

光彩未來集團

Glory Future Group

## Glory Future Group Limited

*(incorporated in the Cayman Islands with limited liability)*

(Stock Code: 8071)



● 2006 first quarterly report

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“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. 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](http://www.hkgem.com)” in order to obtain up-to-date information on GEM-listed issuers.**

## FIRST QUARTERLY RESULTS FOR 2006

### HIGHLIGHTS

- The unaudited revenue of the Group for the three months ended 31 March 2006 was approximately HK\$430,000, which was more than 14 times the amount of that for the corresponding period in 2005.
- The Group recorded an unaudited loss of approximately HK\$1,273,000 for the three months ended 31 March 2006, which increased by approximately 17% as compared with the restated loss for the corresponding period in last year.
- The unaudited loss per share for loss attributable to the equity holders of the Company was approximately HK1.69 cents for the three months ended 31 March 2006.

### RESULTS

The board of directors of the Company (“**Board**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 31 March 2006 together with the restated comparative figures for the corresponding period in 2005 as follows:

#### UNAUDITED CONSOLIDATED INCOME STATEMENT

*For the three months ended 31 March 2006*

		<b>Three months ended 31 March</b>	
		<b>2006</b>	(Restated) 2005
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>	3	<b>430</b>	30
Cost of sales		<b>(358)</b>	(26)
<b>Gross profit</b>		<b>72</b>	4
Other revenue		<b>17</b>	6
Selling and distribution expenses		<b>(43)</b>	–
Administrative expenses		<b>(814)</b>	(448)
Operating loss	4	<b>(768)</b>	(438)
Finance costs	5	<b>(505)</b>	(648)
<b>Loss before income tax</b>		<b>(1,273)</b>	(1,086)
Income tax expense	6	–	–
<b>Loss for the period</b>		<b>(1,273)</b>	(1,086)
<b>Loss per share for loss attributable to the equity holders of the Company</b>			
– Basic	7	<b>(HK1.69 cents)</b>	(HK1.44 cents)
– Diluted		<b>N/A</b>	N/A

Notes:

**1) Basis of preparation**

The unaudited consolidated income statement of the Group for the three months ended 31 March 2006 has been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which also include Hong Kong Accounting Standards (“**HKASs**”) and Interpretations), issued by the Hong Kong Institute of Certified Public Accountants, the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules. It has been prepared under historical cost convention.

**2) Significant accounting policies**

The significant accounting policies used in the preparation of the unaudited consolidated income statement for the three months ended 31 March 2006 are consistent with those used in the preparation of the Company’s annual financial statements for the year ended 31 December 2005.

The Group has adopted the following standards that have been issued and effective for periods beginning on or after 1 January 2006. The adoption of such standards did not have material effect on the unaudited consolidated income statement.

HKAS 21 (Amendment)	The Effects of Changes in Foreign Exchange Rates-Net Investment in a Foreign Operation
HKAS 39 (Amendment)	The Fair Value Option

The Group has not early adopted the following standards that have been issued but are not yet effective. The adoption of such standards will not result in substantial changes to the Group’s accounting policies.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments-Disclosures

**3) Revenue**

Revenue, which is also the Group’s turnover, represents the net invoiced value of services rendered during the three months ended 31 March 2006.

#### 4) Operating loss

The Group's operating loss is arrived at after crediting and charging the following items:

	Three months ended 31 March	
	2006	2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Crediting:		
Interest income	<u>17</u>	<u>6</u>
Charging:		
Cost of services provided	358	26
Auditors' remuneration	45	45
Depreciation	22	19
Staff costs (excluding Directors' emoluments)	397	189
Minimum lease payments paid under operating leases in respect of:		
– Land and buildings	44	44
– Computer server	4	–
	<u>4</u>	<u>–</u>

#### 5) Finance costs

	Three months ended 31 March	
	2006	(restated) 2005
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest charges on:		
Loans from a shareholder, wholly repayable within five years	118	3
Convertible bonds	<u>387</u>	<u>645</u>
	<u>505</u>	<u>648</u>

#### 6) Income tax expense

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 2006 and the corresponding period in 2005.

