



Glory Future

Third 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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. GEM-listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at “www.hkgem.com” in order to obtain up-to-date information on GEM-listed issuers.

THIRD QUARTERLY RESULTS FOR 2005

HIGHLIGHTS

- The unaudited turnover of the Group for the nine months ended 30 September 2005 was approximately HK\$140,000.
- The Group recorded an unaudited loss attributable to equity holders of the Company approximately HK\$1,964,000 for the nine months ended 30 September 2005.
- Loss per share was approximately HK\$0.26 cent for the nine months ended 30 September 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 and the nine months ended 30 September 2005 together with comparative unaudited figures for the corresponding period in 2004 as follows:

UNAUDITED CONSOLIDATED INCOME STATEMENT

For the three months and the nine months ended 30 September 2005

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	3	50	42	140	85
Cost of sales		(67)	(85)	(120)	(267)
Gross (loss)/profit		(17)	(43)	20	(182)
Other revenue		8	6	20	17
Selling and distribution expenses		–	(36)	–	(99)
Administrative expenses		(606)	(723)	(1,555)	(1,967)
LOSS FROM OPERATING ACTIVITIES	4	(615)	(796)	(1,515)	(2,231)
Finance costs	5	(136)	(209)	(474)	(623)
LOSS BEFORE TAX		(751)	(1,005)	(1,989)	(2,854)
Tax	6	–	–	–	–
LOSS FOR THE PERIOD		(751)	(1,005)	(1,989)	(2,854)
Attributable to:					
Equity holders of the Company		(726)	(1,005)	(1,964)	(2,854)
Minority Interest		(25)	–	(25)	–
		(751)	(1,005)	(1,989)	(2,854)
LOSS PER SHARE					
– Basic	7	HK0.09 cent	HK0.13 cent	HK0.26 cent	HK0.38 cent
– Diluted		N/A	N/A	N/A	N/A

Notes:

1. Basis of preparation

The unaudited consolidated income statement has been prepared in accordance with and comply with all applicable Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants and with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules. They have been prepared under historical cost convention.

2. Principal accounting policies

The accounting policies used in the unaudited consolidated income statement for the period ended 30 September 2005 are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2004 except as described below.

In the current period, the Company has adopted, for the first time, the new and revised Hong Kong Financial Reporting Standards (HKFRS) and the Hong Kong Accounting Standards (HKAS) and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs did not have a significant impact on the Group's results of operations and financial position.

3. Turnover

Turnover represents the net invoiced value of services rendered.

4. Loss from operating activities

The Group's loss from operating activities is arrived at after crediting and charging the followings:

	Three months ended 30 September		Nine months ended 30 September	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Crediting:				
Interest income	<u>8</u>	<u>6</u>	<u>20</u>	<u>17</u>
Charging:				
Cost of services provided	67	85	120	267
Auditors' remuneration	45	69	135	189
Depreciation	21	19	60	61
Staff costs				
Wages and salaries	259	127	591	290
Pension scheme contributions (MPF)	<u>5</u>	<u>7</u>	<u>16</u>	<u>25</u>

5. Finance costs

	Three months ended 30 September		Nine months ended 30 September	
	2005 <i>(Unaudited)</i> HK\$'000	2004 <i>(Unaudited)</i> HK\$'000	2005 <i>(Unaudited)</i> HK\$'000	2004 <i>(Unaudited)</i> HK\$'000
Interest on convertible redeemable bonds	68	209	336	623
Interest on short term loan	68	–	138	–
	<u>136</u>	<u>209</u>	<u>474</u>	<u>623</u>

6. Tax

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the three months and nine months ended 30 September 2005 and the corresponding periods in 2004.

Provision for the tax of profits of subsidiaries operating outside Hong Kong had not been calculated as the Group did not generate any assessable profits in the respective jurisdictions during the three months and the nine months ended 30 September 2005 and the corresponding periods in 2004.

The Group did not have any significant unprovided deferred tax liabilities in respect of the three months and nine months ended 30 September 2005 and the corresponding periods in 2004.

7. Loss per share

The calculation of basic loss per share is based on the net loss attributable to equity holders of the Company for the three months and the nine months ended 30 September 2005 of HK\$726,000 and HK\$1,964,000 respectively (three months and nine months ended 30 September 2004: HK\$1,005,000 and HK\$2,854,000 respectively) and the weighted average number of 753,720,000 ordinary shares of the Company in issue during the three months and nine months ended 30 September 2005 and 2004, respectively.

Diluted loss per share for the three months and nine months ended 30 September 2005 and that for the three months and nine months ended 30 September 2004 have not been disclosed as the share options and convertible redeemable bonds outstanding during the periods had an anti-dilutive effect on the basic loss per share for the relevant periods.

