光彩未來集團
Glory Future Group

Annual Report

2006

Glory Future Group Limited

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 8071)

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 the 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" in order to obtain up-to-date information on GEM-listed issuers.

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Choi Koon Ming *(Chairman)*
Mr. Ng Kam Yiu *(Chief Executive Officer)*
Mr. Chow Yeung Tuen, Richard
(Finance Director)

Independent non-executive Directors
Mr. Wu Tak Lung
Mr. Phillip King
Mr. Ng Cheuk Tat, Ambrose

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Ling Chun Kwok CPA, FCCA, ACA

COMPLIANCE OFFICER

Mr. Ng Kam Yiu

AUTHORISED REPRESENTATIVES

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

AUDIT COMMITTEE

Mr. Wu Tak Lung *(Chairman)*
Mr. Phillip King
Mr. Ng Cheuk Tat, Ambrose

REMUNERATION COMMITTEE

Mr. Wu Tak Lung *(Chairman)*
Mr. Choi Koon Ming
Mr. Phillip King
Mr. Ng Cheuk Tat, Ambrose

AUDITORS

Grant Thornton
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Fubon Bank (Hong Kong) Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

12th Floor
9 Des Voeux Road West
Hong Kong

SHARE REGISTRARS AND TRANSFER OFFICES

Principal registrar
Butterfield Fund Services (Cayman) Limited
Butterfield House
Fort Street, P.O. Box 705
George Town, Grand Cayman
Cayman Islands

Branch registrar
Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

8071

Chairman's Statement

On behalf of the board ("**Board**") of directors ("**Directors**"), I hereby present to our shareholders the annual results of Glory Future Group Limited ("**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2006 ("**year**").

Financial highlights

For the year, the Group's audited revenue and the loss attributable to equity holders of the Company were approximately HK$964,000 and HK$5,149,000 respectively, representing an increase of approximately 53% and 14% respectively as compared with the audited revenue of approximately HK$630,000 and the loss attributable to equity holders of the Company of approximately HK$4,526,000 for the year ended 31 December 2005. Such increase of revenue was due to a significant rise in the revenue of the business segment of information technology consultancy services. The main reason for the increase in the loss attributable to equity holders of the Company was that overall expenditure, including selling and distribution expenses, administrative expenses and finance costs of the Group increased by approximately HK$0.65 million, representing an increase of approximately 14%, as compared with that for the year ended 31 December 2005.

Business review

During the year, the economy of the Hong Kong Special Administrative Region ("**Hong Kong**") of the People's Republic of China ("**PRC**") had improved. The Group's revenue significantly increased. The profit margin of the business segments of information technology consultancy services and system integration still maintained at low levels while that of web page design and website maintenance deteriorated. Information technology industry is still facing fierce competition and the gross profit margin of this industry would generally remain thin.

Prospects

The Group is considering to scale down the business segment of web page design and website maintenance as a loss was resulted thereof and increase its investment in business segments with more stable profit margins and better business opportunities such as system integration and information technology consultancy services and other new areas such as information technology staff recruitment agency and secondment.

Looking ahead, since the economy of the PRC has sustained rapid growth and the PRC has a constant high demand of various kinds of information technology services as well as telecommunications services, the Group will actively explore its new investment opportunities in the PRC to serve the best interest of the shareholders of the Company.

Chairman's Statement

Appreciation

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

Choi Koon Ming
Chairman of the Board

Hong Kong, 21 March 2007

Management Discussion and Analysis

OVERVIEW

During the year, the economy of Hong Kong had improved steadily with an increase in its Gross Domestic Products. The unemployment rate in Hong Kong had reduced as compared with previous years. In addition, the booming capital market and prosperous initial public offering activities in Hong Kong brought along business opportunities and economic growth.

OPERATIONAL REVIEW

During the year, the revenue of the Group was approximately HK$964,000 which increased by approximately 53% as compared with that of last year (2005: HK$630,000). Such increase was due to a significant rise in the revenue of the business segment of information technology consultancy services. However, the gross profit margin of the Group slightly dropped from approximately 10% for the year ended 31 December 2005 to approximately 8% this year due to the rising cost of sales caused by keen competition during the year.

The selling and distribution expenses increased by approximately HK$200,000 during the year as additional salary payment was incurred for recruitment of a new sales manager for business development purpose in January 2006. In addition, administrative expenses increased by approximately HK$327,000 to approximately HK$3,069,000 (2005: HK$2,742,000), representing an increase of approximately 12%, as compared with that of last year mainly due to increase in salary payment for business operations upon economic recovery.

Finance costs increased by approximately HK$123,000 to approximately HK$2,035,000 (2005: HK$1,912,000), representing an increase of approximately 6%, as compared with that of last year. Interest charges on convertible bonds reduced by approximately HK$377,000 as compared with that of last year because the convertible bonds at a nominal value of HK$9 million issued to Sun Wah Net Investment Limited ("**Sun Wah**") on 27 October 2003 was redeemed in full by the Company on 27 October 2006 and no further interest expenses would be incurred in respect of such convertible bonds thereafter. Interest charges on loans from a shareholder largely increased by approximately HK$500,000, representing an increase of approximately 200%, as compared with that of last year as a new shareholder's loan in the amount of HK$10 million was granted in October 2006 with a higher interest rate of 8% per annum to repay the aforesaid convertible bonds.

Hence, the audited loss of approximately HK$5,149,000 (2005: HK$4,526,000) for the year attributable to equity holders of the Company increased by approximately HK$623,000, representing an increase of approximately 14%.

Management
Discussion and Analysis

FINANCIAL REVIEW

Liquidity and financial resources

The Group financed its operations primarily with internally generated cash flow together with the shareholder's loans from Sun Wah. The Group still adopted a conservative financial management and treasury policy. All borrowings and the majority of bank balances are denominated in Hong Kong dollars and put in short term deposits.

As at 31 December 2006, the Group had cash and cash equivalents of approximately HK$0.7 million (2005: HK$1.9 million). During the year, the Group had obtained three new shareholder's loans from Sun Wah in the principal amount of HK$12.2 million, HK$1.2 million and HK$10 million respectively.

During the year, a shareholder's loan in the principal amount of HK$12.2 million, which bears interest at a rate of 5% per annum for a term of a three-month period, granted by Sun Wah on 2 May 2006, was used to repay a previous shareholder's loan granted by Sun Wah, in the principal amount of HK$11.4 million with accrued interest of HK$0.2 million. A shareholder's loan in the principal amount of HK$10 million, which bears interest at a rate of 8% per annum for one year, granted by Sun Wah on 27 October 2006, was principally used to redeem the convertible bonds at nominal value of HK$9 million which was issued on 27 October 2003 to Sun Wah and matured on 27 October 2006 with accrued interest of approximately HK$0.2 million.

A shareholder's loan in the principal amount of HK$1.2 million, which bears interest at a rate of 5% per annum for two months, was lent to a subsidiary of the Company by Sun Wah on 12 June 2006, and was used to repay a previous loan of HK$0.6 million, owed by the Group to Sun Wah, with accrued interest approximately of HK$0.01 million.

As at 31 December 2006, the Group had total outstanding borrowings of approximately HK$24.46 million (2005: HK$20.57 million) as stated in the consolidated balance sheet. The borrowings comprised mainly the aforesaid shareholder's loans in the total principal amount of HK$23.40 million (stated at amortised costs of approximately HK$23.98 million in the consolidated balance sheet) of which shareholder's loans of HK$12.2 million and HK$1.2 million were subsequently repaid on 16 March 2007 and the amount due to minority shareholders of subsidiaries of approximately HK$0.5 million (2005: HK$0.5 million), which were unsecured, interest-free and not repayable within 12 months from 31 December 2006.

Management Discussion and Analysis

Capital structure

As at 31 December 2006, the Company's total number of issued shares was 75,372,000 shares (2005: 75,372,000 shares). On 15 February 2006, the Company reduced its nominal value of each share from HK$0.50 to HK$0.01 ("**Par Value Reduction**") by cancellation of HK$0.49 paid up capital on each share. As a result of the Par Value Reduction, on the basis of 75,372,000 issued shares, an amount of approximately HK$36,932,000 from the share capital account was applied towards the elimination of part of the accumulated losses of the reserves. Upon the Par Value Reduction becoming effective on 15 February 2006, all the then 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 9,800,000,000 new shares of HK$0.01 each.

Investment, material acquisitions and disposal of subsidiaries and affiliated companies

The Group had no material acquisitions or disposals of subsidiaries and affiliated companies during the year. (2005: Formation of Leland Solutions Limited as announced by the Company on 2 August 2005).

Segment comments

During the year, the revenue from ordinary activities had been derived from three business segments: i) web page design and website maintenance segment, its revenue dropped from approximately HK$48,000 last year to approximately HK$7,000 in 2006; ii) system integration segment, its revenue dropped from approximately HK$452,000 last year to approximately HK$128,000 in 2006; iii) information technology consultancy services segment, its revenue increased from approximately HK$130,000 last year to approximately HK$829,000 in 2006.

The segments of system integration and information technology consultancy services contributed positive profit margins of approximately 3% and 11% respectively. Since the segment of web page design and website maintenance resulted in a loss, scaling-down of this segment is under consideration. The Group will continue to develop its information technology consultancy services and also to seek to invest in other new profitable business segments.

Employee information

As at 31 December 2006, the Group employed a total number of 9 (2005: 7) employees. The staff costs, including Directors' remuneration, were approximately HK$1,706,000 (2005: HK$1,093,000).

Management Discussion and Analysis

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 to retain key staff members.