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 three months ended 31 March 2006 and the corresponding period in 2005.

The Group did not have any significant unprovided deferred tax liabilities for the three months ended 31 March 2006 and the corresponding period in 2005.

## 7) Loss per share

The calculation of basic loss per share is based on the unaudited consolidated loss attributable to the equity holders of the Company during the three months ended 31 March 2006 of HK\$1,273,000 (three months ended 31 March 2005 of HK\$1,086,000 (restated)) and 75,372,000 ordinary shares of the Company in issue during the three months ended 31 March 2006 (three months ended 31 March 2005: 75,372,000 as adjusted to reflect the share consolidation which became effective on 17 November 2005).

Diluted loss per share for the three months ended 31 March 2006 and that for the three months ended 31 March 2005 have not been shown as the share options and convertible bonds outstanding during the respective periods had an anti-dilutive effect on the basic loss per share for the relevant periods.

## 8) Reserves

	Share premium account (Unaudited) <i>HK\$ '000</i>	Convertible bond equity reserve (Unaudited) <i>HK\$ '000</i>	Accumulated losses (Unaudited) <i>HK\$ '000</i>	Translation reserve (Unaudited) <i>HK\$ '000</i>	Total (Unaudited) <i>HK\$ '000</i>
At 1 January 2005, as previously reported	15,796	–	(70,407)	(10)	(54,621)
Effect of initial adoption of HKAS 32 ( <i>Note a</i> )	–	4,875	(2,542)	–	2,333
At 1 January 2005, as restated	15,796	4,875	(72,949)	(10)	(52,288)
Loss for the period	–	–	(1,086)	–	(1,086)
Redemption of convertible bond ( <i>Note a</i> )	–	(1,656)	1,656	–	–
<b>At 31 March 2005, as restated</b>	<b>15,796</b>	<b>3,219</b>	<b>(72,379)</b>	<b>(10)</b>	<b>(53,374)</b>
At 1 January, 2006	–	3,219	(60,023)	(15)	(56,819)
Loss for the period	–	–	(1,273)	–	(1,273)
Par Value Reduction ( <i>Note b</i> )	–	–	36,932	–	36,932
<b>At 31 March 2006</b>	<b>–</b>	<b>3,219</b>	<b>(24,364)</b>	<b>(15)</b>	<b>(21,160)</b>

*Notes:*

- (a) In prior periods, the convertible bonds issued were recorded as liability and stated at cost. With effect from 1 January 2005 and in accordance with HKAS 32, convertible bonds issued are required to split into their respective liability and equity components at initial recognition by recognising the liability component at its fair value and attributing to the equity component, which is arisen from the difference between the proceeds from convertible bonds at its issue date and the fair value of the liability component. The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the bond. When the bond is converted, the convertible bond equity reserve and the carrying value of the liability component at the time of conversion are transferred to the share capital account and the share premium account as consideration for the shares issued. If the bond is redeemed, the convertible bond equity reserve is released directly to the accumulated losses account. On 28 March 2005, the Company redeemed the whole convertible bond at a nominal value of HK\$7 million together with the accrued interests and transferred its equity component from the convertible bond equity reserve to the accumulated losses account.
- (b) Details of the Company's capital structure are set out under the paragraph headed "Capital structure" under the section of "Management Discussion and Analysis" of this report. Upon the Par Value Reduction became effective on 15 February 2006, on the basis of 75,372,000 issued shares, an amount of HK\$36,932,280 from the share capital account was applied towards the elimination of part of the accumulated losses of the Company.

**9) Dividend**

The Board does not recommend the payment of any dividend in respect of the three months ended 31 March 2006 (three months ended 31 March 2005: Nil).

