to Glory Software	(d)	–	472
General advisory fee paid to Kingsway Capital Limited ("KCL")	(e)	–	10

Notes to Financial Statements

For the year ended 31 December 2004

23. RELATED PARTY TRANSACTIONS (Continued)

Notes:

- (a) Sun Wah Hi-Tech is a fellow subsidiary of Sun Wah. The Group entered into a lease agreement in respect of the lease of office properties from Sun Wah Hi-Tech on 4 April 2001. The lease term was 12 months commencing on 4 April 2001 and the rental charge was HK\$70,000 per month. No renewal of the lease agreement was made after the expiry of the lease term and the Group continued to use the said office properties at a monthly rental charge of HK\$70,000 until April 2003.
- (b) Wellman and SK Property are companies controlled by a substantial shareholder. The Group leased office properties from Wellman starting from 1 April 2003 at a monthly rental charge of HK\$10,000. No lease agreement in respect of the lease of the office properties has been entered into between the two parties. In addition, a monthly management fee of HK\$3,912 in respect of the office premises leased was charged by SK property.
- (c) Sun Wah Media is a fellow subsidiary of Sun Wah and Chinese Media is a company of which two directors of the Company are also directors. SW RML and SW MHL are companies subject to significant influence from Sun Wah. The service fees income received during the year were mutually negotiated between the Group and respective parties based on the specifications as required by these related parties.
- (d) The subcontracting fee represents software design and development costs which were mutually negotiated between the Group and Glory Software on the specification required by the customer as stated in the contract signed between the Group and Glory Software.
- (e) KCL is a wholly-owned subsidiary of SW Kingsway Capital Holdings Limited ("Kingsway"), a company of which Mr. Choi is also a director. The general advisory fee for the year 2003 was mutually negotiated between the Group and KCL based on the services provided.
- (f) In last year, Mr. Luan advanced approximately HK\$560,000 to the Group for its daily operation. The advance was unsecured, interest-free and was fully settled by the Group in last year.

24. OPERATING LEASE ARRANGEMENTS

The Group leases its computer server under operating lease arrangements. The Group has no operating lease commitments as at 31 December 2004. As at 31 December 2003, the Group had total future minimum lease payments under non-cancellable operating leases within one year in respect of computer server of HK\$28,000. Lease for computer server is negotiated for a term of one year.

25. COMMITMENTS

At 31 December 2004, neither the Company nor the Group had any commitments.

Notes to Financial Statements

For the year ended 31 December 2004

26. CONTINGENT LIABILITIES

The Company and the Group had no significant contingent liabilities at the balance sheet date.

27. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

During the year, the accrued interest amounting to HK\$561,000 (2003: HK\$282,000) was treated as unsecured and interest free advances according to the deed of confirmation signed between the Group and Sun Wah dated 8 September 2003 (note 18).

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2005.

Summary Financial Information

The following is a summary of the published consolidated results of the Group for each of the five years ended 31 December 2004 which were extracted from the audited financial statements of the Company. This summary does not form part of the audited financial statements.

RESULTS

	2004	2003	2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	133	1,063	785	6,543	3,080
Loss before tax	(3,765)	(5,756)	(10,688)	(27,865)	(20,028)
Tax	-	-	-	-	-
Loss before minority interests	(3,765)	(5,756)	(10,688)	(27,865)	(20,028)
Minority interests	-	-	150	175	75
Net loss from ordinary activities attributable to shareholders	(3,765)	(5,756)	(10,538)	(27,690)	(19,953)

ASSETS AND LIABILITIES

	2004	2003	2002	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	1,033	4,711	7,619	8,873	8,688
Total liabilities	(17,968)	(17,881)	(15,033)	(11,427)	(12,155)
	(16,935)	(13,170)	(7,414)	(2,554)	(3,467)