Charge on group assets

As at 31 December 2006, none of the Group's assets was pledged (2005: 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 2006. However, the Group will continue to seek new business development opportunities.

Gearing ratio

As at 31 December 2006, the gearing ratio of the Group was approximately -1.01 (2005: -1.08), based on the total borrowings of approximately HK$24.46 million (2005: HK$20.57 million) and deficiencies in assets of approximately HK$24.29 million (2005: approximately HK$19.13 million).

Exposure to fluctuation in exchange rates

The Group has no significant foreign exchange risk due to limited foreign currency transactions.

Contingent liabilities

As at 31 December 2006, the Group had no significant contingent liabilities. (2005: Nil).

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Choi Koon Ming, aged 38, 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 Limited. He is the brother of Mr. Choi Koon Shum, the ultimate beneficial owner of Sun Wah.

Mr. Ng Kam Yiu, aged 44, joined the Group on 8 January 2003 as the Deputy Managing Director of the Company and he took up the position of Chief Executive Officer on 27 June 2005. Before Mr. Ng was formally appointed as the Chief Executive Officer, he, as the Deputy Managing Director, was also performing the duties of the Chief Executive Officer. 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 50, 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 Chartered Secretaries and the Taxation Institute of Hong Kong. He also holds a Master Degree in Business Administration from the University of East Asia, Macau.

Independent non-executive Directors

Mr. Wu Tak Lung, aged 41, has joined the Group since 1 October 2005. Mr. Wu is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Chartered Secretaries and the Taxation Institute of Hong Kong. Mr. Wu is also a full member of the Hong Kong Securities Institute and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Wu is a director of corporate finance department of Wallbanck Brothers Securities (Hong Kong) Limited, an investment bank licensed by the Securities and Futures Commission. Mr. Wu is also an independent non-executive director of four other listed companies in Hong Kong and one listed company in Singapore.

Directors and Senior Management

Mr. Phillip King, aged 36, joined the Group on 1 October 2005. Mr. King is the Managing Director of a company listed on the Main Board of the Stock Exchange. He holds a Master Degree in Business Administration from the University of San Francisco (California) in the United States of America. He has over 15 years of experience in real estate investment, management and development.

Mr. Ng Cheuk Tat, Ambrose, aged 50, joined the Group on 28 February 2006. Mr. Ng is a practising solicitor and the sole proprietor of Messrs Ambrose Ng & Co., Solicitors. He received an honour degree of Bachelor of Arts (Business and Management) at the City University of Hong Kong and an honour degree of Bachelor of Laws and the Postgraduate Certificate in Laws at the University of Hong Kong.

SENIOR MANAGEMENT

Mr. Ling Chun Kwok, aged 45, is the financial controller, the qualified accountant and the company secretary of the Company. He is an associate member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants in England and Wales and a fellow member of the Association of Chartered Certified Accountants. He received an honour degree of Bachelor of Accounting at the University of Hong Kong. He joined the Group in August 2005. He has extensive experience in auditing, accounting, financial management and company secretarial work. He served as a financial controller and qualified accountant in a company listed on GEM before joining the Group.

Report of the Directors

The Directors present their report and the audited financial statements of the Group for the year.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its subsidiaries are set out in note 17 to the financial statements. During the year, there were no significant changes in the nature of the Group's principal activities.

An analysis of the Group's performance for the year by business segments is set out in note 6 to the financial statements.

RESULTS AND APPROPRIATIONS

The Group's loss for the year ended 31 December 2006 and the state of affairs of the Group and of the Company as at that date are set out in the financial statements on pages 33 to 77.

The Directors do not recommend the payment of any dividend in respect of the year (2005: Nil).

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

Details of movements in the Company's share capital, share options and convertible bonds during the year, together with the reasons thereof, are set out in notes 25, 26 and 23 respectively to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 27 to the financial statements and the consolidated statement of changes in equity respectively.

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 ("**Shareholders**") 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 had been cancelled and applied towards the elimination of part of the accumulated losses of the Company in November 2005.

Hence, as at 31 December 2006, the Company did not have any reserves available for distribution.

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association ("**Articles**") 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.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and the assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements of the Group is set out on page 78 of the annual report of the Company for the year ended 31 December 2006 ("**Annual Report**"), of which this report forms part.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, there was no purchase, sale or redemption by the Company, or any of subsidiaries, of the Company's listed securities.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the percentages of sales and purchases attributable to the Group's major customers and suppliers were as follows:

(i)	**Purchases**	**Percentage of total purchases**
	– the largest supplier	57%
	– the five largest suppliers combined	100%
(ii)	**Sales**	**Percentage of total sales**
	– the largest customer	79%
	– the five largest customers combined	100%

As far as the Directors are aware, none of the Directors or any of their associates, or any Shareholders (which, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers for the year.

Report of the Directors

DIRECTORS

The Directors 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**")

Non-executive Director
Mr. Ha Kee Choy, Eugene ("**Mr. Ha**") (retired on 28 June 2006)

Independent non-executive Directors
Mr. Wu Tak Lung ("**Mr. Wu**")
Mr. Phillip King ("**Mr. King**")
Mr. Ng Cheuk Tat, Ambrose ("**Mr. Ambrose Ng**") (appointed on 28 February 2006)
Ms. Ho Suk Yin *JP* ("**Ms. Ho**") (resigned on 1 March 2006)

In accordance with articles 87 (1) and (2) of the Articles, Mr. Chow and Mr. Ng will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received written confirmations from each of its 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.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out pages 10 to 11 of the Annual Report.

DIRECTORS' SERVICE CONTRACTS

Mr. Ambrose Ng has entered into a service contract with the Company for a term of one year which commenced on 28 February 2006 and Mr. Wu's and Mr. King's service contracts relating to their existing directorships have been both renewed for a term of one year which commenced on 1 October 2006. All of them shall be subject to retirement by rotation in accordance with the Articles or earlier termination by either party giving to the other one calendar month's written notice in advance. These service contracts are exempt from the Shareholders' approval requirement under Rule 17.90 of the Rules Governing the Listing of Securities on the GEM ("**GEM Listing Rules**").

Save as disclosed above, none of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory obligations.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 31 to the financial statements, no Director had a significant beneficial interest, either directly or indirectly, 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.

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

As at 31 December 2006, the interests and short positions of each Director and chief executive 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 ("**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 derivative to the shares of the Company ("Shares"):

At as 31 December 2006, the Company had 1,350,000 outstanding share options granted to the Directors as follow:

Name of Director	Capacity	Attributable interest to the Director	Number of Shares held	Number of share options (Note)	Number of Shares and underlying Shares
Mr. Choi	Beneficial owner	100%	-	750,000	750,000
Mr. Ng	Beneficial owner	100%	-	300,000	300,000
Mr. Chow	Beneficial owner	100%	-	300,000	300,000

Note: The interests of the Directors in the share options of the Company are separately disclosed in note 26 to the financial statements.

Save as disclosed above, none of the Directors had registered an interest or short positions in the Shares or underlying Shares 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' interests and short positions in the Shares and underlying Shares or in any associated corporations" above and in the share option scheme disclosures in note 26 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 26 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2006, the following interests of 5% or more in the issued share capital and share options 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	Capacity and nature of interests	Number of Shares held	Percentage of issued share capital of the Company as at 31 December 2006	Number of Shares and underlying Shares
global.com Investments Corp. (Notes 1 and 2)	Beneficial owner	15,557,000	20.6%	15,557,000
Santana Enterprises Limited (Notes 1 and 2)	Through a controlled corporation	15,557,000	20.6%	15,557,000
Yuen Fat Ching (Notes 1 and 2)	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 (Note 4)	Beneficial owner	9,547,400	12.7%	9,547,400
Sun Wah Hi-Tech Holdings Limited (Note 4)	Through a controlled corporation	9,547,400	12.7%	9,547,400
Choi Koon Shum (Note 4)	Through a controlled corporation	9,547,400	12.7%	9,547,400
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. On 5 January 2007, Bornwise Investments Limited (as mortgagee) transferred its entire interest in the Company (i.e. 15,557,000 Shares) to Speedy Well Investments Limited ("**Speedy Well**"). Speedy Well is a company incorporated in the British Virgin Islands and beneficially owned by Mr. Leung Ngai Man. (Details of the said share transfer, are set out in the announcement of the Company dated 9 January 2007).

(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.

(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 PRC.

Save as disclosed above, no person other than the Directors, whose interests are set out in the paragraph headed "Directors' interests and short positions in the Shares and underlying Shares or any associated corporations" and shareholders, whose interests are set out in the paragraph headed "Substantial Shareholders' interests and short positions in the Shares and underlying Shares" 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.

ADVANCE TO ENTITIES

The Group recorded a net deficiency in assets of approximately HK$24.29 million as at 31 December 2006. As the net tangible value of the Group was negative, the other receivables ("**Other Receivables**") of the Group as at 31 December 2006 gave rise to a disclosure obligation under Rule 17.22 of the GEM Listing Rules, the information specified under Rules 17.17 was included as follows:

Other Receivables	**As at 31 December 2006** HK$'000
Deposits (Note 1)	4
Prepayments (Note 2)	111
	115

Notes:

1. The deposits paid comprise the following items:

	HK$'000
Rental deposit – mini warehouse	2
Water deposit paid to Water Supplies Department	1
IDD deposit for Director paid to SmarTone Mobile Communications Limited	1
	4

2. The breakdown of the prepayments is as follows:

	HK$'000
Annual listing fee paid to Stock Exchange	100
Insurance fee of office paid to Mansion Insurance Service Limited	1
Computer server maintenance fee paid to Finetop Technology Limited	3
Rental fee of dedicated Linux service server paid to Finetop Technology Limited	2
Annual rent for web host paid to Pacificnet Hosting Limited	2
Annual payment for commercial 6M broadband service to PCCW Limited	2
Others	1
	111

The Other Receivables were paid by the Group as deposits or under the pre-existing 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 did not enter into any contract of significance with its controlling Shareholders 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 was made.

