THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Glory Future Group Limited ("**Company**"), you should at once hand this circular, together with the accompanying form of proxy, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

光彩未來集團
Glory Future Group

GLORY FUTURE GROUP LIMITED
光彩未來集團有限公司

(incorporated in the Cayman Islands with limited liability)

(stock code: 8071)

MAJOR AND CONNECTED TRANSACTION:
ACQUISITION OF A NON WHOLLY-OWNED SUBSIDIARY
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

大華證券(香港)有限公司
GRAND CATHAY SECURITIES (HONG KONG) LIMITED

This circular, for which the directors of the Company ("**Directors**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market ("**GEM**") of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this circular is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this circular misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

A notice convening the extraordinary general meeting of the Company ("**EGM**") to be held at Unit 1006, 10th Floor, Tower One Lippo Centre, No. 89 Queensway, Hong Kong on 15 February 2008 at 11:30 a.m. is set out on pages 113 to 114 of this circular.

Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and deposit the same as soon as possible and in any event not later than 48 hours before the time of the EGM or any adjournment thereof to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so wish.

This circular will remain on the "Latest Company Announcements" page of the GEM website for at least seven (7) days from the date of its publication.

29 January 2008

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CHARACTERISTICS OF GEM

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 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.

In this circular, the following expressions shall, unless the context requires otherwise, have the following meanings:

"Acquisition"	the acquisition by E-silkroad.net of 49% equity interests in Leland from Sun Rise pursuant to the SP Agreement
"Board"	the board of Directors
"Company"	Glory Future Group Limited, a company incorporated in the Cayman Islands and the issued shares of which are listed on GEM
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Directors"	the directors of the Company
"E-silkroad.net"	E-silkroad.net Corporation, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
"EGM"	an extraordinary general meeting to be held at 11:30 a.m. on 15 February 2008 at Unit 1006, 10th Floor, Tower One Lippo Centre, No. 89 Queensway, Hong Kong to approve, among other matters, the SP Agreement and the transactions contemplated thereby
"Enlarged Group"	the Group immediately following completion of the Acquisition
"GEM"	the Growth Enterprise Market operated by the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent board committee of the Company constituted by all the independent non-executive Directors for the purpose of advising the independent Shareholders in connection with the Acquisition

"Independent Financial Adviser"	Grand Cathay Securities (Hong Kong) Limited, a corporation licensed to carry on type 1 (dealing in securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the independent Shareholders in relation to the Acquisition
"Latest Practicable Date"	24 January 2008, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Leland"	Leland Solutions Limited, a company incorporated in Hong Kong, a non wholly-owned subsidiary of the Company prior to the completion of the Acquisition
"Mr. Leung"	Mr. Leung Ngai Man, an executive Director
"PRC"	the People's Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	share(s) of HK$0.0005 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"SP Agreement"	the conditional sale and purchase agreement dated 26 November 2007 and entered into between Sun Rise and E-silkroad.net in relation to the Acquisition
"Speedy Well"	Speedy Well Investments Limited, a company incorporated in the British Virgin Islands and whose entire issued share capital is held by Mr. Leung
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Sun Rise"	Sun Rise Int'l Trading Limited, a company incorporated in Hong Kong and currently owns 49% of the issued share capital of Leland
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

GLORY FUTURE GROUP LIMITED
光彩未來集團有限公司

(incorporated in the Cayman Islands with limited liability)

(stock code: 8071)

Executive Directors:
Choi Koon Ming *(Chairman)*
Leung Ngai Man *(Chief Executive Officer)*
Chow Yeung Tuen, Richard *(Finance Director)*
Ng Kwok Chu, Winfield
Wu Wei Hua

Independent non-executive Directors:
Leung Wai Cheung
Chan Sing Fai
Liu Jia Qing

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

Head office and principal place of business in Hong Kong:
Unit 1006, 10th Floor
Tower One Lippo Centre
No. 89 Queensway
Hong Kong

29 January 2008

To the Shareholders, and for information only,
the holders of options and warrants of the Company

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION: ACQUISITION OF A NON WHOLLY-OWNED SUBSIDIARY

INTRODUCTION

On 27 November 2007, the Board announced that Sun Rise and E-silkroad.net entered into the SP Agreement on 26 November 2007 pursuant to which Sun Rise had agreed to sell, and E-silkroad.net had agreed to purchase, 49% equity interests in Leland at a consideration of HK$49,000.

The purpose of this circular is to give you (i) further information regarding the SP Agreement and other information of the Group; (ii) the recommendation of the Independent Board Committee; (iii) the advice of the Independent Financial Adviser; and (iv) the notice of the EGM.

SP AGREEMENT

Date	:	26 November 2007
Parties	:	(a) Sun Rise (as vendor), which is engaged in the business of investment; and (b) E-silkroad.net (as purchaser), which is an investment holding company.
Subject matter of the SP Agreement	:	49% equity interests in Leland
Completion	:	Completion of the Acquisition will take place on the second business day falling on the day on which the condition set out below is fulfilled.

Condition

The completion of the Acquisition is subject to the independent Shareholders approving, by way of ordinary resolution and on a poll at the EGM, the SP Agreement and the transactions contemplated thereby and all other (if any) consents and acts required under the GEM Listing Rules being obtained and completed or, as the case may be, the relevant waiver from compliance with any of such rules being obtained from the Stock Exchange.

None of the parties to the SP Agreement is entitled to waive the above condition in whole or in part. If such condition has not been satisfied on or before 31 January 2008, or such later date as E-silkroad.net may agree, the SP Agreement shall cease and determine. E-silkroad.net has agreed to extend the last date for the fulfilment of such condition to 29 February 2008.

Consideration

The consideration for the Acquisition is HK$49,000 which was determined after arm's length negotiations and with reference to the par value of the ordinary shares of Leland (i.e. the same value Sun Rise had paid for subscription of such shares). Such consideration shall be payable at completion of the Acquisition and will be paid in cash by the Group's internal resources.

Taking into account the loss-making status of Leland for the past two financial periods, the Directors consider that the basis that the consideration for the Acquisition be determined with reference to the par value of such equity holding is fair and reasonable.

INFORMATION ON LELAND

Leland is a company incorporated in Hong Kong which is owned by Sun Rise and E-silkroad.net as to 49% and 51% respectively. It is principally engaged in provision of web page design, website maintenance, system integration and information technology consultancy services. Its main operations are in Hong Kong and its does not maintain any other principal establishment.

The Directors do not expect there will be any variation in the aggregate of the remuneration payable to and benefits in kind receivable by the directors of Leland in consequence of the Acquisition.

The following table sets out certain financial information of Leland from 23 August 2005 (date of incorporation) to 31 December 2006 which were prepared in accordance with the Hong Kong Financial Reporting Standards:

	From 23 August 2005 (date of incorporation) to 31 December 2005 (Audited) *HK$'000*	**For the year ended 31 December 2006 (Audited)** *HK$'000*
Net profit/(loss) (before taxation and extraordinary items)	(413)	(891)
Net profit/(loss) (after taxation and extraordinary items)	(413)	(891)
	As at 31 December 2005 (Audited) *HK$'000*	**As at 31 December 2006 (Audited)** *HK$'000*
Net liabilities	(363)	(1,204)
Total asset value	536	262

The accountants' report of Leland for the nine months ended 30 September 2007 is set out in Appendix II to this circular. The Directors confirm that they have performed sufficient due diligence on Leland and will continue to do so up to the date of this circular so as to ensure that (a) up to the date of this circular there has been no material adverse change in the financial position or prospects of Leland since 30 September 2007; and (b) there is no event since 30 September 2007 which would materially adversely affect the information shown in the accountants' report of Leland. The Directors also confirm that they consider that the accountants' report of Leland for the period from 23 August 2005 (date of incorporation) to 30 September 2007 contains sufficient and relevant financial information regarding Leland for the Shareholders to consider and decide whether or not to approve the Acquisition at the EGM. The Company has applied for a waiver from strict compliance with Rule 7.05(1) of the GEM Listing Rules in respect of the inclusion of the accountants' report of Leland comprising three financial years up to 31 December 2007.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the provision of web page design and website maintenance services, system integration services and information technology consultancy services and sale of software products.