8. 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	15,796	(67,554)	(10)	(51,768)
Loss for the period	–	(937)	–	(937)
At 30 June 2004	15,796	(68,491)	(10)	(52,705)
Loss for the period	–	(1,005)	–	(1,005)
At 30 September 2004	<u>15,796</u>	<u>(69,496)</u>	<u>(10)</u>	<u>(53,710)</u>
At 1 January 2005	15,796	(70,406)	(10)	(54,620)
Loss for the period	–	(638)	–	(638)
At 31 March 2005	15,796	(71,044)	(10)	(55,258)
Loss for the period	–	(600)	–	(600)
At 30 June 2005	15,796	(71,644)	(10)	(55,858)
Loss for the period	–	(726)	–	(726)
At 30 September 2005	<u>15,796</u>	<u>(72,370)</u>	<u>(10)</u>	<u>(56,584)</u>

9. Interim dividend

The Board does not recommend the payment of an interim dividend in respect of the nine months ended 30 September 2005 (nine months ended 30 September 2004: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

For the nine months ended 30 September 2005, the Group recorded an unaudited turnover of approximately HK\$140,000 with a significant increase of approximately 65% as compared to that of the corresponding period in 2004. The main contribution of the Group's turnover in the third quarter in 2005 was made by the new subsidiary, namely Leland Solutions Limited. This subsidiary contributed approximately HK\$50,000 amounting to approximately 100% & 36% of the Group's overall turnover for the three months and nine months ended 30 September 2005, respectively. During this period under review, the Group adopted stringent cost control measures, thereby reducing the expenditure by approximately 21% to HK\$1,555,000, as compared to the corresponding period in 2004. The Group has successfully narrowed down its net loss attributable to equity holders of the Company by approximately 31% to HK\$1,964,000, as compared to the loss of HK\$2,854,000 over the same period in 2004. The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2005.

Strategy review

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

The Group has been making efforts to optimise resources allocation, strengthen internal management and explore new business opportunities so as to improve the Group's performance.

Prospects

The Group signed a shareholders' agreement with Sun Rise Int'l Trading Limited, a business partner who has extensive experience in Information Technology Enterprise Resources Planning (ERP) solutions services, on 1 August 2005 and an announcement was published on the GEM website on 2 August 2005 in this respect. Consequently, a new subsidiary, namely Leland Solutions Limited was formed on 23 August 2005, of which the Group owns 51% of the shareholdings. The Board is optimistic about the future outlook of Leland Solutions Limited and its potential with respect to the business development in the information technology solution sector and provision of related technical support services in Hong Kong and expects to generate increasing revenue by the end of this year and in the future.

Looking forward, the Directors believe that the Group's results will gradually improve as a result of Hong Kong's steady economic recovery and growth by the end of year 2005.

Outlook

With the "Closer Economic Partnership Arrangement between Hong Kong and the Chinese Mainland" going into phase III (CEPA III), the Pan-Pearl River Delta corporation scheme being continuously implemented, and the Hong Kong economy slowly improving, the Group remains cautiously optimistic about its future business development both locally and in Mainland China, in the long run.

FINANCIAL REVIEW

Liquidity and financial resources

The daily operation of the Group is fully financed with internal resources and the substantial shareholder, Sun Wah Net Investment Limited ("Sun Wah"). The Group adheres to a prudent financial management policy.

As at 30 September 2005, the Group had total borrowings of approximately HK\$18.6 million (30 September 2004: HK\$16.4 million). The borrowings include the unsecured convertible bonds in the principal amount of HK\$9 million, which will mature on 27 October 2006, and a shareholder's loan of HK\$9 million, which had been repaid on 25 October 2005 by utilising part of a new loan in the principal amount of HK\$12 million granted on 18 October, 2005 by Sun Wah and drawn down on 25 October 2005. This shareholder's loan is unsecured and bears interest at a rate of 4% per annum and is due for settlement on 24 April 2006.

Capital Structure

As at 30 September 2005, the Company's total number of issued shares was 753,720,000 (30 September 2004: 753,720,000). As stated in the Company's announcement published on the GEM website on 7 October 2005, the Board proposed to have a capital reorganisation involving share consolidation, share premium cancellation, par value reduction, cancellation of unissued shares and restoration of authorised share capital and change in board lot size. (Please refer to the announcement dated 6 October 2005 and the circular dated 24 October 2005 for details of the capital reorganisation.)