SUBSEQUENT EVENTS

Pursuant to a loan agreement dated 13 March 2007 and entered into between the Company and Sun Wah, the Company obtained a loan of HK$18.5 million from Sun Wah which was mainly used to settle the previous shareholder's loan granted by Sun Wah on 2 May 2006 with accrued interest thereof in the total amount of approximately HK$12,730,000.

Pursuant to another loan agreement dated 13 March 2007 entered into between a subsidiary of the Company and Sun Wah, a loan of HK$3.2 million was obtained from Sun Wah which was mainly used to settle the previous loan granted by Sun Wah on 12 June 2006 with accrued interest thereof in the total amount of approximately HK$1,245,000 (Details of loans from a shareholder are set out in note 22 to the financial statements).

AUDIT COMMITTEE

The Company has established an Audit Committee with written terms of reference in compliance with the GEM Listing Rules.

The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control 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 2006 have been reviewed by the Audit Committee which 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.

Further details of the Audit Committee are set out in the Corporate Governance Report included in the Annual Report.

CONNECTED AND RELATED PARTY TRANSACTIONS

Details of the related party transactions for the year are set out in note 31 to the financial statements. Save as disclosed therein, there were no other transactions to be disclosed as connected and related party transactions in accordance with the requirements of the GEM Listing Rules and accounting principles generally accepted in Hong Kong.

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 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.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out on pages 22 to 30 of the Annual Report.

Report of the Directors

AUDITORS

An ordinary resolution for the Company to re-appoint Grant Thornton as the auditors of the Company will be proposed at the forthcoming annual general meeting.

By Order of the Board
Choi Koon Ming
Chairman

Hong Kong
21 March 2007

Corporate Governance Report

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and, save as disclosed herein, has complied with the code provisions of the Code on Corporate Governance Practices ("**Corporate Governance Code**") as set out in Appendix 15 to the GEM Listing Rules throughout the year ended 31 December 2006.

THE BOARD AND THE MEETINGS OF THE BOARD

The Board has overall responsibility for the stewardship of the Group, including the responsibilities for the adoption of long-term strategies and appointing and supervising senior management to ensure that the operation of the Group is conducted in accordance with the objective of the Group. The Senior Management Committee was established on 27 June 2005 and of its members are Mr. Choi Koon Ming, the Chairman of the Board and Mr. Ng Kam Yiu and Mr. Chow Yeung Tuen, Richard, two executive Directors.

The Board currently comprises six Directors and their respective roles are set out as follows:

Choi Koon Ming	Chairman and an executive Director
Ng Kam Yiu	Chief Executive Officer and an executive Director
Chow Yeung Tuen, Richard	Finance Director and an executive Director
Wu Tak Lung	Independent non-executive Director
Phillip King	Independent non-executive Director
Ng Cheuk Tat, Ambrose	Independent non-executive Director

In order to ensure that the Company has an effective Board, the segregation of the roles of the Chairman and the Chief Executive Officer, each with clear responsibilities, has been in place. Currently, the Chairman of the Board is Mr. Choi Koon Ming and the Chief Executive Officer of the Company is Mr. Ng Kam Yiu.

Corporate Governance Report

The Company has appointed three independent non-executive Directors whom the Board considers to have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of the Shareholders. Currently, Mr. Wu Tak Lung, Mr. Phillip King and Mr. Ng Cheuk Tat, Ambrose are the independent non-executive Directors. All of them are under a term of service of one year commencing from the date of their respective appointment or the date of entering into their respective service contract. Mr. Ha Kee Choy, Eugene was appointed as a non-executive Director on 25 October 2000 and subsequently retired from such office at the annual general meeting held on 28 June 2006. Since then, the Company has not filled up the office of non-executive Director. All Directors, including each of the independent non-executive Directors, are subject to retirement by rotation and re-election at the annual general meeting in accordance with Articles, provided that the appointment may be terminated by the Company or the Director concerned with a written notice of not less than one month unless both parties agreed otherwise.

During the year, the Board underwent the following changes:

– Mr. Ha Kee Choy, Eugene retired from the office of a non-executive Director at the annual general meeting held on 28 June 2006;

– due to personal reasons, Ms. Ho Suk Yin, *JP* resigned from the office of an independent non-executive Director on 1 March 2006; and

– Mr. Ng Cheuk Tat, Ambrose was appointed as an independent non-executive Director on 28 February 2006 in contemplation of the resignation of Ms. Ho Suk Yin, *JP*.

The Company had at least three independent non-executive Directors at all times during the year.

There is no family relationship between any of the Directors or executive officers. All of them are free to exercise their independent judgement. Prior to their respective appointment, each of the independent non-executive Directors submitted a written statement to the Stock Exchange confirming their independence and has undertaken to inform the Stock Exchange as soon as practicable if there is any subsequent change of circumstances which may affect their independence. The Company also 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.

Corporate Governance Report

In accordance with the Articles, one-third of the Directors are subject to retirement by rotation or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from the office and being eligible offer themselves for re-election provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. The Directors to be retired by rotation shall be those who have been longest in office since their last appointment or re-appointment or those who were appointed by the Board during the year to fill any casual vacancy.

The Board meets regularly (at least four times a year) and additional meetings are convened as and when the Board considers necessary. Nine board meetings were held during the year. The Directors attended those meetings participated in person, by phone or through other electronic means of communication. The attendance record of each Director during the year ended 31 December 2006 is set out below:

Directors	**Number of Board meetings attended/eligible to attend**
Executive Directors	
Choi Koon Ming	9/9
Ng Kam Yiu	4/9
Chow Yeung Tuen, Richard	9/9
Non-executive Director	
Ha Kee Choy, Eugene *(retired on 28 June 2006)*	0/5
Independent non-executive Directors	
Wu Tak Lung	6/9
Phillip King	5/9
Ho Suk Yin, *JP (resigned on 1 March 2006)*	0/2
Ng Cheuk Tat, Ambrose *(appointed on 28 February 2006)*	5/7

During the meetings of the Board, the Directors discuss and formulate the overall strategies of the Group, monitor financial performances and discuss the annual, interim and quarterly results as well as other significant matters. Execution of daily operational matters is delegated to the management.

In case where conflict of interest arises involving a substantial shareholder of the Company or a Director, such matter will be discussed through a physical meeting and will not be dealt with by written resolutions. Independent non-executive Directors with no conflict of interest will be present at meetings dealing with such conflict issues.

The board committees of the Company, including the Audit Committee and the Remuneration Committee, have all adopted the applicable practices and procedures used in board meetings for all committee meetings.

NOMINATION OF DIRECTORS

The selection and appointment of a Director and the Directors' independence are determined by the full Board. The Board also reviews its composition (including skills, knowledge and experience of its members) regularly to ensure its members can provide balanced skills and experience. The criteria and the nomination procedures of a new Director are set out herein below:

a) criteria of a Director:

   i) satisfying the independence requirement in the case of an independent non-executive Director; and

   ii) with sufficient and relevant educational background, knowledge and working experience; and

b) nomination procedures:

   i) an interview will be conducted with the prospective candidate;

   ii) a meeting of the Board will be convened to consider and, if thought fit, to approve the appointment of the new Director; and

   iii) an introduction package will be provided by the Company to the new Director so that he or she can have a better understanding of the background and the business activities of the Company.

In February 2006, Mr. Ng Cheuk Tat, Ambrose was appointed as an independent non-executive Director in accordance with the above procedures. A meeting of the Board in relation to the resignation of Ms. Ho Suk Yin, *JP*, from the office of and the appointment of Mr. Ng Cheuk Tat, Ambrose as an independent non-executive Director was held on 20 February 2006.

The individual attendance record of each member of the said meeting of the Board held on 20 February 2006 is as follows:

Member	**Number of Board meeting regarding change of Directors during the year attended/eligible to attend**
Choi Koon Ming	1/1
Ng Kam Yiu	1/1
Chow Yeung Tuen, Richard	1/1
Ha Kee Choy, Eugene *(retired on 28 June 2006)*	0/1
Wu Tak Lung	1/1
Phillip King	0/1
Ho Suk Yin, *JP (resigned on 1 March 2006)*	0/1
Ng Cheuk Tat, Ambrose *(appointed on 28 February 2006)*	0/0

The Board is satisfied with the current system of Director's nomination and appointment and therefore it does not consider the establishment of a nomination committee necessary.

The Audit Committee and the Remuneration Committee have adopted specific terms of reference clearly defining their respective powers and responsibilities. These committees are required by their terms of reference to report to the Board in relation to their decisions, findings or recommendations, and in certain specific situations, to seek the Board's approval before taking any actions.

The Board reviews, on a yearly basis, all delegations by the Board to each of the committees to ensure that such delegations are appropriate and continue to be beneficial to the Group as a whole.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 27 June 2005, comprising the three independent non-executive Directors and the Chairman of the Board. The committee is currently chaired by Mr. Wu Tak Lung, an independent non-executive Director, and other members include Mr. Phillip King and Mr. Ng Cheuk Tat, Ambrose, both of them are also independent non-executive Directors, and Mr. Choi Koon Ming, the Chairman of the Board.