Upon completion of the Acquisition, Leland will become a wholly-owned subsidiary of the Company. The Group will be able to exercise absolute control over the management of, and financial benefits from, Leland and the operational efficiency and flexibility of Leland can then be enhanced. The Directors (including the independent non-executive Directors) are of the view that the terms of the SP Agreement are on normal commercial terms and are fair and reasonable and in the interest of the Shareholders as a whole.

FINANCIAL EFFECT OF THE ACQUISITION

Upon completion of the Acquisition, Leland, currently a non wholly-owned subsidiary of the Company, will become a wholly-owned subsidiary of the Company and the Company will not be required to account for the minority interest attributable to Sun Rise in its consolidated financial statements. The Group will then account for 100% of the profits/losses recognised by Leland and will be reflected in the Group's consolidated financial statements in full. Based on the unaudited financial statements of the Group for the nine months ended 30 September 2007, the Group's assets are expected to be decreased by approximately HK$49,000 upon completion of the Acquisition. The liabilities and earnings of the Group will not be affected upon completion of the Acquisition.

GEM LISTING RULES IMPLICATIONS

The Acquisition constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules. As Sun Rise is a substantial shareholder of Leland, which is a subsidiary of the Company, Sun Rise is a connected person of the Company. The Acquisition therefore also constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules. The Acquisition is subject to the reporting, announcement and the independent shareholders' approval requirements by way of poll under Chapter 20 of the GEM Listing Rules.

EGM

The Company will convene the EGM at 11:30 a.m. on 15 February 2008 at Unit 1006, 10th Floor, Tower One Lippo Centre, No. 89 Queensway, Hong Kong to consider, among other matters, the SP Agreement and the transactions contemplated thereby. A notice of the EGM is set out on pages 113 to 114 of this circular. So far as the Directors are aware, as at the Latest Practicable Date, all Shareholders were independent Shareholders for the purpose of the approval of the Acquisition and no Shareholder would be expected to be required to abstain from voting at the EGM.

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in

Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

PROCEDURES TO DEMAND FOR A POLL AT GENERAL MEETINGS

Pursuant to article 66 of the articles of association of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless voting by way of a poll is required by the rules of the designated stock exchange or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

(i) by the chairman of the meeting; or

(ii) by at least three Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(iii) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all Shareholders having the right to vote at the meeting; or

(iv) by a Shareholder or Shareholders present in person or in the case of a Shareholder being a corporation by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right; or

(v) if required by the rules of the designated stock exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. (5%) or more of the total voting rights at the meeting.

Unless a poll is duly demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or not carried by a particular majority, or lost, and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the facts without proof of the number or proportion of the votes recorded for or against the resolution.

The resolution to approve the Acquisition shall be voted on by the independent Shareholders by way of poll under Chapter 20 of the GEM Listing Rules.

RECOMMENDATION

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Leung Wai Cheung, Mr. Chan Sing Fai and Mr. Liu Jia Qing, has been established to advise the independent Shareholders as to the fairness and reasonableness of the terms of the Acquisition. Your attention is drawn to the advice of the Independent Board Committee set out in its letter on page 10 of this circular. Your attention is also drawn to the letter of advice of the Independent Financial Adviser to the Independent Board Committee and the independent Shareholders in respect of the terms of the Acquisition set out on pages 11 to 17 of this circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Acquisition are on normal commercial terms and are fair and reasonable so far as the independent Shareholders are concerned and the Acquisition is in the interests of the Company and the Shareholders as a whole. The Independent Board Committee also considers that the terms of the Acquisition are fair and reasonable so far as the independent Shareholders are concerned and recommend the independent Shareholders to vote in favour of the ordinary resolution approving the Acquisition at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

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

The following is the full text of the letter from the Independent Board Committee setting out its recommendation to the independent Shareholders in relation to the Acquisition for inclusion in this circular:

光彩未來集團
Glory Future Group

GLORY FUTURE GROUP LIMITED
光彩未來集團有限公司
(incorporated in the Cayman Islands with limited liability)
(stock code: 8071)

29 January 2008

To the independent Shareholders

Dear Sir/Madam

MAJOR AND CONNECTED TRANSACTION:
ACQUISITION OF A NON WHOLLY-OWNED SUBSIDIARY

We refer to the circular to the Shareholders dated 29 January 2008 ("**Circular**") of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board to advise the independent Shareholders as regards the fairness and reasonableness of the Acquisition and to advise the independent Shareholders on how to vote on the resolution to be proposed at the EGM.

We wish to draw your attention to the letter from the Board set out on pages 4 to pages 9 of the Circular which sets out the terms and conditions of the Acquisition and the letter of advice from the Independent Financial Adviser as set out on pages 11 to 17 of the Circular.

Having considered, among other matters, the principal factors and reasons considered by, and the opinion of, the Independent Financial Adviser as set out in Letter from the Independent Financial Adviser, we consider that the terms of the SP Agreement are on normal commercial terms and are fair and reasonable as far as the independent Shareholders are concerned and the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the independent Shareholders to vote in favour of the ordinary resolution to approve the Acquisition, as contained in the notice convening the EGM set out on pages 113 to 114 of the Circular, to be proposed at the EGM.

Yours faithfully

Leung Wai Cheung	**Chan Sing Fai**	**Liu Jia Qing**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the full text of the letter of advice to the Independent Board Committee from Grand Cathay, the independent financial adviser to the Independent Board Committee, dated 29 January 2008 prepared for incorporation in this circular.

大華證券(香港)

GRAND CATHAY SECURITIES (HONG KONG) LIMITED
香港中環花園道3號中國工商銀行大廈7樓705至706室
Room 705-706, 7/F., ICBC Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong
Tel: 852-2521-2982 Fax: 852-2521-0085 www.gcsc.com.tw

29 January 2008

To the Independent Board Committee
and the Independent Shareholders
of Glory Future Group Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION: ACQUISITION OF A NON WHOLLY-OWNED SUBSIDIARY

INTRODUCTION

We refer to the circular dated 29 January 2008 (the "Circular") issued by the Company to its Shareholders of which this letter forms apart and to our appointment as adviser to the Independent Board Committee and the independent Shareholders in respect of the Acquisition details of which are set out in the "Letter from the Board" (the "Letter") contained in the Circular and in which this letter is reproduced. Capitalised terms used in this letter shall have the same meanings ascribed to them in the Circular of which this letter forms apart unless the context otherwise requires.

On 27 November 2007, the Board announced that the SP Agreement was entered into between Sun Rise and E-Silkroad.net on 26 November 2007, pursuant to which Sun Rise has agreed to sell, and E-silkroad.net has agreed to purchase 49% equity interests in Leland at a consideration of HK$49,000. The consideration shall be paid by the Group's internal resources.

The Acquisition constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules. As Sun Rise is a substantial shareholder of Leland, which is a subsidiary of the Company, Sun Rise is a connected person of the Company. The Acquisition therefore also constitutes a connected transaction for the Company under Chapter 20 of GEM Listing Rules. The Acquisition is subject to the reporting, announcement and the independent shareholders' approval requirement by way of poll under Chapter 20 of the GEM Listing Rules. As at the Latest Practicable Date, all Shareholders are independent Shareholders for the purpose of the approval of the Acquisition.

The Independent Board Committee, comprising Dr. Leung Wai Cheung, Mr. Chan Sing Fai and Mr. Liu Jia Qing, all being independent non-executive Directors, has been established to advise the independent Shareholders as to whether the terms of the SP Agreement are fair and reasonable and are in the interests of the Company and the independent Shareholders as a whole. We advise the Independent Board Committee and the independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, opinion and representations contained or referred to in the Circular and the information, opinion and representations provided to us by the management of the Company and the Directors. We have assumed that all information, opinion and representations contained or referred to in the Circular and all information, opinion and representations which have been provided by the management of the Company and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so at the date hereof.