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

As at 30 September 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 GEM Listing Rules, were as follows:

Long positions in the ordinary shares of HK\$0.05 each in the Company (the "Shares") and underlying Shares

Name of Director	Capacity	Attributable interest to the director	Number of Shares held	Number of share options	Number of Shares and underlying Shares
Mr. Choi Koon Ming	Beneficial owner	100% (directly)	-	7,500,000	7,500,000
Mr. Ng Kam Yiu	Beneficial owner	100% (directly)	-	3,000,000	3,000,000
Mr. Chow Yeung Tuen, Richard	Beneficial owner	100% (directly)	-	3,000,000	3,000,000

Details of the share options granted under the share option scheme of the Company adopted on 19 February 2001 (“Share Option Scheme”) to certain directors which remained outstanding as at 30 September 2005 are as follows:

Name of directors	Date of grant of share options	Number of Shares underlying the share options as at 1 January and 30 September 2005	Exercise period of share options	Exercise price per share <i>HK\$</i>
Mr. Choi Koon Ming	21 January 2003	7,500,000	21 January 2003 to 20 January 2008	0.1148
Mr. Ng Kam Yiu	21 January 2003	3,000,000	8 January 2004 to 7 January 2009	0.1148
Mr. Chow Yeung Tuen, Richard	21 January 2003	3,000,000	21 January 2003 to 20 January 2008	0.1148
		13,500,000		

No option had been granted under the Share Option Scheme during the nine months ended 30 September 2005 and no option previously granted under the Share Option Scheme had been exercised during the same period.

Save as disclosed above, as at 30 September 2005, none of the Directors had an interest or short positions in the Shares, or underlying Shares or any of its associated corporations (within the meaning of part XV of the SFO) 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 POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 September 2005, the following interests of 5% or more in the issued share capital, share options and convertible redeemable bonds 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 the Shares and underlying shares

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 30 September 2005	Number of underlying Shares held	Number of Shares and underlying Shares
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 Company Limited (“Glory Cyber”) (Note 3)	Beneficial owner	100,000,000	13.3%	–	100,000,000
Mr. Luan Shusheng (“Mr Luan”) (Note 3)	Through a controlled corporation	100,000,000	13.3%	–	100,000,000
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

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 30 September 2005	Number of underlying Shares held	Number of Shares and underlying Shares
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 have an interest in 155,570,000 ordinary shares and 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. The indirect interest of Mr. Luan in the 100,000,000 ordinary shares is held by Glory Cyber.
- (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 Koon Ming. As at 30 September 2005, Sun Wah was also the holder of a convertible redeemable bond 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 ordinary shares of HK\$0.05 each in the Company, representing approximately 23.88% of the issued share capital of the Company as at 30 September 2005.
- (5) Tai Lee Assets Limited is beneficially owned by Ms. Tsoi Siu Lan, Mazie, who is the sister of Mr. Choi Koon Ming.
- (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.

Save as disclosed above, as at 30 September 2005, no person other than the Directors, whose interests are set out in the section “Directors’ interests and short positions in the shares and underlying shares of the Company” and shareholders, whose interests are set out in “Interests and short positions of shareholders discloseable under the SFO” above, had an interest or short position in the Shares and underlying Shares 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 of the Company” and “Interests and short position of shareholders discloseable under the SFO” above, so far as is known to the Directors, 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, Messrs. Wu Tak Lung, Phillip King and Miss Ho Suk Yin, JP. Messrs. Cho Po Hong, Jimmy (Committee Chairman in the past) and Chik Sun Cheung both resigned from the offices of independent non-executive Directors and audit committee members on 30 September 2005 due to personal reasons. In the mean time, Messrs. Wu Tak Lung and Phillip King were appointed as the independent non-executive Directors on 1 October 2005. Pursuant to the written resolutions passed by all audit committee members of the Company on 1 October 2005, Mr. Wu Tak Lung was elected as the chairman of the audit committee.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control and risk management of the Group. The Group’s quarterly results for nine months ended 30 September 2005 have been reviewed by the members of the audit committee, who are of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange listing requirements and other legal requirements, and that adequate disclosures have been made.

CORPORATE GOVERNANCE

Since the interim period ended 30 June 2005, the Company has adopted a code of conduct regarding directors' securities transaction on terms no less exacting than the required standard of dealings as stated under Rules 5.48 to 5.67 of the GEM Listing Rules. To the best of the Company's knowledge and having made specific enquiry of all Directors, all Directors have complied with the required standard of dealings and the code of conduct of the Company regarding directors' securities transactions. Throughout the nine months ended 30 September 2005, the Company complied with code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules. The Board also proposed to amend the articles of association of the Company to implement the code provisions of the Code on Corporate Governance Practices to the extent that it is reasonable, practicable and in the interest of the Company (Please refer to the announcement dated 6 October 2005 and the circular dated 25 October 2005 for details of the amendments.)

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors had an interest in a business, which causes or may cause any significant competition with the business of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

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

Hong Kong, 8 November 2005

As at the date of this report, the executive Directors are Messrs. Choi Koon Ming, Ng Kam Yiu and Chow Yeung Tuen, Richard; the non-executive Director is Mr. Ha Kee Choy, Eugene; and the independent non-executive Directors are Messrs. Wu Tak Lung, Phillip King and Miss Ho Suk Yin, JP.