The role and functions of the Remuneration Committee include the determination of the specific remuneration packages of all executive Directors, which include benefits in kind, pension rights and compensation payments, comprising any compensation payable for loss or termination of their office or appointment. The Remuneration Committee also considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration. The Remuneration Committee collects and reviews the remuneration plan and policy of all executive Directors and the senior management of the Group by reference to the prevailing rate which other companies listed on GEM adopt.

During the year ended 31 December 2006, a meeting of the Remuneration Committee was held on 29 September 2006 for renewal of the appointment contracts of Mr. Wu Tak Lung and Mr. Phillip King, two independent non-executive Directors. Details of the attendance of that meeting are as follows:

Member	**Number of Remuneration Committee meeting attended/eligible to attend**
Choi Koon Ming	1/1
Wu Tak Lung	1/1
Phillip King	1/1
Ho Suk Yin, *JP (resigned on 1 March 2006)*	0/0
Ng Cheuk Tat, Ambrose *(appointed on 28 February 2006)*	1/1

The decision of the Remuneration Committee in respect of the salary package of Mr. Chow Yeung Tuen, Richard was approved by way of written resolution passed by all members of the Remuneration Committee on 30 November 2006.

During the year, the Remuneration Committee had undergone the following changes:

– due to personal reasons, Ms. Ho Sin Yin, *JP* resigned from the office of a member of the Remuneration Committee on 1 March 2006; and

– Mr. Ng Cheuk Tat, Ambrose was nominated as a member of the Remuneration Committee on 28 February 2006 in contemplation of the above resignation.

AUDITORS' REMUNERATION

As at 31 December 2006, the fee payable to the auditors in respect of the audit and non-audit services provided by the auditors of the Group is as follows:

Type of services	Amount (HK$'000)
Audit services	190
Non-audit services	25

AUDIT COMMITTEE AND ACCOUNTABILITY

The Board is responsible for presenting a balanced, clear and comprehensible assessment of the Group's performance and prospects. The Board is also responsible for preparing the accounts of the Company, which give a true and fair view of the financial position of the Group on a going concern basis, and other price-sensitive announcements and financial disclosures. The management provides all relevant information and records to the Board enabling the Board to make the above assessment and to prepare the accounts and other financial disclosures.

In full compliance with Rule 5.28 of GEM Listing Rules, the Audit Committee, which has been established since the listing of the Company, is currently chaired by Mr. Wu Tak Lung, an independent non-executive Director, with the other members being Mr. Phillip King and Mr. Ng Cheuk Tat, Ambrose, both of them are also the independent non-executive Directors.

During the year, the following persons served as members of the Audit Committee:

Name	Service period
Wu Tak Lung	From 1 January 2006 to 31 December 2006
Phillip King	From 1 January 2006 to 31 December 2006
Ho Suk Yin, *JP*	From 1 January 2006 to 1 March 2006
Ng Cheuk Tat, Ambrose	From 28 February 2006 to 31 December 2006

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. Mr. Ng Cheuk Tat, Ambrose was appointed as an independent non-executive Director and a member of the Audit Committee of the Company with effect from 28 February 2006.

During the year, no former partner of the Company's existing auditing firm acted as a member of the Audit Committee within one year on the date of his or her ceasing to be a partner or had any financial interest in the auditing firm.

There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditors during the year.

The Audit Committee's primary duties include ensuring the Group's financial statements, annual, interim and quarterly reports, and the auditors' report present a true and balanced assessment of the Group's financial position, reviewing the Group's financial control, internal control and risk management systems and reviewing the Group's financial and accounting policies and practices.

The work done by the Audit Committee during the year ended 31 December 2006 are set out as follows:–

a) reviewing and recommending the annual report, interim report and quarterly reports for the relevant period or year to the Board for approval;

b) discussing the application of the new accounting policy with the external auditors;

c) recommending the re-appointment of the auditors to the Board for approval; and

d) reviewing the internal control system and the recommendation made by the external auditors.

The Audit Committee is provided with sufficient resources enabling it to discharge its duties.

For the financial year ended 31 December 2006, the Audit Committee held four meetings. The individual attendance record of each member of the Audit Committee is as follows:

Member	**Number of Audit Committee meetings attended/eligible to attend**
Wu Tak Lung	4/4
Phillip King	4/4
Ho Suk Yin, *JP* (*resigned on 1 March 2006*)	0/0
Ng Cheuk Tat, Ambrose (*appointed on 28 February 2006*)	4/4

The Company Secretary keeps full minutes of all meetings of the Audit Committee. In line with practices of the meetings of the Board and other committees, draft and final versions of the minutes of the meetings of the Audit Committee are circulated to all members of the Audit Committee for comments, approval and record as soon as practicable after each meeting.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

During the year, the Group adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' securities transactions in securities of the Company. Upon the Group's specific enquiry, each Director confirmed that during the year ended 31 December 2006, he or she had fully complied with the required standard of dealings and there was no event of non-compliance.

DIRECTORS' AND AUDITORS' ACKNOWLEDGEMENT

All Directors acknowledge their responsibility for preparing the accounts for the year ended 31 December 2006.

The auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year ended 31 December 2006.

INTERNAL CONTROL

The Board has conducted a review of the effectiveness of the Group's internal control system, covering its financial, operational, compliance control and risk management functions.

By Order of the Board
Choi Koon Ming
Chairman

Hong Kong
21 March 2007

Independent Auditors' Report

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 consolidated financial statements of Glory Future Group Limited (the "Company") set out on pages 33 to 77, which comprise the consolidated and company balance sheets as at 31 December 2006, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent Auditors' Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower,
The Landmark,
15 Queen's Road Central,
Hong Kong

21 March 2007

Consolidated Income Statement

For the year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Revenue	7	**964**	630
Cost of sales		**(884)**	(566)
Gross profit		**80**	64
Other operating income	8	**50**	39
Selling and distribution expenses		**(200)**	–
Administrative expenses		**(3,069)**	(2,742)
Operating loss		**(3,139)**	(2,639)
Finance costs	9	**(2,035)**	(1,912)
Loss before income tax	10	**(5,174)**	(4,551)
Income tax expense	11	**–**	–
Loss for the year		**(5,174)**	(4,551)
Attributable to:			
Equity holders of the Company	12	**(5,149)**	(4,526)
Minority interests		**(25)**	(25)
Loss for the year		**(5,174)**	(4,551)
Loss per share for loss attributable to the equity holders of the Company during the year	13		
– Basic		**(HK6.8 cents)**	(HK6.0 cents)
– Diluted		**N/A**	N/A

Consolidated Balance Sheet

As at 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	38	60
Current assets			
Inventories	18	65	–
Trade receivables	19	14	187
Prepayments, deposits and other receivables		115	165
Cash and cash equivalents	20	675	1,854
		869	2,206
Current liabilities			
Trade payables	21	–	30
Other payables and accrued expenses		739	801
Loans from a shareholder	22	23,982	12,089
Convertible bonds	23	–	7,980
		24,721	20,900
Net current liabilities		(23,852)	(18,694)
Total assets less current liabilities		(23,814)	(18,634)
Non-current liabilities			
Due to minority shareholders of subsidiaries	24	474	499
Net liabilities		(24,288)	(19,133)
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	25	754	37,686
Reserves	27	(25,042)	(56,819)
Total equity		(24,288)	(19,133)

Choi Koon Ming
Director

Chow Yeung Tuen, Richard
Director

Balance Sheet

As at 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	17	–	–
Current assets			
Prepayments and other receivables		100	147
Cash and cash equivalents	20	471	1,261
		571	1,408
Current liabilities			
Other payables and accrued expenses		250	338
Due to a subsidiary	17	3	3
Loans from a shareholder	22	22,749	11,487
Convertible bonds	23	–	7,980
		23,002	19,808
Net current liabilities		(22,431)	(18,400)
Net liabilities		(22,431)	(18,400)
EQUITY			
Share capital	25	754	37,686
Reserves	27	(23,185)	(56,086)
Total equity		(22,431)	(18,400)

Choi Koon Ming
Director

Chow Yeung Tuen, Richard
Director

Consolidated Cash Flow Statement

For the year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
Cash flows from operating activities			
Loss before income tax		(5,174)	(4,551)
Adjustments for:			
Depreciation	10	50	83
Loss on disposal of property, plant and equipment	10	6	–
Interest income	8	(28)	(18)
Interest expense	9	2,035	1,912
Operating loss before working capital changes		(3,111)	(2,574)
Increase in inventories		(65)	–
Decrease/(Increase) in trade receivables		173	(187)
Decrease/(Increase) in prepayments, deposits and other receivables		50	(143)
(Decrease)/Increase in trade payables		(30)	30
(Decrease)/Increase in other payables and accrued expenses		(62)	344
Cash used in operations		(3,045)	(2,530)
Interest paid		(522)	(1,549)
Net cash used in operating activities		(3,567)	(4,079)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		1	–
Purchases of property, plant and equipment		(35)	–
Interest received		28	18
Net cash (used in)/generated from investing activities		(6)	18
Cash flows from financing activities			
Decrease in other loan		–	(71)
Redemption of convertible bonds		(9,000)	(7,000)
Advance of loans from a shareholder		23,400	12,000
Repayment of loans to a shareholder		(12,000)	–
Advance from a minority shareholder		–	98
Net cash from financing activities		2,400	5,027
Net (decrease)/increase in cash and cash equivalents		(1,173)	966
Cash and cash equivalents at beginning of year		1,854	893
Effect of foreign exchange rate changes, net		(6)	(5)
Cash and cash equivalents at end of year		675	1,854