Accordingly, we have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information, opinion and representations contained in the Circular and provided to us by the management of the Company and the Directors, or the reasonableness of the opinions expressed by the management of the Company and the Directors. The Directors collectively and individually accept full responsibility for the accuracy of the information in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading. Furthermore, we have relied on the Company that it has provided us sufficient information to reach an informed view and to provide a reasonable basis for our opinion and we have relied on such information and opinion. We consider that we have performed all reasonable steps as required under the Rule 17.92 of the GEM Listing Rules (including the notes thereto) to formulate our opinion and recommendation. We have not, however, conducted any independent in-depth investigation into the business, financial conditions and affairs or the future prospects of the Group and Leland nor have we considered the taxation implication on the Group or the Shareholders as a result of the Acquisition.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the Acquisition, we have considered the following factors and reasons:

(i) Business of the Group

As stated in the Letter, the Group is principally engaged in the provision of web page design and website maintenance services, system integration services and information technology consultancy services and sale of software products. According to the Company's annual report for the financial year ended 31 December 2006 (the "Annual Report"), the Group recorded an audited revenue of approximately HK$964,000 and a loss attributable to equity holders of the Company of approximately HK$5,150,000. The segments of system integration and information technology consultancy services contributed positive profit margins of approximately 3% and 11% respectively.

As stated in the Annual Report, the Group is considering to scale down the business segment of web page design and website maintenance as a loss was resulted 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.

According to the Company's third quarterly report for the nine months ended 30 September 2007, (the "3rd Quarterly Report"), for the three months and nine months ended 30 September 2007, the Group recorded an unaudited revenue of approximately HK$1,103,000 and HK$1,286,000, which were approximately 29.03 times and 2.02 times the amount of those for the respective corresponding period in 2006. The revenue was mainly contributed from information technology consultancy services, staff recruitment agency and secondment and sale of software products. There was a gross profit of approximately HK$382,000 for the nine months ended 30 September 2007, which was increased by the amount of approximately HK$392,000, as compared with the gross loss for the nine months ended 30 September 2006.

(ii) Business of Leland

As stated in the Letter, Leland is a company incorporated in Hong Kong which is owned by Sun Rise and E-silkroad.net as to 49% and 51% respectively. It is principally engaged in provision of web page design, website maintenance, system integration and information technology consultancy services. Its main operations are in Hong Kong and it does not maintain any other principal establishment.

According to the Letter, set out below are certain financial information of Leland from 23 August 2005 (date of incorporation) to 31 December 2006 which were prepared in accordance with the Hong Kong Financial Reporting Standards:

	From 23 August 2005 (date of incorporation) to 31 December 2005 (Audited) *HK$'000*	**For the year ended 31 December 2006 (Audited)** *HK$'000*
Net profit/(loss) (before taxation and extraordinary items)	(413)	(891)
Net profit/(loss) (after taxation and extraordinary items)	(413)	(891)

	As at 31 December 2005 (Audited) *HK$'000*	**As at 31 December 2006 (Audited)** *HK$'000*
Net liabilities	(363)	(1,204)
Total asset value	536	262

As stated in Appendix II to the Circular, the financial information of Leland is based on a going concern basis on the assumption that Leland will continue to operate as a going concern. The going concern basis has been adopted on the basis of the continuing financial support from the Company. According to the Directors, the Company would continue to support the operation of Leland which is evidenced by (i) the Acquisition and (ii) the positive outlook of the business of Leland as stated below.

According to the management of the Company, the business of Leland is currently focused on the system integration and information technology consultancy services. The management of the Company considers that the business of Leland would focus on information technology consultancy services, such as staff recruitment agency and secondment as such business segment had a positive outlook as stated in the Annual Report and the business segment of information technology consultancy services had contributed a positive gross profit margin of approximately 11% for the year ended 31 December 2006. Also, according to the interim report of the Company for the six months ended 30 June 2007 (the "Interim Report"), it is stated that the segment of information technology consultancy services, staff recruitment agency and secondment is a relatively profitable business segments as compared to the other two business segment of the Group, i.e. web page design and website maintenance and system integration.

(iii) Reason and benefit of the Acquisition

As stated in the Letter, upon completion of the Acquisition, Leland will become a wholly-owned subsidiary of the Company and the Group will be able to exercise absolute control over the management of, and financial benefits from, Leland and the operational efficiency and flexibility of Leland can then be enhanced. Please refer to paragraph headed "SP Agreement" in the Letter for details of the terms of the SP Agreement.

Based on the description as stated in the Annual Report, the Interim Report and above regarding the business segment of information technology consultancy services, staff recruitment agency and secondment, we are of the view and concur with the view of the Directors that the aforesaid business segment has a positive outlook.

According to the "2008 Digital 21 Strategy" published by the Commerce and Economic Development Bureau of the Government of the Hong Kong Special Administrative Region and "Hong Kong Industry Profiles – Information Technology Services" issued by the Hong Kong Trade Development Council, about HK$5.4 billion was earmarked by the Hong Kong government for information technology spending in the 2007-08 financial year which was increased from HK$3.5 billion in the 2005-06 financial year and about 89% of the new government information technology projects, application maintenance and system management and operations are outsourced in the 2006-07 financial year. Given the government's commitment to an active outsourcing strategy, this expanded information technology expenditure would sustain business opportunity for the information technology industry.

We also discussed with the management of the Company regarding the future plan of Leland. Given the low cash position of the Group and Leland for the financial year ended 31 December 2006, the Group cannot enhance the business of Leland as the business of secondment requires working capital. According to various fund raising exercises conducted by the Company as stated in the Company's announcement dated 23 October 2007, despite (i) the repayment of loan of the Company of approximately HK$22.8 million; (ii) the acquisition of office premises of approximately HK$17.2 million as announced by the Company on 12 October 2007; and (iii) not less than HK$50.5 million required for the possible investment in the non-ferrous metal mine as stated in the Company's announcement dated 23 August 2007, 3 October 2007 and 23 October 2007, the working capital of the Group was increased by HK$18.8 million. We are of the view and concur with the view of the management of the Company that, given the positive outlook of the information technology industry in Hong Kong and the increase of working capital of the Group, the prospect of Leland is positive.

Upon the completion of the Acquisition, we are of the view that the Group will be able to exercise absolute control over the management of Leland and enhance the efficiency and flexibility of the operation of Leland as the Group has 100% control over Leland.

Based on the above description, we are of the view and concur with the view of the Directors that the Acquisition is in the interests of the Company and the Shareholders as a whole.

(iv) Consideration

As stated in the Letter, the consideration for the Acquisition is HK$49,000 which was determined after arm's length negotiations and with reference to the par value of the ordinary shares of Leland (i.e. the same value Sun Rise had paid for subscription of such shares). Such consideration shall be payable at completion of Acquisition.

Taking into account the loss-making status of Leland for the past two financial periods as stated above, we are of the view and concur with the view of the Directors that the basis for the consideration for the Acquisition, i.e. with reference to the par value of such equity holding, is fair and reasonable.

According to the Directors, the funding of the Acquisition would be satisfied by internal resources.

(v) Financial effect of Acquisition on the Group

The following sets out the impact of the Acquisition on the financial position of the Group:

(a) Net assets value

An unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to the Circular was prepared based on the unaudited consolidated balance sheet of the Group as at 30 June 2007 and adjusted by the Acquisition. Based on the aforesaid, upon the completion of the Acquisition, the unaudited pro forma net liabilities of the Enlarged Group would be approximately HK$20.09 million. We are of the view that since the unaudited net liabilities of the Group would only increase from approximately HK$20.04 million as at 30 June 2007 to approximately HK$20.09 million upon the completion of the Acquisition, the Acquisition does not have material effect on the net assets value of the Group.

(b) Gearing

As at 30 June 2007, the Group had unaudited total liabilities of approximately HK$29.30 million and unaudited total assets of approximately HK$9.25 million, representing a gearing ratio (which is calculated as the total liabilities over total assets) of approximately 3.17 times thereof. Based on the unaudited pro forma financial information following completion of the Acquisition as set out in Appendix III to the Circular, the unaudited total liabilities of the Enlarged Group would remain to be approximately HK$29.30 million and its unaudited total assets would decrease to approximately HK$9.20 million, representing a gearing ratio of approximately 3.18 times. In view of that, the Acquisition does not have any material effect on the gearing ratio of the Group.

(c) Working capital

According to Appendix III to the Circular, the Group had unaudited net current liabilities of approximately HK$19.60 million as at 30 June 2007. On a pro forma basis, the Group's net current liabilities will increase to approximately HK$19.65 million upon the completion of the Acquisition. We are of the view that the Acquisition would not have material impact on the working capital of the Group.

