



Glory Future

First Quarterly Report **2005**

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.

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FIRST QUARTERLY RESULTS FOR 2005

HIGHLIGHTS

- The unaudited turnover of the Group for the three months ended 31 March 2005 was approximately HK\$30,000.
- The Group recorded an unaudited loss attributable to shareholders of approximately HK\$638,000 for the three months ended 31 March 2005.
- Loss per share was approximately HK0.08 cent for the three months ended 31 March 2005.

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 ended 31 March 2005 together with comparative unaudited figures for the corresponding period in 2004 as follows:

UNAUDITED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2005

		Three months ended	
		31 March	
	<i>Notes</i>	2005	2004
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	30	23
Cost of sales		(26)	(120)
Gross profit/(loss)		4	(97)
Other revenue		6	6
		10	(91)
Selling and distribution expenses		–	(32)
Administrative expenses		(448)	(582)
LOSS FROM OPERATING ACTIVITIES	3	(438)	(705)
Finance costs	4	(200)	(207)
LOSS BEFORE TAX		(638)	(912)
Tax	5	–	–
LOSS BEFORE MINORITY INTERESTS		(638)	(912)
Minority interests		–	–
NET LOSS ATTRIBUTABLE TO SHAREHOLDERS		(638)	(912)
LOSS PER SHARE – basic	6	HK0.08 cent	HK0.12 cent

Notes:

1. Basis of preparation

The unaudited consolidated income statement has 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 (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. It has been prepared under the historical cost convention.

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 followings:

	Three months ended	
	31 March	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Crediting:		
Interest Income	<u>6</u>	<u>6</u>
Charging:		
Cost of services provided	26	120
Auditors’ remuneration	45	60
Depreciation	<u>19</u>	<u>21</u>

4. Finance costs

	Three months ended	
	31 March	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$’000	HK\$’000
Interest on convertible redeemable notes	<u>200</u>	<u>207</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 ended 31 March 2005 and the corresponding period in 2004.

Provision for the tax of profits of subsidiaries operating outside Hong Kong has not been calculated as the Group did not generate any assessable profits in the respective jurisdictions during the three months ended 31 March 2005 and the corresponding period in 2004.

The Group did not have any significant unprovided deferred tax liabilities in respect of the three months ended 31 March 2005 and the corresponding period in 2004.

6. Loss per share

The calculation of basic loss per share is based on the net loss attributable to shareholders for the three months ended 31 March 2005 of HK\$638,000 (three months ended 31 March 2004: HK\$912,000) and 753,720,000 ordinary shares of the Company in issue (three months ended 31 March 2004: 753,720,000 shares).

Diluted loss per share for the three months ended 31 March 2005 and that for the three months ended 31 March 2004 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 2004	15,796	(66,642)	(10)	(50,856)
Loss for the period	—	(912)	—	(912)
At 31 March 2004	<u>15,796</u>	<u>(67,554)</u>	<u>(10)</u>	<u>(51,768)</u>
At 1 January 2005	15,796	(70,407)	(10)	(54,621)
Loss for the period	—	(638)	—	(638)
At 31 March 2005	<u>15,796</u>	<u>(71,045)</u>	<u>(10)</u>	<u>(55,259)</u>

8. Interim dividend

The Board does not recommend the payment of an interim dividend in respect of the three months ended 31 March 2005 (three months ended 31 March 2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the three months ended 31 March 2005, the Group recorded an unaudited turnover of approximately HK\$30,000. During this period, the Group had adopted stringent cost control measures, thereby reducing the expenditure by 23% to HK\$448,000, as compared to the corresponding period in 2004. The Group had successfully narrowed down its loss attributable to shareholders by around 30% to HK\$638,000, as compared to the loss of HK\$912,000 over the same period in 2004. The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2005.

Strategy review

During the period under review, the Group had continue to take tight measures in cost control so as to maintain stringent cost spending on all operating areas.

The Group will continue to explore new streams of income so as to optimise the shareholders' interest.

Outlook

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, a lot of business opportunities will be created in the coming future.

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

As at 31 March 2005, 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 5.46 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 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 31 March 2005	Number of Post-IPO share options (Note 1)	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. Ng Kam Yiu (“Mr. Ng”)	Beneficial owner	100% (directly)	–	–	3,000,000	3,000,000
Mr. Chow Yeung Tuen, Richard (“Mr. Chow”)	Beneficial owner	100% (directly)	–	–	3,000,000	3,000,000
Mr. Luan Shusheng (“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	13.3% (Note 2)	(b) 6,000,000	106,000,000

Notes:

1. 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 31 March 2005	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. Ng	21 January 2003	3,000,000	8 January 2004 to 7 January 2009	0.1148
Mr. Chow	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
		19,500,000		

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 positions 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 5.46 of the GEM Listing Rules.

INTERESTS AND SHORT POSITION OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 March 2005, 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 in Shares and underlying shares of the Company

Name of substantial shareholder of the Company	Capacity and nature of interest	Number of Ordinary Shares held	Percentage of issued share capital of the Company as at 31 March 2005	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

Name of substantial shareholder of the Company	Capacity and nature of interest	Number of Ordinary Shares held	Percentage of issued share capital of the Company as at 31 March 2005	Number of underlying shares of the Company held	Number of Ordinary Shares and underlying shares of the Company
Sun Wah Net Investment Limited ("Sun Wah") (Note 4)	Beneficial owner	95,474,000	12.7%	180,000,000	275,474,000
Sun Wah Hi-Tech Holdings Limited (Note 4)	Through a controlled corporation	95,474,000	12.7%	180,000,000	275,474,000
Choi Koon Shum (Note 4)	Through a controlled corporation	95,474,000	12.7%	180,000,000	275,474,000
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 31 March 2005, Sun Wah was also the holder of convertible redeemable note and bonds of an aggregate principal amount of HK\$9 million issued by the Company, upon exercise of the conversion rights attaching thereto would entitle Sun Wah to subscribe for 180,000,000 Shares representing approximately 19.30% 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 and underlying shares of the Company that was required to be recorded pursuant to 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 and short position of shareholders discloseable under the SFO" 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 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 Po Hong, Jimmy (Committee Chairman), Mr. 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, internal controls and risk management of the Group. The Group's quarterly results for the three months ended 31 March 2005 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.

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, 11 May 2005

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 Messrs. Ha Kee Choy, Eugene; and the independent non-executive directors are Messrs. Chik Sun Cheung and Cho Po Hong, Jimmy and Ms. Ho Suk Yin, JP.