Consolidated Statement of Changes in Equity

For the year ended 31 December 2006

	Equity attributable to equity holders of the Company						
	Share capital HK$'000	Share premium account HK$'000	Convertible bond equity reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2005	37,686	15,796	4,875	(10)	(72,949)	–	(14,602)
Currency translation (Net loss recognised directly in equity)	–	–	–	(5)	–	–	(5)
Loss for the year	–	–	–	–	(4,526)	(25)	(4,551)
Total recognised income and expense for the year	–	–	–	(5)	(4,526)	(25)	(4,556)
Capital contribution from a minority shareholder of a subsidiary	–	–	–	–	–	25	25
Redemption of convertible bonds	–	–	(1,656)	–	1,656	–	–
Share premium cancellation (note 27)	–	(15,796)	–	–	15,796	–	–
At 31 December 2005 and 1 January 2006	37,686	–*	3,219*	(15)*	(60,023)*	–	(19,133)
Currency translation (Net loss recognised directly in equity)	–	–	–	(6)	–	–	(6)
Loss for the year	–	–	–	–	(5,149)	(25)	(5,174)
Total recognised income and expense for the year	–	–	–	(6)	(5,149)	(25)	(5,180)
Par Value Reduction (note 25)	(36,932)	–	–	–	36,932	–	–
Capital contribution from a minority shareholder of a subsidiary	–	–	–	–	–	25	25
Redemption of convertible bonds	–	–	(3,219)	–	3,219	–	–
At 31 December 2006	754	–*	–*	(21)*	(25,021)*	–	(24,288)

* The aggregate amount of these reserve accounts is included in the consolidated reserves of HK$25,042,000 (2005: HK$56,819,000) in deficit in the consolidated balance sheet.

1. CORPORATE INFORMATION

Glory Future Group Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's shares are listed on the Growth Enterprise Market ("**GEM**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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

– provision of web page design and website maintenance services

– provision of system integration services

– provision of information technology consultancy services

The financial statements on pages 33 to 77 have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The financial statements include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM ("**GEM Listing Rules**").

The financial statements for the year ended 31 December 2006 were approved by the board of directors on 21 March 2007.

2. BASIS OF PREPARATION

The financial statements have been prepared on a going concern basis, notwithstanding that the Group had net current liabilities of approximately HK$23,852,000 and net deficiencies in assets of approximately HK$24,288,000 as at 31 December 2006. In the opinion of the Directors, the liquidity of the Group can be maintained in the forthcoming year, after taking into consideration several financial measures executed during the year and subsequent to the balance sheet date, which include the following:

(i) During the year and subsequent to the balance sheet date, Sun Wah Net Investment Limited ("**Sun Wah**"), a substantial shareholder of the Company, advanced several loans to the Group, for the redemption of the convertible bonds and repayment of several previous shareholder's loans as detailed in notes 22 and 23.

2. BASIS OF PREPARATION (Continued)

(ii) Sun Wah has made an undertaking to provide continual financial support to the Group and the Company so as to enable the Group and the Company to continue its day to day operations as a viable going concern up to 31 December 2007 inclusive.

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

3. ADOPTION OF NEW AND AMENDED HKFRSs

From 1 January 2006, the Group has adopted all the new and amended HKFRSs, which are first effective on 1 January 2006 and relevant to the Group.

The adoption of these new and amended HKFRSs did not result in significant changes to the Group's accounting policies. The specific transitional provisions contained in some of these new and amended HKFRSs have been considered. The adoption of these new and amended HKFRSs did not result in any changes to the amounts or disclosures in these financial statements.

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The Directors anticipate that the adoption of such HKFRSs will not result in material financial impact on the Group's financial statements.

HKAS 1 (Amendment)	Capital Disclosures[1]
HKFRS 7	Financial Instruments – Disclosures[1]
HK(IFRIC) – Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK(IFRIC) – Int 8	Scope of HKFRS 2[3]
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives[4]
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment[5]
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions[6]

Notes:

1 Effective for annual periods beginning on or after 1 January 2007
2 Effective for annual periods beginning on or after 1 March 2006
3 Effective for annual periods beginning on or after 1 May 2006
4 Effective for annual periods beginning on or after 1 June 2006
5 Effective for annual periods beginning on or after 1 November 2006
6 Effective for annual periods beginning on or after 1 March 2007

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (together referred to as "**the Group**") made up to 31 December each year.

4.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less any impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

Minority interest represents the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned by the Group and are not the Group's financial liabilities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.3 Subsidiaries (Continued)

Minority interests are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the Company. Profit or loss attributable to the minority interests are presented separately in the consolidated income statement as an allocation of the Group's results. Where losses applicable to the minority exceeds the minority interests in the subsidiary's equity, the excess and further losses applicable to the minority are allocated against the minority interest to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. Otherwise, the losses are charged against the Group's interests. If the subsidiary subsequently reports profits, such profits are allocated to the minority interest only after the minority's share of losses previously absorbed by the Group has been recovered.

4.4 Foreign currency translation

The financial statements are presented in Hong Kong dollars (HK$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operation, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with in the currency translation reserve in equity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Income and expense recognition

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

(a) revenue from the rendering of services, when the relevant services have been rendered; and

(b) interest income, on a time proportion basis using the effective interest method.

Operating expenses are charged to the income statement when incurred.

4.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is provided to write off the cost over their estimated useful lives using the straight-line method, as follows:

Furniture, fixtures and fittings	2-5 years
Computer and office equipment	2-3 years

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Impairment of assets

Property, plant and equipment and investments in subsidiaries are subject to impairment testing.

Individual assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if an impairment loss had been recognised.

4.8 Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases. Annual rentals applicable to such operating leases are charged to the income statement on a straight-line basis over the lease terms. Affiliated costs, such as maintenance and insurance, are expensed as incurred.

4.9 Financial assets

The Group's financial assets include trade receivables, other receivables and cash and cash equivalents.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in their value are recognised in income statement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.9 Financial assets (Continued)

Derecognition of financial assets occurs when the rights to receive cash flows from the assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment.

Trade receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

4.10 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

4.11 Accounting for income taxes

Income tax comprises current and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Accounting for income taxes (Continued)

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. However, in accordance with the rules set out in HKAS 12, no deferred taxes are recognised in relation to temporary differences associated with shares in subsidiaries if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged directly to equity are charged or credited directly to equity.

4.12 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand as well as highly liquid investments such as bank deposits.

4.13 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent of their incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognised as an expense.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.14 Pension obligations

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. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. Contributions are made based on a percentage of the employees' basic salary to 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. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature. 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. The 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.

4.15 Share-based employee compensation

Under the transitional provision provided for under HKFRS 2, all share-based payment arrangements granted after 7 November 2002 and have not yet vested at 1 January 2005 are recognised in the financial statements. The Group operates equity-settled share-based compensation plans for remuneration of its employees.

All employee services received in exchange for the grant of any share-based compensation are measured at their fair values. These are indirectly determined by reference to the share options awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.15 Share-based employee compensation (Continued)

All share-based compensation is ultimately recognised as an expense in income statement with a corresponding increase in equity (share option reserve). If vesting periods or other vesting conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. No adjustment to expense recognised in prior periods is made if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are reallocated to share capital with any excess being recorded as share premium.

4.16 Financial liabilities

The Group's financial liabilities include trade payables, other payables and accrued expenses, loans from a shareholder and amounts due to minority shareholders of subsidiaries.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the income statement.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the income statement.

Trade payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 Convertible bonds

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible bonds issued by the Company that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as convertible bond equity reserve.

The liability component is subsequently carried at amortised cost using 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, is transferred to share capital and share premium as consideration for the shares issued. If the bond is redeemed, the convertible bond equity reserve is released directly to retained profits/accumulated losses.

4.18 Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segment be presented as the primary reporting format and geographical segment as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of property, plant and equipment and trade receivables. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings.

Capital expenditure comprises additions to property, plant and equipment.

The Group's main operations and customers are located in Hong Kong. Accordingly, no further analysis by geographical segment is provided.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 Related parties

A party is considered to be related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party:

(i) controls, is controlled by, or is under common control with, the Group;

(ii) has an interest in the Group that gives it significant influence over the Group; or

(iii) has joint control over the Group;

(b) the party is a jointly-controlled entity;

(c) the party is an associate;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly-controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the provision at the balance sheet date.

6. SEGMENT INFORMATION

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 web page design and website maintenance segment provides application and web page development work and monthly services for maintaining and updating website services;

(b) the system integration segment provides services including hardware and software management services; and

(c) the information technology consultancy services segment provides services relating to the implementation and application of computer systems.

The Group's main operations and customers are located in Hong Kong. Accordingly, no further analysis by geographical segment is provided.

There was no intersegment sale and transfer during the year (2005: Nil).