RECOMMENDATION ON THE ACQUISITION

Taking into account the factors and reasons as mentioned above, we are of the opinion that the Acquisition is on normal commercial terms, fair and reasonable so far as the independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend, and advise the Independent Board Committee to recommend, the independent Shareholders to vote in favour of the ordinary resolution to approve the Acquisition at the EGM.

Yours faithfully,
For and on behalf of
Grand Cathay Securities (Hong Kong) Limited

Kim Chan	**Kevin Chan**
Director	*Director*

1. SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last three financial years, as extracted from the audited financial statements, is set out below.

Consolidated Income Statement
For the year ended 31 December 2004, 2005 and 2006

	2006	2005	(Restated) 2004
	HK$'000	*HK$'000*	*HK$'000*
Revenue	964	630	133
Cost of sales	(884)	(566)	(324)
Gross profit/(loss)	80	64	(191)
Other operating income	50	39	24
Selling and distribution expenses	(200)	–	(129)
Administrative expenses	(3,069)	(2,742)	(2,637)
Operating loss	(3,139)	(2,639)	(2,933)
Finance costs	(2,035)	(1,912)	(2,360)
Loss before income tax	(5,174)	(4,551)	(5,293)
Income tax expense	–	–	–
Loss for the year	(5,174)	(4,551)	(5,293)
Attributable to:			
Equity holders of the Company	(5,149)	(4,526)	(5,293)
Minority interests	(25)	(25)	–
Loss for the year	(5,174)	(4,551)	(5,293)
Loss per share for loss attributable to the equity holders of the Company during the year			
– Basic	(HK6.8 cents)	(HK6.0 cents)	(HK7.0 cents)
– Diluted	N/A	N/A	N/A

Consolidated Balance Sheet
As at 31 December 2004, 2005 and 2006

	2006	2005	(Restated) 2004
	HK$'000	*HK$'000*	*HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	38	60	118
Current assets			
Inventories	65	–	–
Trade receivables	14	187	–
Prepayments, deposits and other receivables	115	165	22
Cash and cash equivalents	675	1,854	893
	869	2,206	915
Current liabilities			
Trade payables	–	30	–
Other payables and accrued expenses	739	801	457
Other loan	–	–	71
Unsecured and interest-free advances	–	–	843
Loans from a shareholder	23,982	12,089	–
Convertible bonds	–	7,980	6,969
	24,721	20,900	8,340
Net current liabilities	(23,852)	(18,694)	(7,425)
Total assets less current liabilities	(23,814)	(18,634)	(7,307)
Non-current liabilities			
Convertible bonds	–	–	6,894
Due to minority shareholders of subsidiaries	474	499	401
	474	499	7,295
Net liabilities	(24,288)	(19,133)	(14,602)
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	754	37,686	37,686
Reserves	(25,042)	(56,819)	(52,288)
Total equity	(24,288)	(19,133)	(14,602)

2. FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2006

Set out below are the audited consolidated financial statements of the Group together with accompany notes as extracted from the annual report of the Company for the year ended 31 December 2006:

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)

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)

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

	Notes	2006 HK$'000	2005 HK$'000
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	Share premium account	Convertible bond equity reserve	Translation reserve	Accumulated losses	Minority interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*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.

Notes to the Financial Statements

For the year ended 31 December 2006

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 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.

(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.

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.

4.5 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.

4.7 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.

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.

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.

4.14 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.

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.

4.17 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.

4.19 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).

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

9. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'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

		2006	2005
	Notes	*HK$'000*	*HK$'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).

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

	2006	**2005**
	HK$'000	*HK$'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 *HK$'000*	Salaries and allowances *HK$'000*	Contributions to pension scheme *HK$'000*	Total *HK$'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

	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

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

COMPANY

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

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

	2006	**2005**
	HK$'000	*HK$'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.

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	**Equity component**	**Total**
	HK$'000	*HK$'000*	*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

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.

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.

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**** *HK$*	**Closing price of shares immediately before the date of grant of options**** *HK$*
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.

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)

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	**2005**
	HK$'000	*HK$'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:

		2006	**2005**
	Notes	*HK$'000*	*HK$'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.

(b) Compensation of key management personnel

GROUP

	2006	**2005**
	HK$'000	*HK$'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.

33.2 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.

3. FINANCIAL STATEMENTS OF THE GROUP FOR THE PERIOD ENDED 30 JUNE 2007

Set out below are the unaudited financial statements of the Group together with accompany notes as extracted from the interim report of the Company for the period ended 30 June 2007:

Condensed Consolidated Income Statement
For the three months and six months ended 30 June 2007

		(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
		2007	**2006**	**2007**	**2006**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*3*	76	168	183	598
Cost of sales		(49)	(256)	(167)	(614)
Gross profit / (loss)		27	(88)	16	(16)
Other revenue		61	10	72	27
		88	(78)	88	11
Selling and distribution expenses		(79)	(48)	(126)	(91)
Administrative expenses		(3,324)	(834)	(3,914)	(1,648)
Operating loss		(3,315)	(960)	(3,952)	(1,728)
Finance costs	*5*	(556)	(536)	(954)	(1,041)
Loss before income tax	*6*	(3,871)	(1,496)	(4,906)	(2,769)
Income tax expense	*7*	–	–	–	–
Loss for the period		(3,871)	(1,496)	(4,906)	(2,769)
Attributable to:					
Equity holders of the Company		(3,871)	(1,496)	(4,906)	(2,769)
Minority interests		–	–	–	–
		(3,871)	(1,496)	(4,906)	(2,769)
Loss per share for loss attributable to equity holders of the Company					
– Basic	*8*	(HK4.54 cents)	(HK1.98 cents)	(HK6.11 cents)	(HK3.67 cents)
– Diluted		N/A	N/A	N/A	N/A

Condensed Consolidated Balance Sheet
As at 30 June 2007

	Notes	(Unaudited) 30 June 2007 HK$'000	(Audited) 31 December 2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	9	31	38
Current assets			
Inventories		65	65
Trade receivables	10	45	14
Prepayments, deposits and other receivables		94	115
Cash and cash equivalents		9,017	675
		9,221	869
Current liabilities			
Other payables and accrued expenses		(805)	(739)
Loans	11	(28,016)	(23,982)
		(28,821)	(24,721)
Net current liabilities		(19,600)	(23,852)
Total assets less current liabilities		(19,569)	(23,814)
Non-current liabilities			
Due to minority shareholders of subsidiaries		(474)	(474)
Net liabilities		(20,043)	(24,288)
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	12	896	754
Reserves		(20,939)	(25,042)
Total equity		(20,043)	(24,288)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2007

	Share capital	Share premium account	(Unaudited) Convertible bond equity reserve	Translation reserve	Option reserve	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2006	37,686	–	3,219	(15)	–	(60,023)	(19,133)
Loss for the period (Total recognised income and expense for the period)	–	–	–	–	–	(2,769)	(2,769)
Par value reduction	(36,932)	–	–	–	–	36,932	–
At 30 June 2006	754	–	3,219	(15)	–	(25,860)	(21,902)
At 1 January 2007	754	–	–	(21)	–	(25,021)	(24,288)
Loss for the period (Total recognised income and expense for the period)	–	–	–	–	–	(4,906)	(4,906)
Top-up placing and subscription	136	6,511	–	–	–	–	6,647
Recognition of Share based payment	–	–	–	–	1,846	–	1,846
Exercise of share options	6	775	–	–	(123)	–	658
At 30 June 2007	896	7,286*	–*	(21)*	1,723*	(29,927)*	(20,043)

* The aggregate amount of these balances of HK$20,939,000 (As at 31 December 2006: HK$25,042,000) in deficit is included as reserves in the condensed consolidated balance sheet as at 30 June 2007.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2007

	(Unaudited) Six months ended 30 June	
	2007	**2006**
	HK$'000	*HK$'000*
Net cash used in operating activities	(3,526)	(2,037)
Net cash from/(used in) investing activities	62	(43)
Net cash from financing activities	11,806	1,400
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	8,342	(680)
Cash and cash equivalents at beginning of period	675	1,854
CASH AND CASH EQUIVALENTS AT END OF PERIOD	9,017	1,174

Notes:

1) Basis of preparation

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2007 have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") and comply with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and the applicable disclosure requirements of Chapter 18 of GEM Listing Rules. They have been prepared under historical cost convention.