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Business review**

For the three months ended 31 March 2006, the Group's unaudited revenue increased more than 14 times as compared with the amount of that for the corresponding period in 2005 while the gross profit ratio for the three months ended 31 March 2006 was 17%, which increased by approximately 4% as compared with that of the three months ended 31 March 2005.

During the three months ended 31 March 2006, selling and distribution expenses were approximately HK\$43,000 while there were no such expenses for the corresponding period in 2005. Due to the strong economic recovery in Hong Kong and the constant economic growth in China, a strong demand for information technology has been resulted. A new sales manager was recruited in January 2006 to further promote the businesses of the Group.

However, economic recovery also results in higher salary level. Administrative expenses for the three months ended 31 March 2006 greatly increased by approximately 82% as compared with that of the corresponding period in 2005. Such increase was also caused by the additional legal and professional expenses incurred in the capital reorganisation completed in February 2006.

Accordingly, loss for the three months ended 31 March 2006 was approximately HK\$1,273,000, which increased by 17% as compared with the restated figure for the corresponding period in 2005. However, the Group, in fact, has sustained less losses, as compared with the corresponding period last year, before incurring legal and professional expenses in the amount of approximately HK\$261,000 for capital reorganisation exercise.

## **Outlook**

In the future, the management team continues to focus on information technology development outsourcing services, systems integration services and professional information technology services. The operational management is instructed to negotiate with prospective clients and conclude new contracts to revise the profit margin and to improve corporate profitability in the foreseeable future. In addition, the management will consider refining internal resources to launch marketing campaigns according to the existing available resources and the actual market conditions. The Group remains continuously optimistic about its future business development in the long run.

## **Capital structure**

As at 31 March 2006, the Company's total number of issued shares was 75,372,000 (31 March 2005: 753,720,000). The issued share capital of the Company was, pursuant to a special resolution passed on 16 November 2005 at the extraordinary general meeting, the sanction of an Order of the Grand Court of the Cayman Islands on 10 February 2006 and the completion of certain procedural requirements, reduced from HK\$37,686,000 divided into 75,372,000 ordinary shares of HK\$0.5 each to HK\$753,720 divided into 75,372,000 ordinary shares of HK\$0.01 each ("**Par Value Reduction**"). Upon the Par Value Reduction becoming effective on 15 February 2006, all the authorised but unissued share capital of the Company was cancelled and the authorised share capital of the Company was immediately restored to the original amount of HK\$100,000,000 by the creation of the requisite number of new shares of HK\$0.01 each.



## DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 March 2006, the interests and short positions of each Director and chief executive in the share capital of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of the Hong Kong (“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 pursuant to Rule 5.46 of the GEM Listing Rules were as follows:

### Long positions in the ordinary shares of HK\$0.01 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	Number of share options	Number of Shares and underlying Shares
Mr. Choi Koon Ming	Beneficial owner	100% (directly)	–	750,000	750,000
Mr. Ng Kam Yiu	Beneficial owner	100% (directly)	–	300,000	300,000
Mr. Chow Yeung Tuen, Richard	Beneficial owner	100% (directly)	–	300,000	300,000

Details of the Post-IPO 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 31 March 2006 are as follows:

Name of Director	Date of grant of share options	Number of Shares underlying the share options as at 31 March 2006	Exercise period of share options	Exercise price per share options HK\$
Mr. Choi Koon Ming	21 January 2003	750,000	21 January 2003 to 20 January 2008	1.148
Mr. Ng Kam Yiu	21 January 2003	300,000	8 January 2004 to 7 January 2009	1.148
Mr. Chow Yeung Tuen, Richard	21 January 2003	300,000	21 January 2003 to 20 January 2008	1.148
		1,350,000		

No share options had been granted under the Share Option Scheme during the three months ended 31 March 2006 and no option previously granted under the Share Option Scheme had been exercised during the same period.