6. SEGMENT INFORMATION (Continued)

Business segments

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

	Web page design and website maintenance		System integration		Information technology consultancy services		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:								
Sales to external customers	7	48	128	452	829	130	964	630
Segment results	(12)	(1)	4	5	88	60	80	64
Bank interest income							28	18
Sundry income							22	21
Unallocated expenses							(3,269)	(2,742)
Operating loss							(3,139)	(2,639)
Finance costs							(2,035)	(1,912)
Loss before income tax							(5,174)	(4,551)
Income tax expense							–	–
Loss for the year							(5,174)	(4,551)
Segment assets	1	37	102	198	14	12	117	247
Unallocated assets							790	2,019
Total assets							907	2,266
Segment liabilities	248	239	–	17	–	12	248	268
Unallocated liabilities							24,947	21,131
Total liabilities							25,195	21,399
Other segment information:								
Depreciation	33	78	17	3	–	2	50	83
Capital expenditure	–	22	35	2	–	1	35	25

7. REVENUE AND TURNOVER

Revenue, which is also the Group's turnover, recognised during the year is as follows:

	2006 HK$'000	2005 HK$'000
Information technology consultancy services income	829	130
System integration income	128	452
Web page design and website maintenance income	7	48
	964	630

8. OTHER OPERATING INCOME

	2006 HK$'000	2005 HK$'000
Bank interest income	28	18
Sundry income	22	21
	50	39

9. FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interest charges on:		
Loans from a shareholder wholly repayable within five years	745	245
Convertible bonds	1,290	1,667
	2,035	1,912

10. LOSS BEFORE INCOME TAX

	Notes	2006 HK$'000	2005 HK$'000
Loss before income tax is arrived at after charging:			
Cost of services provided*		884	566
Auditors' remuneration		190	182
Employee benefit expense (excluding Directors' emoluments)	14	1,556	1,083
Directors' emoluments	15	150	10
Minimum lease payments paid under operating leases in respect of:			
– Land and buildings		169	217
– Computer server		12	24
Loss on disposal of property, plant and equipment		6	–
Depreciation		50	83

* Cost of services provided included HK$176,000 (2005: HK$113,000) relating to employee benefit expense. This amount is included in both "Cost of services provided" and "Employee benefit expense" disclosed above.

11. 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 year (2005: Nil).

During the year, 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 (2005: Nil).

11. INCOME TAX EXPENSE (Continued)

Reconciliation between tax expense and accounting loss at applicable tax rates is as follows:

	2006 HK$'000	2005 HK$'000
Loss before income tax	**(5,174)**	(4,551)
Tax at the statutory rate of 17.5% in Hong Kong (2005: 17.5%)	**(905)**	(796)
Effect of different tax rate of the other jurisdictions	**(22)**	(22)
Tax effect of non-deductible expenses	**739**	504
Tax effect of non-taxable revenue	**(5)**	(3)
Tax effect of temporary differences not recognised	**(4)**	3
Tax effect of tax losses not recognised	**197**	314
Income tax expense	**–**	–

As at 31 December 2006, the Group had unutilised tax loss of HK$143,000 (2005: HK$137,000) arising from a subsidiary operating outside Hong Kong which is available for setting off against future taxable profit of that subsidiary for 5 years and tax losses of HK$50,242,000 (2005: HK$49,393,000) arising from certain subsidiaries operating in Hong Kong which can be carried forward indefinitely. Deferred tax asset has not been recognised in respect of the tax losses that arose in subsidiaries that have been loss-making for some time.

As at 31 December 2006, no deferred tax liability has been provided as the Group and the Company did not have any significant temporary differences which give rise to a deferred tax liability (2005: Nil).

12. LOSS FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

Of the consolidated loss for the year attributable to the equity holders of the Company of HK$5,149,000 (2005: HK$4,526,000), a loss of HK$4,031,000 (2005: HK$4,274,000) has been dealt with in the financial statements of the Company.

13. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to equity holders of the Company of approximately HK$5,149,000 (2005: HK$4,526,000) and on the 75,372,000 (2005: 75,372,000) ordinary shares of the Company in issue during the year.

Diluted loss per share for the years ended 31 December 2006 and 2005 have not been disclosed as the share options and convertible bonds outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

14. EMPLOYEE BENEFIT EXPENSE (EXCLUDING DIRECTORS' EMOLUMENTS)

	2006 HK$'000	2005 HK$'000
Wages and salaries	1,504	1,050
Pension costs – defined contribution plans	52	33
	1,556	1,083

15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT

(a) Directors' emoluments

The emoluments paid or payable to the directors were as follows:

	Fees	Salaries and allowances	Contributions to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2006				
Executive directors				
Choi Koon Ming	–	–	–	–
Ng Kam Yiu	–	–	–	–
Chow Yeung Tuen, Richard	–	90	3	93
Non-executive director				
Ha Kee Choy, Eugene (note 1)	–	–	–	–
Independent non-executive directors				
Wu Tak Lung	20	–	–	20
Phillip King	20	–	–	20
Ng Cheuk Tat, Ambrose (note 2)	17	–	–	17
Ho Suk Yin, *JP* (note 3)	–	–	–	–
	57	90	3	150

15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT (Continued)

(a) Directors' emoluments (Continued)

	Fees	Salaries and allowances	Contributions to pension scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31 December 2005				
Executive directors				
Choi Koon Ming	–	–	–	–
Ng Kam Yiu	–	–	–	–
Chow Yeung Tuen, Richard	–	–	–	–
Luan Shusheng (Note 4)	–	–	–	–
Non-executive director				
Ha Kee Choy, Eugene (Note 1)	–	–	–	–
Independent non-executive directors				
Wu Tak Lung	5	–	–	5
Phillip King	5	–	–	5
Ho Suk Yin, *JP* (Note 3)	–	–	–	–
Cho Po Hong, Jimmy (Note 5)	–	–	–	–
Chik Sun Cheung (Note 5)	–	–	–	–
	10	–	–	10

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2005: Nil).

Notes:

1. Retired on 28 June 2006
2. Appointed on 28 February 2006
3. Resigned on 1 March 2006
4. Retired on 27 June 2005
5. Resigned on 30 September 2005

15. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year did not include any director whose emoluments are reflected in the analysis presented above. The emoluments payable to the five (2005: five) highest paid individuals during the year are as follows:

	2006 HK$'000	2005 HK$'000
Basic salaries, allowances and other benefits in kind	1,298	826
Contributions to pension scheme	45	25
	1,343	851

The emoluments fell within the following band:

	Number of individuals	
	2006	2005
Emolument band		
HK$nil – HK$1,000,000	5	5

During the year, no emoluments were paid by the Group to the five highest paid employees or the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office (2005: Nil).

16. PROPERTY, PLANT AND EQUIPMENT

GROUP

	Furniture, fixtures and fittings HK$'000	Computer and office equipment HK$'000	Total HK$'000
At 1 January 2005			
Cost	429	2,130	2,559
Accumulated depreciation	(339)	(2,102)	(2,441)
Net book amount	90	28	118
Year ended 31 December 2005			
Opening net book amount	90	28	118
Additions	17	8	25
Depreciation	(69)	(14)	(83)
Closing net book amount	38	22	60
At 31 December 2005			
Cost	446	2,138	2,584
Accumulated depreciation	(408)	(2,116)	(2,524)
Net book amount	38	22	60
Year ended 31 December 2006			
Opening net book amount	38	22	60
Additions	–	35	35
Disposal	(1)	(6)	(7)
Transfer	(8)	8	–
Depreciation	(27)	(23)	(50)
Closing net book amount	**2**	**36**	**38**
At 31 December 2006			
Cost	7	355	362
Accumulated depreciation	(5)	(319)	(324)
Net book amount	**2**	**36**	**38**

17. INVESTMENTS IN SUBSIDIARIES/DUE TO A SUBSIDIARY

COMPANY

	2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	–	–
Due to a subsidiary (included under current liabilities)	(3)	(3)

The balance due to the subsidiary is unsecured, interest-free and repayable on demand.

Particulars of the subsidiaries at 31 December 2006 are as follows:

Name of subsidiary	Place of incorporation/ registration/ operations and kind of legal entity	Particulars of issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company		Principal activity
			Directly	Indirectly	
E-silkroad.net Corporation	British Virgin Islands, limited liability company	1 ordinary share of US$1	100%	–	Investment holding
E-silkroad.net Online Exhibition Limited	Hong Kong, limited liability company	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, limited liability company	10,000 ordinary shares of HK$1 each	–	100%	Dormant

17. INVESTMENTS IN SUBSIDIARIES/DUE TO A SUBSIDIARY (Continued)

COMPANY (Continued)

Name of subsidiary	Place of incorporation/ registration/ operations and kind of legal entity	Particulars of issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company		Principal activity
			Directly	Indirectly	
Business Essence Technology Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1	–	100%	Investment holding
E-silkroad.net Resources Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1	–	100%	Dormant
中山市光彩未來軟件有限公司 ("**Zhongshan GF**")	The People's Republic of China (the "**PRC**")*	HK$8,000,000	–	95%	Provision of web page design services, application development and technical support services
Leland Solutions Limited ("**Leland**")	Hong Kong, limited liability company	100,000 ordinary shares of HK$1 each	–	51%	Provision of web page design, website maintenance, system integration and information technology consultancy services

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

18. INVENTORIES

GROUP

	2006	2005
	HK$'000	HK$'000
Finished goods	**65**	–

19. TRADE RECEIVABLES

GROUP

	2006	2005
	HK$'000	HK$'000
Trade receivables	**417**	590
Less: allowance for impairment of receivables	**(403)**	(403)
Trade receivables – net	**14**	187

The Group allows a credit period from 30 days to 90 days to its trade customers. The following is an aged analysis of net trade receivables at the balance sheet date:

	2006	2005
	HK$'000	HK$'000
0-30 days	**13**	32
31-60 days	**–**	–
61-90 days	**–**	155
>90 days	**1**	–
	14	187

20. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components:

GROUP

	2006 HK$'000	2005 HK$'000
Cash at banks and in hand	205	601
Short-term bank deposits	470	1,253
	675	1,854

COMPANY

	2006 HK$'000	2005 HK$'000
Cash at banks and in hand	1	8
Short-term bank deposits	470	1,253
	471	1,261

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term bank deposits are made for varying periods of between one day and three months depending on the immediate cash requirement of the Group, and earn interest at the respective short-term time deposit rates ranging from 3.30% to 3.75% (2005: 1.58% to 3.90%) per annum. The carrying amounts of the cash and cash equivalents approximate their fair values.