2) Significant accounting policies

The significant accounting policies used in the preparation of the unaudited condensed consolidated financial statements for the six months ended 30 June 2007 are consistent with those used in the preparation of the Company's annual financial statements for the year ended 31 December 2006.

From 1 January 2007, the Group has adopted all the new and amended HKFRSs, which are first effective on 1 January 2007 and relevant to the Group. The adoption of the new and amended HKFRSs did not result in any significant changes to Group's accounting policies and to the amounts and disclosures in the unaudited condensed consolidated financial statements.

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

HKFRS 8	Operating Segments[1]
HK(IFRIC) – Interpretation11	Group and Treasure Share Transactions[2]
HK(IFRIC) – Interpretation12	Service Concession Arrangements[3]
HKAS 23 (revised)	Borrowing costs[1]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009

2 Effective for annual periods beginning on or after 1 March 2007

3 Effective for annual periods beginning on or after 1 January 2008

3) Revenue and turnover

Revenue, which is also the Group's turnover, represents the net invoiced value of services rendered during the six months ended 30 June 2007.

4) Segment information

The following table presents the revenue and results for the Group's business segments.

	Web page design and website maintenance (Unaudited) Six months ended 30 June		System integration (Unaudited) Six months ended 30 June		Information technology consultancy services, staff recruitment agency and secondment (Unaudited) Six months ended 30 June		Consolidated (Unaudited) Six months ended 30 June	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:								
Sales to external customers	4	3	–	62	179	533	183	598
Segment results:	4	(5)	–	(27)	12	16	16	(16)
Interest and other income							72	27
Unallocated expenses							(4,040)	(1,739)
Operating loss							(3,952)	(1,728)
Finance costs							(954)	(1,041)
Loss before income tax							(4,906)	(2,769)
Income tax expense							–	–
Loss for the period							(4,906)	(2,769)

5) Finance costs

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2007	**2006**	**2007**	**2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest charges on:				
– Loans from Sun Wah Net Investment Limited ("**Sun Wah**"), wholly repayable within five years	556	145	954	263
– Convertible bonds	–	391	–	778
	556	536	954	1,041

6) Loss before income tax

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

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2007	*2006*	*2007*	*2006*
	HK$ '000	HK$'000	HK$ '000	HK$'000
Crediting:				
Interest and other income	61	10	72	27
Charging:				
Cost of services provided	49	256	167	614
Auditors' remuneration	52	45	105	90
Depreciation	8	14	16	36
Staff costs: (excluding Directors' emoluments)				
– Wages and salaries	466	439	755	836
– Pension scheme contributions (MPF)	15	15	28	30
– Employee share options benefits	1,846	–	1,846	–
Directors' emoluments	125	15	230	27
Minimum lease payments paid under operating leases in respect of:				
– Land and buildings	15	45	30	89
– Computer server	3	2	6	6

7) Income tax expense

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the three months and six months ended 30 June 2007 and the corresponding periods in 2006.

Profits tax of subsidiaries operating outside Hong Kong has not been provided as the subsidiaries did not generate any assessable profits in the respective jurisdictions during the three months and six months ended 30 June 2007 and the corresponding periods in 2006.

The Group did not have any significant unprovided deferred tax liabilities for the three months and six months ended 30 June 2007 and the corresponding periods in 2006.

8) Loss per share

The calculation of basic loss per share is based on the unaudited consolidated loss attributable to equity holders of the Company during the three months and six months ended 30 June 2007 of approximately HK$3,871,000 and HK$4,906,000 respectively (three months and six months ended 30 June 2006: approximately HK$1,496,000 and HK$2,769,000, respectively) and weighted average number of approximately 85,196,000 ordinary shares of the Company during the three months ended 30 June 2007 and approximately 80,311,000 ordinary shares of the Company in issue during the six months ended 30 June 2007 (three months and six months ended 30 June 2006: 75,372,000).

Diluted loss per share for the three months and six months ended 30 June 2007 and that for the corresponding periods in 2006 have not been disclosed as the share options and convertible bonds outstanding, if any, during the respective periods had an anti-dilutive effect on the basic loss per share for the relevant periods. The Company had redeemed the convertible bonds, including the accrued interest, due on 27 October 2006 in full.

9) Property, plant and equipment

	At 30 June 2007 (Unaudited) *HK$'000*	At 31 December 2006 (Audited) *HK$'000*
Net book value, beginning of period/year	38	60
Addition*	9	35
Disposal	–	(7)
Depreciation	(16)	(50)
Net book value, end of period/year	31	38
Cost	371	362
Accumulated depreciation	(340)	(324)
Net book value, end of period/year	31	38

* The expenses of computers and office equipment were incurred in May 2007 and are subject to depreciation over the estimated useful life of three years on a straight-line basis.

10) Trade receivables

A defined credit policy is maintained within the Group. The general credit terms range from 30 days to 45 days (2006: 30 days to 90 days). The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by the senior management.

The aged analysis of trade receivables is as follows:

	(Unaudited) 30 June 2007 *HK$'000*	(Audited) 31 December 2006 *HK$'000*
Current – 3 months	45	13
4 – 6 months	–	1
	45	14

11) Loans

On 27 October 2006, Sun Wah granted a new loan of HK$10 million to the Company 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. This loan from Sun Wah 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 this 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 this loan, if necessary, beyond 31 March 2008. On 1 August 2007, the Company made a partial repayment of HK$4 million to Sun Wah by utilising part of the proceeds of the subscription of 13,566,960 shares of the Company in April 2007 as announced by the Company on 16 April 2007. Accordingly, the outstanding principal of this loan was reduced to HK$6 million. (As at 31 December 2006, the balance of such loan from Sun Wah 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 another loan of HK$18.5 million from Sun Wah which was mainly used to repay the outstanding principal and accrued interest of the loan previously granted by Sun Wah to the Company of HK$12.2 million in May 2006. The first part of such loan of HK$15.5 million was drawn on 16 March 2007 and the second part of such loan of HK$3 million shall only be drawn by the Company on 16 September 2007. Such loan is unsecured, interest-bearing at 8% per annum and repayable on 15 May 2008.

Pursuant to a new loan agreement signed between a subsidiary of the Company and Sun Wah dated 13 March 2007, a loan of HK$3.2 million was advanced from Sun Wah for repayment of the principal and accrued interest of the loan previously granted from Sun Wah of HK$1.2 million in June 2006. The first part of such loan of HK$2.4 million was drawn on 16 March 2007 and the second part of such loan of HK$0.8 million shall only be drawn by that subsidiary on 16 September 2007. This loan is unsecured, interest-bearing at 8% per annum and repayable on 15 May 2008.

Accordingly, the balance of consolidated loans from Sun Wah stated at amortised cost using the effective interest method was HK$28.0 million as at 30 June 2007 (31 December 2006: HK$23.9 million.)

12) Share capital

	Number of shares	*HK$'000*
Authorised:		
At 31 December 2006, ordinary shares of HK$0.01 each (Audited)	10,000,000,000	100,000
At 30 June 2007, ordinary shares of HK$0.01 each (Unaudited)	10,000,000,000	100,000
Issued and fully paid:		
At 31 December 2006, ordinary shares of HK$0.01 each (Audited)	75,372,000	754
Top-up placing and subscription *(Note 1)*	13,566,960	136
Exercise of share options	630,000	6
At 30 June 2007, ordinary shares of HK$0.01 each	89,568,960	896

Notes:

1. Details of the top-up placing and subscription of shares of the Company are set out in the announcement of the Company dated 16 April 2007.

13) Interim dividend

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2007 (six months ended 30 June 2006: nil).