Save as disclosed above, as at 31 March 2006, none of the Directors had registered 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 31 March, 2006, the following interests of 5% or more in the issued share capital, share options and convertible bonds of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of SFO:

### Long positions in the Shares and underlying Shares:

Name of substantial shareholder of the Company	Capacity and nature of interest	Number of Shares held	Percentage of issued share capital of the Company as at 31 March 2006	Number of underlying Shares held	Number of Shares and underlying Shares
global.com Investments Corp. (Note 1)	Beneficial owner	15,557,000	20.6%	–	15,557,000
Santana Enterprises Limited (Note 1)	Through a controlled corporation	15,557,000	20.6%	–	15,557,000
Yuen Fat Ching (Note 1)	Settlor	15,557,000	20.6%	–	15,557,000
Bornwise Investments Limited (Note 2)	Security interest	15,557,000	20.6%	–	15,557,000
Cheung Wo Sin (Note 2)	Through a controlled corporation	15,557,000	20.6%	–	15,557,000
Glory Cyber Company Limited ("Glory Cyber") (Note 3)	Beneficial owner	10,000,000	13.3%	–	10,000,000
Luan Shusheng ("Mr. Luan") (Note 3)	Through a controlled corporation	10,000,000	13.3%	–	10,000,000
Sun Wah Net Investment Limited ("Sun Wah") (Note 4)	Beneficial owner	9,547,400	12.7%	18,000,000	27,547,400
Sun Wah Hi-Tech Holdings Limited (Note 4)	Through a controlled corporation	9,547,400	12.7%	18,000,000	27,547,400
Choi Koon Shum (Note 4)	Through a controlled corporation	9,547,400	12.7%	18,000,000	27,547,400
Tai Lee Assets Limited (Note 5)	Beneficial owner	9,440,600	12.5%	–	9,440,600
Tsoi Siu Lan, Mazie (Note 5)	Through a controlled corporation	9,440,600	12.5%	–	9,440,600
Ceroilfood Finance Limited (Note 6)	Beneficial owner	8,302,200	11.0%	–	8,302,200
China National Cereals Oils and Foodstuffs Import and Export Corporation (Note 6)	Through a controlled corporation	8,302,200	11.0%	–	8,302,200

*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 15,557,000 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 10,000,000 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 31 March 2006, Sun Wah is also the holder of convertible bonds with the 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 18,000,000 ordinary shares (as adjusted by the share consolidation which became effective on 17 November 2005), representing approximately 23.88% of the issued share capital of the Company.
- (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, no person other than the Directors, whose interests are set out in the section headed “Directors’ interests and short positions in the Shares and underlying Shares of the Company or any associated corporations” and shareholders, whose interests are set out in the section headed “Interests and short positions of shareholders discloseable under the SFO” above, had registered an interest or short position in the Shares or 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 or any associated corporations” and “Interests and short positions 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. As at the date of this report, the audit committee has three members comprising the three independent non-executive Directors, Mr. Wu Tak Lung (Chairman of the audit committee), Mr. Phillip King and Mr. Ng Cheuk Tat, Ambrose (“**Mr. Ambrose Ng**”). Ms. Ho Suk Yin, *JP* tendered her resignation as an independent non-executive Director and a member of the audit committee of the Company with effect from 1 March 2006 due to personal reasons and Mr. Ambrose Ng was appointed as an independent non-executive Director and a member of the audit committee with effect from 28 February 2006.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control and risk management systems of the Group. The Group’s quarterly results for three months ended 31 March 2006 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 PRACTICES**

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less 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. In addition, in the opinion of the Board, the Company has complied with the Code on Corporate Governance Practices during the three months ended 31 March 2006.

## **COMPETITION AND CONFLICT OF INTERESTS**

None of the Directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has 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 three months ended 31 March 2006.

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

Hong Kong, 10 May 2006

*As at the date hereof, 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 Ng Cheuk Tat, Ambrose.*