Included in cash at banks and in hand of the Group is HK$16,000 (2005: HK$13,000) of bank balances denominated in Renminbi ("RMB") placed with banks in the Mainland China. RMB is not freely convertible into other currencies, however, under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

21. TRADE PAYABLES

GROUP

	2006 HK$'000	2005 HK$'000
Trade payables	–	30

The following is an aged analysis of trade payables at the balance sheet date:

	2006 HK$'000	2005 HK$'000
0-30 days	–	–
31-60 days	–	17
61-90 days	–	13
	–	30

22. LOANS FROM A SHAREHOLDER

In accordance with a loan agreement signed between the Company and Sun Wah dated 18 October 2005, the Company obtained a short-term loan of HK$12 million (the "**First Shareholder's Loan**") from Sun Wah which was mainly used to settle the principal and accrued interest of the previous shareholder's loan of HK$9,156,000. The remaining balance of the fund of HK$2,844,000 was retained as working capital of the Company. The First Shareholder's Loan is unsecured, interest bearing at 4% per annum and repayable on 24 April 2006. On 29 November 2005, the Company made partial repayment of HK$600,000 to Sun Wah and accordingly, the outstanding principal of the First Shareholder's Loan was reduced to HK$11.4 million and the balance at amortised cost using the effective interest method was HK$11.5 million as at 31 December 2005.

Pursuant to a loan agreement signed between a subsidiary of the Company and Sun Wah dated 24 November 2005, a short-term loan of HK$600,000 (the "**Second Shareholder's Loan**") was advanced from Sun Wah which is unsecured, interest bearing at 4% per annum and repayable on 28 May 2006. The balance of this loan stated at amortised cost using the effective interest method was HK$602,000 as at 31 December 2005.

Pursuant to a loan agreement signed between the Company and Sun Wah dated 2 May 2006, the Company obtained a new short-term loan of HK$12.2 million (the "**Third Shareholder's Loan**") from Sun Wah which was mainly used to repay the outstanding principal of HK$11.4 million and accrued interest of the First Shareholder's Loan. Thereafter, the balance of fund from the Third Shareholder's Loan in the amount of approximately HK$0.6 million was retained as working capital of the Group. The Third Shareholder's Loan is unsecured, interest bearing at 5% per annum and repayable on 2 August 2006. The Third Shareholder's Loan had not yet been repaid and Sun Wah did not demand for the repayment of the said loan as at 31 December 2006. As at 31 December 2006, the balance of the Third Shareholder's Loan, at amortised cost using the effective interest method, was HK$12.6 million.

22. LOANS FROM A SHAREHOLDER (Continued)

Pursuant to a loan agreement signed between a subsidiary of the Company and Sun Wah dated 12 June 2006, a new short-term loan of HK$1.2 million was advanced from Sun Wah (the "**Fourth Shareholder's Loan**") partly for repayment of the principal of HK$0.6 million and accrued interest of the Second Shareholder's Loan. Thereafter, the balance of fund of the Fourth Shareholder's Loan of approximately HK$0.6 million was retained as the working capital of that subsidiary of the Company. The Fourth Shareholder's Loan is unsecured, interest-bearing at 5% per annum and repayable on 12 August 2006. The Fourth Shareholder's Loan had not yet been repaid as at 31 December 2006 and Sun Wah did not demand for the repayment of the said loan. As at 31 December 2006, the balance of the Fourth Shareholder's Loan at amortised cost using the effective interest method, was HK$1.2 million.

On 27 October 2006, Sun Wah granted a new loan of HK$10 million to the Company (the "**Fifth Shareholder's Loan**") which was mainly used to repay the convertible bonds with a nominal value of HK$9 million issued to Sun Wah on 27 October 2003 together with the accrued interest incurred thereof as detailed in note 23. The Fifth Shareholder's Loan is unsecured, interest-bearing at 8% per annum and will become due and repayable on 26 October 2007. Sun Wah has confirmed it would not demand repayment of the shareholder's loan of HK$10 million upon its maturity on 26 October 2007 unless the Group has sufficient financial ability to repay it. Sun Wah could extend the said loan, if necessary, beyond 31 March 2008. As at 31 December 2006, the balance of the Fifth Shareholder's Loan at amortised cost using the effective interest method, was HK$10.1 million.

Pursuant to a new loan agreement signed between the Company and Sun Wah dated 13 March 2007, the Company obtained a new loan of HK$18.5 million from Sun Wah which was mainly used to repay the outstanding principal and accrued interest of the Third Shareholder's Loan to the Company as mentioned above. The balance of the remaining new shareholder's loan was retained as working capital of the Group. This loan is unsecured, interest-bearing at 8% per annum and repayable on 15 May 2008.

Pursuant to another loan agreement signed between a subsidiary of the Company and Sun Wah dated 13 March 2007, a new loan of HK$3.2 million was advanced from Sun Wah for repayment of the principal and accrued interest of the Fourth Shareholder's Loan as mentioned above. The balance of the remaining new shareholder's loan was retained as working capital of the Group. This loan is unsecured, interest-bearing at 8% per annum and repayable on 15 May 2008.

23. CONVERTIBLE BONDS

On 27 October 2003, the Company issued convertible bonds at a nominal value of HK$9 million to Sun Wah. The convertible bonds were unsecured, interest bearing at 3% per annum and the interest was repayable half yearly in arrears. Under the terms of the convertible 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 convertible bonds from Sun Wah. Furthermore, Sun Wah has the right to convert the whole or part of the convertible bonds into the Company's ordinary shares at a conversion price of HK$0.5 per each conversion share, 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 nominal value before the maturity date on 27 October 2006. Moreover, no assignment or transfer of the convertible bonds may be made without the prior consent of the Company.

The Company shall only redeem the whole or part of the nominal value of the bonds, in cash, if the adequacy of working capital and liquidity of the Group are not impaired by such redemption.

On 27 October 2006, the Company redeemed the whole convertible bonds, including the accrued interest due on that day.

The convertible bonds recognised in the balance sheets are calculated as follows:

	Liability component HK$'000	Equity component HK$'000	Total HK$'000
Carrying amount of convertible bonds at 1 January 2005	13,863	4,875	18,738
Interest expense	1,667	–	1,667
Interest paid	(550)	–	(550)
Redemption on maturity	(7,000)	(1,656)	(8,656)
Carrying amount of convertible bonds at 31 December 2005 and 1 January 2006	7,980	3,219	11,199
Interest expense	1,290	–	1,290
Interest paid	(270)	–	(270)
Redemption on maturity	(9,000)	(3,219)	(12,219)
Carrying amount of convertible bonds at 31 December 2006	**–**	**–**	**–**

24. DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

Pursuant to a shareholder agreement signed between the Group and Sun Rise Int'l Trading Limited ("**Sun Rise**") dated 1 August 2005, both parties agreed and jointly established a new company, Leland, which was incorporated on 23 August 2005. The total issued and fully paid capital of Leland is HK$50,000. The Group and Sun Rise have 51% and 49% shareholding in Leland respectively. The Group and Sun Rise have mutually agreed to make a total investment commitment in Leland of not more than HK$250,000 (including the initial capital contribution). After the initial capital contribution of HK$50,000, the remaining investment commitment of HK$200,000 was contributed by the Group of HK$102,000 and Sun Rise of HK$98,000 by way of a long-term loan to Leland. The balance due to Sun Rise of HK$98,000 is unsecured, interest-free and not repayable within the next twelve months after the balance sheet date. On 1 December 2006, as agreed between the Group and Sun Rise, the issued share capital of Leland was increased from HK$50,000 to HK$100,000 by issuing additional 50,000 ordinary shares of HK$1 each. Sun Rise paid its contribution of approximately HK$25,000 by way of transfer from its shareholder's loan to Leland. Accordingly, the balance due to Sun Rise as at 31 December 2006 was approximately HK$73,000. The shareholding ratio of the Group and Sun Rise in Leland remains unchanged.

The remaining amount of HK$401,000 is due to a minority shareholder of Zhongshan GF which 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.

The carrying amounts of the balances due to minority shareholders approximate their fair values.

25. SHARE CAPITAL

	Number of shares	HK$'000
Authorised:		
At 1 January 2005, ordinary shares of HK$0.05 each	2,000,000,000	100,000
Share Consolidation (Note)	(1,800,000,000)	–
At 31 December 2005 and 1 January 2006, ordinary shares of HK$0.5 each	200,000,000	100,000
Capital Restoration (Note)	9,800,000,000	–
At 31 December 2006, ordinary shares of HK$0.01 each	**10,000,000,000**	**100,000**
Issued and fully paid:		
At 1 January 2005, ordinary shares of HK$0.05 each	753,720,000	37,686
Share Consolidation (Note)	(678,348,000)	–
At 31 December 2005 and 1 January 2006, ordinary shares of HK$0.5 each	75,372,000	37,686
Par Value Reduction (Note)	–	(36,932)
At 31 December 2006, ordinary shares of HK$0.01 each	**75,372,000**	**754**

25. SHARE CAPITAL (Continued)

Note: Pursuant to an ordinary resolution passed at an extraordinary general meeting held on 16 November 2005, the Company consolidated every ten authorised and issued shares of HK$0.05 each in the capital of the Company into one ordinary share of HK$0.5 each ("**Share Consolidation**").