4. FINANCIAL STATEMENTS OF THE GROUP FOR THE PERIOD ENDED 30 SEPTEMBER 2007

UNAUDITED CONSOLIDATED INCOME STATEMENT

For the three months and nine months ended 30 September 2007

		Three months ended 30 September		Nine months ended 30 September	
		2007	**2006**	**2007**	**2006**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*3*	1,103	38	1,286	636
Cost of sales		(737)	(32)	(904)	(646)
Gross profit/(loss)		366	6	382	(10)
Other revenue		49	11	121	38
		415	17	503	28
Selling and distribution expenses		(80)	(47)	(206)	(138)
Administrative expenses		(10,951)	(520)	(14,865)	(2,168)
Operating loss	*4*	(10,616)	(550)	(14,568)	(2,278)
Finance costs	*5*	(498)	(566)	(1,452)	(1,607)
Loss before income tax		(11,114)	(1,116)	(16,020)	(3,885)
Income tax expenses	*6*	–	–	–	–
Loss for the period		(11,114)	(1,116)	(16,020)	(3,885)
Attributable to:					
Equity holders of the Company		(11,114)	(1,116)	(16,020)	(3,885)
Minority interest		(11,114)	(1,116)	(16,020)	(3,885)
Loss per share for loss attributable to equity holders of the Company					
– Basic	*7*	(HK0.61 cents)	(HK0.07 cents)	(HK0.95 cents)	(HK0.26 cents)
– Diluted		N/A	N/A	N/A	N/A

Notes:

1. Basis of preparation

The unaudited consolidated income statement of the Group for the three months and nine months ended 30 September 2007 has been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") (which also include Hong Kong Accounting Standards ("**HKASs**") and Interpretations), issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of Chapter 18 of GEM Listing Rules. It has been prepared under historical cost convention.

2. Significant accounting policies

The significant accounting policies used in the preparation of the unaudited consolidated income statement for the nine months ended 30 September 2007 are consistent with those used in the preparation of the Company's annual financial statements for the year ended 31 December 2006.

From 1 January 2007, the Group has adopted all the new and amended HKFRSs, which are first effective on 1 January 2007 and relevant to the Group. The adoption of the new and amended HKFRSs did not result in any significant changes to Group's accounting policies and to the amounts and disclosures in the unaudited consolidated income statement.

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

HKFRS 8	Operating Segments[1]
HK(IFRIC) – Interpretation 11	Group and Treasure Share Transactions[2]
HK(IFRIC) – Interpretation 12	Service Concession Arrangements[3]
HKAS 23 (revised)	Borrowing costs[1]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009

2 Effective for annual periods beginning on or after 1 March 2007

3 Effective for annual periods beginning on or after 1 January 2008

3. Revenue

Revenue, which is also the Group's turnover, represents the net invoiced value of services rendered and goods sold during the three months and nine months ended 30 September 2007.

4. Operating loss

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

	Three months ended 30 September		Nine months ended 30 September	
	2007	**2006**	**2007**	**2006**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Crediting:				
Interest income	49	11	121	38
Charging:				
Cost of services provided	737	32	904	646
Auditors remuneration	61	45	166	135
Depreciation	21	10	37	46
Staff costs (excluding Directors emoluments):				
– Wages and salaries	495	326	1,250	1,162
– Pension scheme contributions (MPF)	21	12	49	42
Directors emoluments	255	15	485	42
Share-based payment expense	9,587	–	11,433	–
Minimum lease payments paid under operating lease in respect of:				
– Land and buildings	15	44	45	133
– Computer server	6	3	12	9

5. Finance costs

	Three months ended 30 September		Nine months ended 30 September	
	2007	**2006**	**2007**	**2006**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Interest charges on:				
– Loans from Sun Wah Net Investment Limited ("**Sun Wah**") wholly repayable within five years	498	171	1,452	434
– Convertible bonds	–	395	–	1,173
	498	566	1,452	1,607

6. Income tax expenses

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the three months and nine months ended 30 September 2007 and the corresponding periods in 2006.

Profits tax of subsidiaries operating outside Hong Kong has not been provided as the subsidiaries did not generate any assessable profits in the respective jurisdictions during the three months and nine months ended 30 September 2007 and the corresponding periods in 2006.

The Group did not have any significant unprovided deferred tax liabilities for the three months and nine months ended 30 September 2007 and the corresponding periods in 2006.

7. Loss per share

The calculation of basic loss per share is based on the unaudited consolidated loss attributable to equity holders of the Company during the three months and nine months ended 30 September 2007 of approximately HK$11,114,000 and HK$16,020,000 respectively (three months and nine months ended 30 September 2006: approximately HK$1,116,000 and HK$3,885,000 respectively) and the weighted average number of approximately 1,835,854,000 ordinary shares of the Company during the three months ended 30 September 2007 and approximately 1,683,607,000 ordinary shares of the Company in issue during the nine months ended 30 September 2007 (three months and nine months ended 30 September 2006: 1,507,440,000), as adjusted to reflect the subdivision of shares of the Company during that period.

Diluted loss per share for the three months and nine months ended 30 September 2007 and that for the corresponding periods in 2006 have not been disclosed as the warrants, share options and convertible bonds outstanding, if any, during the respective periods had an anti-dilutive effect on the basic loss per share for the relevant periods. The Company had redeemed the convertible bonds, including the accrued interest, due on 27 October 2006 in full.

Note: An extraordinary general meeting of the Company was held on 22 August 2007, pursuant to which, among other matters, the subdivision of each of the then existing issued and unissued shares of HK$0.01 each in the share capital of the Company into 20 subdivided shares of HK$0.0005 each was approved by an ordinary resolution passed thereat ("**Share Subdivision**"). The Share Subdivision became effective on 23 August 2007.

8. Reserves

	Share premium account (Unaudited) *HK$'000*	Convertible bond equity reserve (Unaudited) *HK$'000*	Accumulated losses (Unaudited) *HK$'000*	Translation reserve (Unaudited) *HK$'000*	Option reserve (Unaudited) *HK$'000*	Warrant reserve (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
At 1 January 2006	–	3,219	(60,023)	(15)	–	–	(56,819)
Loss for the period (Total recognised income and expense for the period)	–	–	(3,885)	–	–	–	(3,885)
Par value reduction	–	–	36,932	–	–	–	36,932
At 30 September 2006	–	3,219	(26,976)	(15)	—	—	(23,772)
At 1 January 2007	–	–	(25,021)	(21)	–	–	(25,042)
Loss for the period (Total recognised income and expense for the period)	–	–	(16,020)	–	–	–	(16,020)
Top-up placing and subscription	6,511	–	–	–	–	–	6,511
Recognition of share-based payment	–	–	–	–	11,433	–	11,433
Issuance of warrants	–	–	–	–	–	358	358
Exercise of share options	4,135	–	–	–	(738)	–	3,397
Exercise of warrants	5,395	–	–	–	–	(18)	5,377
At 30 September 2007	16,041	–	(41,041)	(21)	10,695	340	(13,986)

9. Interim dividend

The Board does not recommend the payment of an interim dividend in respect of the nine months ended 30 September 2007 (nine months ended 30 September 2006: Nil).

5. MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the year ended 31 December 2006, 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 ended 31 December 2006, the revenue of the Group, which is also Lelands' turnover, was approximately HK$964,000 which increased by approximately 53% as compared with that of the previous year (2005: HK$630,000). Considering Leland itself, an approximately 79% increased in revenue was resulted compared with that of last years (2005: HK$540,000). 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% for the year ended 31 December 2006 due to the rising cost of sales caused by keen competition during the year.

The administrative expenses for the year ended 31 December 2006 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 the previous year mainly due to increase in salary payment for business operations upon economic recovery. In addition, selling and distribution expenses of Leland for the year ended 31 December 2006 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.

Finance costs for the year ended 31 December 2006 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 the previous year. Interest charges on convertible bonds for the year ended 31 December 2006 reduced by approximately HK$377,000 as compared with that of the previous 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 for the year ended 31 December 2006 largely increased by approximately HK$500,000, representing an increase of approximately 200%, as compared with that of the previous 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. For Leland, the finance costs for the year ended 31

December 2006 increased by approximately HK$42,000 to HK$44,000 (2005: HK$2,000) which represent interest expenses incurred on the short term loan granted by Sun Wah in the year of 2006.

Hence, the audited loss of approximately HK$5,149,000 (2005: HK$4,526,000) for the year ended 31 December 2006 attributable to equity holders of the Company increased by approximately HK$623,000, representing an increase of approximately 14%.

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 ended 31 December 2006, the Group had obtained three 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 ended 31 December 2006, 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 Leland 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.

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. There is no change of capital structure in Leland during the year ended 31 December 2006.

Investment, material acquisitions and disposal of subsidiaries and affiliated companies

The Group and Leland had no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2006. (2005: Formation of Leland Solutions Limited as announced by the Company on 2 August 2005).

Segment comments

During the year ended 31 December 2006, the revenue from Leland's 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 in 2005 to approximately HK$7,000 in 2006; ii) system integration segment, its revenue dropped from approximately HK$452,000 in 2005 to approximately HK$128,000 in 2006; iii) information technology consultancy services segment, its revenue increased from approximately HK$40,000 in 2005 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 out of which 4 (2005: 3) were from Leland. The staff costs, including Directors' remuneration, were approximately HK$1,706,000 (2005: HK$1,093,000).

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 and Leland'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 and Leland 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). The gearing ratio of Leland was approximately -1.09 (2005:–1.93), based on the total borrowings of approximately HK$1,307,000 (2005: approximately HK$700,000) and deficiencies in assets of approximately HK$1,204,000 (2005: approximately HK$363,000).

Exposure to fluctuation in exchange rates

The Group and Leland have no significant foreign exchange risk due to limited foreign currency transactions.

Contingent liabilities

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

6. INDEBTEDNESS, LIQUIDITY AND FINANCIAL RESOURCES

Statement of indebtedness

Borrowings

As at the close of business on 30 November 2007, being the latest practicable date for the purpose of ascertaining certain information relating to this indebtedness statement prior to the printing of this circular, the Enlarged Group had total outstanding borrowings of approximately of HK$3,727,000, comprising unsecured current borrowing of approximately HK$3,253,000 from a past Shareholder and unsecured non-current borrowing of approximately of HK$474,000 from minority shareholders of subsidiaries. The current borrowing is interest-bearing at 8% per annum and the non-current borrowing is interest-free.

Save as aforesaid and apart from intra-group liabilities, the Enlarged Group did not, at the close of business on 30 November 2007, have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, charges or debentures, mortgages, loans, or other similar indebtedness or any finance lease commitment, hire purchase commitment, liabilities under acceptance (other than normal trade bills and payables), acceptance credits or any guarantees or other contingent liabilities.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate rates of exchange prevailing at the close of business on 30 November 2007.

The Directors are not aware of any material changes in the Enlarged Group's indebtedness and contingent liabilities since 30 November 2007.

7. WORKING CAPITAL

The Directors are of the opinion that taking into account the existing cash and bank balances and the borrowings from a past Shareholder and minority shareholders of subsidiaries, the Enlarged Group has sufficient working capital for its present requirements and up to the period ending 31 January 2009.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2006, being the date to which the latest audited financial statements of the Group were made up.

9. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in the provision of web page design and website maintenance services, system integration services and information technology consultancy services and sale of software products. The Group is considering to concentrate on the business segments of information technology consultancy services and sale of software products.

Looking forward, in view of the rapid opening up of the PRC market and the continued growth of the PRC economy, the Group will continue to explore new investment opportunities in the PRC market.

The Group is also intending to pursue with a mine acquisition. On 4 January 2008, a wholly-owned subsidiary of the Company and Mr. Leung entered into an agreement in relation to the acquisition of China Nonferrous Metals Resources Investment Limited ("**Target**"). The sole asset of the Target is the entire issued capital of China Mining Group Investment Limited, which in turns owns 80% of the registered and paid up capital of 雲南西部礦業有限公司, a Chinese foreign co-operative joint venture company ("**CJV**"). The CJV is the holder of the exploration permit of the exploration area located at Luoxi City, Dehong Dai and Jingpo Autonomous Prefecture, Yunnan Province, the PRC (雲南省德宏傣族景頗族自治州潞西市) ("**Mine Acquisition**"). *(Details of the Mine Acquisition are set out in the announcement of the Company dated 23 January 2008).*

Out of the proceeds of two top-up placing of shares of the Company which took place in September and October 2007 respectively, not less than HK$50.5 million has been utilised to finance the Mine Acquisition.

The Directors are of the view that the Mine Acquisition represents a good opportunity to invest in the natural resources sector, and enables the Group to diversify into gold mining business in the PRC.

The following is the text of a report on Leland, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Grant Thornton.

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton
均富會計師行

29 January 2008

The Directors
Glory Future Group Limited
Unit 1006, 10th Floor
Tower One Lippo Centre
No. 89 Queensway
Hong Kong

Dear Sirs,

We set out below our report on the financial information of Leland Solutions Limited ("Leland") in Sections I and II below, including the balance sheets of Leland as at 31 December 2005, 31 December 2006 and 30 September 2007, income statements, cash flow statements and statements of changes in equity for the period from 23 August 2005 (date of incorporation) to 31 December 2005, the year ended 31 December 2006 and the nine months ended 30 September 2007 (the "Relevant Periods") and notes thereto, prepared for inclusion in the circular (the "Circular") dated 29 January 2008 issued by Glory Future Group Limited (the "Company") in connection with the acquisition of 49% equity interests in Leland by a wholly-owned subsidiary of the Company (the "Acquisition").

Leland is a limited liability company incorporated in Hong Kong with 100,000 issued and fully paid ordinary shares of HK$1 each. The address of Leland's registered office and principal place of business is Unit 1006, 10th Floor, Tower One Lippo Centre, No. 89 Queensway, Hong Kong. Leland is principally engaged in the provision of web page design, website maintenance, system integration and information technology consultancy services.

The financial statements of Leland were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Hong Kong Companies Ordinance. Leland has adopted 31 December as its financial year-end date. No audited financial statements have been prepared for the nine months ended 30 September 2007. The financial statements (the "Underlying Financial Statements") of Leland for the period from 23 August 2005 (date of incorporation) to 31 December 2005 and the year ended 31 December 2006 were audited by us.

For the purpose of this report, the directors of Leland have prepared the financial statements of Leland for the nine months ended 30 September 2007 ("the 30 September 2007 Information") in accordance with HKFRSs and the Hong Kong Companies Ordinance.

We have, for the purpose of this report, carried out appropriate audit procedures in respect of the 30 September 2007 Information, in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The financial information and the notes thereto for the Relevant Periods (the "Financial Information") as set out in this report has been prepared by the directors of Leland based on the Underlying Financial Statements and the 30 September 2007 Information and in accordance with HKFRSs. For the purpose of this report, we have examined the Financial Information of Leland and carried out such additional procedures as are necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The directors of Leland are responsible for the preparation of the Underlying Financial Statements, 30 September 2007 Information and the Financial Information which give a true and fair view. The directors of the Company are responsible for the contents of the Circular in which this report is included. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of Leland as at 31 December 2005, 31 December 2006, and 30 September 2007 and of the results and cash flows of Leland for each of the Relevant Periods.

For the purpose of this report, we have reviewed the unaudited financial information of Leland including the income statement, cash flow statement and statement of changes in equity for the nine months ended 30 September 2006 (the "30 September 2006 Corresponding Information"), which are prepared in accordance with HKFRSs and for which the directors of Leland are responsible, in accordance with Statement of Auditing Standard 700 "Engagements to Review Interim Financial Reports" issued by the HKICPA. Our review consists principally of making enquires of management and applying analytical procedures to the 30 September 2006 Corresponding Information, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the 30 September 2006 Corresponding Information.

For the purpose of this report and on the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the unaudited 30 September 2006 Corresponding Information presented for the nine months ended 30 September 2006.