On 15 February 2006, the Company reduced the nominal value of each share from HK$0.50 to HK$0.01 ("**Par Value Reduction**") by cancellation of HK$0.49 paid up capital on each share. As a result of the Par Value Reduction, on the basis of 75,372,000 issued shares, an amount of approximately HK$36,932,000 from the share capital account was applied towards the elimination of part of the accumulated losses of the reserves. Upon the Par Value Reduction becoming effective on 15 February 2006, all the then 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 ("**Capital Restoration**") by the creation of 9,800,000,000 new shares of HK$0.01 each.

26. SHARE-BASED EMPLOYEE COMPENSATION

The Company's share options are disclosed as follows:

The principal purpose of the 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 share option scheme are the directors and full time employees of the Company and its subsidiaries. The 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.

26. SHARE-BASED EMPLOYEE COMPENSATION (Continued)

Under the 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 share option scheme in aggregate cannot exceed 25% of the total number of shares of the Company in issue at any time for which share options may be granted under the 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 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 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.

The maximum number of shares issued and to be issued upon exercise of the options granted under the 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 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.

26. SHARE-BASED EMPLOYEE COMPENSATION (Continued)

Detailed movements in the scheme for the year ended 31 December 2005 and 2006:

	Number of share options							
Directors	At 1 January 2005	Lapsed during the year	Adjusted on 17 November 2005 **	At 31 December 2005 and 31 December 2006	Date of grant of share options	Exercise period of share options*	Exercise price of share options**	Closing price of shares of shares immediately before the date of grant of options**
							HK$	HK$
Mr. Choi Koon Ming	7,500,000	–	(6,750,000)	750,000	21 January 2003	21 January 2003 to 20 January 2008	1.15	1.14
Mr. Ng Kam Yiu	3,000,000	–	(2,700,000)	300,000	21 January 2003	8 January 2004 to 7 January 2009	1.15	1.14
Mr. Chow Yeung Tuen, Richard	3,000,000	–	(2,700,000)	300,000	21 January 2003	21 January 2003 to 20 January 2008	1.15	1.14
Mr. Luan Shusheng	6,000,000	(6,000,000)#	–	–	30 April 2003	12 February 2004 to 11 February 2009	0.108#	0.108#
	19,500,000	(6,000,000)	(12,150,000)	1,350,000				

* 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. Following the Share Consolidation with effect from 17 November 2005, the total number of share options outstanding was reduced by 12,150,000 and the exercise price of the share options outstanding and the closing price of shares immediately before the dates of grant of options had been adjusted from HK$0.115 to HK$1.15 and from HK$0.114 to HK$1.14 accordingly.

\# The 6,000,000 share options lapsed upon the retirement of the executive director of the Company before the Share Consolidation.

26. SHARE-BASED EMPLOYEE COMPENSATION (Continued)

As at the balance sheet date, the Company had 1,350,000 post-IPO share options outstanding which represented approximately 1.8% of the Company's shares in issue as at 31 December 2006. The exercise in full of all the remaining share options would, under the capital structure of the Company as at 31 December 2006, result in the issue of 1,350,000 additional shares with exercise price of HK$1.15 (as adjusted for the Share Consolidation) with gross proceeds of approximately HK$1,553,000. Up to the date of these financial statements, none of the share options has been exercised.

No share options were granted during the year.

27. RESERVES

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 on page 37 of the financial statements.

Company

	Share premium account HK$'000	**Convertible bond equity reserve** HK$'000	**Accumulated losses** HK$'000	**Total** HK$'000
At 1 January 2005	15,796	4,875	(72,483)	(51,812)
Loss for the year	–	–	(4,274)	(4,274)
Share premium cancellation (note)	(15,796)	–	15,796	–
Redemption of convertible bonds	–	(1,656)	1,656	–
At 31 December 2005	–	3,219	(59,305)	(56,086)
At 1 January 2006	**–**	**3,219**	**(59,305)**	**(56,086)**
Loss for the year	**–**	**–**	**(4,031)**	**(4,031)**
Capital reduction arising from Par Value Reduction (Note 25)	**–**	**–**	**36,932**	**36,932**
Redemption of convertible bonds	**–**	**(3,219)**	**3,219**	**–**
At 31 December 2006	**–**	**–**	**(23,185)**	**(23,185)**

27. RESERVES (Continued)

Company (Continued)

Note:

The share premium account of the Group and 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.

Pursuant to a special resolution passed at an extraordinary general meeting held on 16 November 2005, the share premium account of approximately HK$15,796,000 was applied towards the reduction of the accumulated losses in the reserves.

28. OPERATING LEASE COMMITMENTS

Group

At 31 December 2006, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2006 HK$'000	2005 HK$'000
Within one year	10	10

The Group leases a rented premise under an operating lease. The lease runs for an initial period of one year, with an option to renew the lease terms at the expiry date or at dates mutually agreed between the Group and the landlord. The lease does not include contingent rental.

COMPANY

The Company had no significant operating lease commitments as at 31 December 2006 and 2005.

29. CAPITAL COMMITMENTS

The Group and the Company had no significant capital commitments as at 31 December 2006 and 2005.

30. CONTINGENT LIABILITIES

The Group and the Company had no significant contingent liabilities as at 31 December 2006 and 2005.

31. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2006 HK$'000	2005 HK$'000
Rental expenses paid to:			
Wellman Investment Limited ("**Wellman**")	(i)	–	57
Building management fee paid to:			
SK Property Management Limited ("**SK Property**")	(i)	–	22
Interest expense paid to Sun Wah:	(ii)		
– Shareholder's loans		745	245
– Convertible bonds		1,290	1,667

Notes:

(i) Wellman and SK Property are companies controlled by a substantial shareholder. The Group leased office premises 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. However, these transactions are considered to be related party transactions only up to 22 June 2005, as the said premises were sold to an outside third party thereafter.

(ii) Sun Wah is one of the substantial shareholders of the Company. Details of the loans advanced by Sun Wah and convertible bonds issued to Sun Wah are set out in notes 22 and 23, respectively.

(iii) The Group leased its office premises from Sun Wah starting from December 2006. Sun Wah did not demand the Group for any rental expense.

31. RELATED PARTY TRANSACTIONS (Continued)

(b) Compensation of key management personnel

GROUP

	2006 HK$'000	2005 HK$'000
Total remuneration of directors and other members of key management during the year	563	470

32. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

During the year ended 31 December 2005, pursuant to a shareholder agreement signed between the Group and Sun Rise dated 1 August 2005, both parties agreed to jointly establish a new company, Leland, which was incorporated on 23 August 2005. The Group contributed 51% of the issued capital of Leland by way of cash and Sun Rise contributed the remaining 49% of the issued capital of Leland by way of the transfer and assignment of certain property, plant and equipment at net book value of approximately HK$25,000.

During the year, the issued capital of Leland was increased from HK$50,000 to HK$100,000. Both the Group and Sun Rise paid their contribution by way of the transfer from their respective shareholders' loans to Leland.

33. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group does not have written risk management policies and guidelines. However, the board of directors meet periodically to analyse and formulate strategies to manage the Group's exposure to market risk. The Group's exposure to market risk is kept to a minimum. The Group has not used any derivatives or other instruments for hedging purpose.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

33.1 Foreign currency risk

The Group has no significant foreign currency risk due to limited foreign currency transactions.

33. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

33.2 Interest rate risk

The Group's exposure to fair value interest rate risk is mainly attributable to its loans from a shareholder as detailed in note 22. The Group has no cash flow interest rate risk as there are no borrowings which bear floating interest rates.

33.3 Credit risk

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfill its obligation with the results that the Group thereby suffers financial loss. The carrying amounts of trade receivables, prepayments, deposits and other receivables included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk. The Group monitors the trade receivables on an ongoing basis and only trades with creditworthy third parties. In addition, all the Group's cash and cash equivalents are deposited with major banks located in Hong Kong and the Mainland China. Accordingly, the Group has no significant concentrations of credit risk.

33.4 Fair values

The fair values of cash and cash equivalents, trade receivables, deposits and other receivables, trade payables, other payables and accrued expenses and loans from a shareholder are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The carrying amounts of the balances due to minority shareholders of subsidiaries approximate their fair values.

33.5 Liquidity risk

As at 31 December 2006, the Group had deficiency in assets of HK$24,288,000 (2005: HK$19,133,000). The liquidity of the Group is primarily depended on its ability to obtain continuing financial support from Sun Wah as detailed in note 2 above.

34. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the Group has entered into several agreements with Sun Wah in respect of shareholder's loans as detailed in note 22.

Financial Summary

FINANCIAL RESULTS

	Year ended 31 December				
	2002	2003	2004	2005	**2006**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	785	1,063	133	630	**964**
Loss before income tax	(11,021)	(6,437)	(5,293)	(4,551)	**(5,174)**
Income tax expense	–	–	–	–	**–**
Loss for the year	(11,021)	(6,437)	(5,293)	(4,551)	**(5,174)**
Minority interests	150	–	–	25	**25**
Loss per share for loss attributable to the equity holders of the Company during the year	(10,871)	(6,437)	(5,293)	(4,526)	**(5,149)**

	As at 31 December				
	2002	2003	2004	2005	**2006**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	7,619	4,711	1,033	2,266	**907**
Total liabilities	(13,710)	(14,021)	(15,635)	(21,399)	**(25,195)**
	(6,091)	(9,310)	(14,602)	(19,133)	**(24,288)**