I. FINANCIAL INFORMATION

Income Statements

	Notes	Period from 23 August 2005 (date of incorporation) to 31 December 2005 HK$'000	Year ended 31 December 2006 HK$'000	Nine months ended 30 September 2007 HK$'000	Nine months ended 30 September 2006 HK$'000 (unaudited)
Revenue	5	540	964	196	636
Cost of services provided		(536)	(884)	(143)	(637)
Gross profit/(loss)		4	80	53	(1)
Other income	5	–	5	14	5
Selling and distribution expenses		–	(200)	(142)	(138)
Administrative expenses		(415)	(732)	(250)	(617)
Operating loss		(411)	(847)	(325)	(751)
Finance costs		(2)	(44)	(119)	(29)
Loss before income tax	6	(413)	(891)	(444)	(780)
Income tax expense	7	–	–	–	–
Loss for the period/year		(413)	(891)	(444)	(780)

Balance Sheets

	Notes	As at 31 December 2005 HK$'000	As at 31 December 2006 HK$'000	As at 30 September 2007 HK$'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	8	20	38	17
Current assets				
Inventories	9	–	65	65
Trade receivables	10	187	14	123
Prepayments		2	–	5
Cash and cash equivalents	11	327	145	1,552
		516	224	1,745
Current liabilities				
Trade payables	12	30	–	–
Accrued liabilities and other payables		52	81	42
Amount due to a fellow subsidiary	13	104	78	83
Amounts due to directors	14	13	–	–
Loan from a related company	15	602	1,233	3,211
		801	1,392	3,336
Net current liabilities		(285)	(1,168)	(1,591)
Total assets less current liabilities		(265)	(1,130)	(1,574)
Non-current liabilities				
Amount due to a shareholder	16	(98)	(74)	(74)
Net liabilities		(363)	(1,204)	(1,648)
EQUITY				
Share capital	17	50	100	100
Accumulated losses		(413)	(1,304)	(1,748)
Total equity		(363)	(1,204)	(1,648)

Cash Flow Statements

	Period from 23 August 2005 (date of incorporation) to 31 December 2005 *HK$'000*	Year ended 31 December 2006 *HK$'000*	Nine months ended 30 September 2007 *HK$'000*	Nine months ended 30 September 2006 *HK$'000* *(unaudited)*
Cash flows from operating activities				
Loss before income tax	(413)	(891)	(444)	(780)
Adjustments for:				
Depreciation	5	17	21	14
Interest income	–	(5)	(14)	(5)
Interest expenses	2	44	119	29
Operating loss before working capital changes	(406)	(835)	(318)	(742)
Increase in inventories	–	(65)	–	(65)
(Increase)/decrease in trade receivables	(187)	173	(109)	179
(Increase)/decrease in prepayments	(2)	2	(5)	–
Increase/(decrease) in trade payables	30	(30)	–	(30)
Increase/(decrease) in accrued liabilities and other payables	52	29	(39)	(15)
Increase in amount due to a fellow subsidiary	104	–	5	–
Increase/(decrease) in amounts due to directors	13	(13)	–	(13)
Cash used in operations	(396)	(739)	(466)	(686)
Interest paid	–	(13)	(141)	(13)
Net cash used in operating activities	(396)	(752)	(607)	(699)
Cash flows from investing activities				
Purchases of property, plant and equipment	–	(35)	–	(35)
Interest received	–	5	14	5
Net cash generated from/(used in) investing activities	–	(30)	14	(30)

	Period from 23 August 2005 (date of incorporation) to 31 December 2005	Year ended 31 December 2006	Nine months ended 30 September 2007	Nine months ended 30 September 2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*
Cash flows from financing activities				
Proceeds from issue of shares	25	–	–	–
Advance of loan from a related company	600	1,200	3,200	1,200
Repayment of loan to a related company	–	(600)	(1,200)	(600)
Advance from a shareholder	98	–	–	–
Net cash generated from financing activities	723	600	2,000	600
Net increase/(decrease)in cash and cash equivalents	327	(182)	1,407	(129)
Cash and cash equivalents at beginning of period/year	–	327	145	327
Cash and cash equivalents at end of period/year	327	145	1,552	198

Statements of Changes in Equity

	Share capital	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
Issue of shares	50	–	50
Loss for the period (Total recognised income and expense for the period)	–	(413)	(413)
At 31 December 2005 and 1 January 2006	50	(413)	(363)
Issue of shares	50	–	50
Loss for the year (Total recognised income and expense for the year)	–	(891)	(891)
At 31 December 2006 and 1 January 2007	100	(1,304)	(1,204)
Loss for the period (Total recognised income and expense for the period)	–	(444)	(444)
At 30 September 2007	100	(1,748)	(1,648)

For the nine months ended 30 September 2006 (Unaudited)

	Share capital	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2006	50	(413)	(363)
Loss for the period (Total recognised income and expense for the period)	–	(780)	(780)
At 30 September 2006	50	(1,193)	(1,143)

II. NOTES TO THE FINANCIAL INFORMATION AND THE 30 SEPTEMBER 2006 CORRESPONDING INFORMATION

1. BASIS OF PRESENTATION

The Financial Information and the 30 September 2006 Corresponding Information set out in this report have been prepared in accordance with HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA and the Hong Kong Companies Ordinance and have been consistently applied throughout the Relevant Periods.

The Financial Information and the 30 September 2006 Corresponding Information also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM Listing Rules") of The Stock Exchange of Hong Kong Limited ("Stock Exchange").

2. ADOPTION OF NEW AND AMENDED HKFRSs

Leland has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of Leland anticipate that the adoption of such HKFRSs will not result in material financial impact on the Financial Information and the 30 September 2006 Corresponding Information for the Relevant Periods.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 11	Group and Treasury Share Transactions[2]
HK(IFRIC) – Int 12	Service Concession Arrangements[3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009

2 Effective for annual periods beginning on or after 1 March 2007

3 Effective for annual periods beginning on or after 1 January 2008

4 Effective for annual periods beginning on or after 1 July 2008

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The significant accounting policies that have been adopted in the preparation of the Financial Information and the 30 September 2006 Corresponding Information are summarised below. These policies have been consistently applied to all the periods/years presented unless otherwise stated. The Financial Information and the 30 September 2006 Corresponding Information have been prepared on the historical cost basis.

Leland incurred loss of HK$413,000, HK$891,000, HK$780,000 and HK$444,000 for the period ended 31 December 2005, year ended 31 December 2006, nine months ended 30 September 2006 and 30 September 2007 respectively. In addition, Leland had net liabilities of HK$363,000, HK$1,204,000 and HK$1,648,000 as at 31 December 2005, 31 December 2006 and 30 September 2007 respectively.

Notwithstanding this, the Financial Information has been prepared on a going concern basis on the assumption that Leland will continue to operate as a going concern. The going concern basis has been adopted on the basis of the continuing financial support from the Company.

Should Leland be unable to continue in business as a going concern, adjustments might have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and current liabilities respectively. These adjustments have not been reflected in the Financial Information.

(b) Revenue recognition

Revenue comprises the fair value for the rendering of services. Provided it is probable that the economic benefits will flow to Leland and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Revenue from the rendering of services is recognised when the relevant services have been rendered.

Interest income is recognised on a time-proportion basis using the effective interest method.

(c) Property, plant and equipment

Measurement bases

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

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 Leland and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance, are charged to the income statement during the period in which they are incurred.

Depreciation

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 years
Computer and office equipment	2 years

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

Gain or loss on disposal

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

(d) Impairment of assets

Property, plant and equipment are subject to impairment testing and 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.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generated cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss is reversed in subsequent periods 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 no impairment loss had been recognised.

(e) Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if Leland determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Leases which do not transfer substantially all the risks and rewards of ownership to Leland are classified as operating leases.

Where Leland has the right to use the assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

(f) Financial assets

Leland's financial assets include trade receivables and cash and cash equivalents.

All financial assets are recognised when, and only when, Leland becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments 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. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured 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 income statement in the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in income statement in the period in which the reversal occurs.

(g) 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.

(h) Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, tax 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 tax periods to which they relate, based on the taxable profit for the period. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

(i) Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand which form an integral part of Leland's cash management.

(j) 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 they are 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.

(k) Retirement benefit costs and short term employee benefits

Defined contribution plan

Leland 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 Leland pays fixed contributions into a separate entity. Leland 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 Leland in an independently administered fund. Leland's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(l) 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 Company operates equity-settled share-based compensation plans for the remuneration of the employees of the Company and its subsidiaries including Leland.

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.

For the share options granted by the Company to Leland's directors and employees, the share-based compensation is ultimately recognised as an expense in income statement with a corresponding increase in equity (capital contribution from ultimate holding company). 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.

(m) Financial liabilities

Leland's financial liabilities include trade payables, accrued liabilities and other payables, balances with group companies, directors and a related company.

Financial liabilities are recognised when Leland becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When 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.

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

(n) Related parties

A party is considered to be related to Leland if:

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

– controls, is controlled by, or is under common control with, Leland;

– has an interest in Leland that gives it significant influence over Leland; or

– has joint control over Leland;

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

(iii) the party is an associate;

(iv) the party is a member of the key management personnel of Leland or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) 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 (iv) or (v); or

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

(o) Segment reporting

In accordance with Leland's internal financial reporting, Leland 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.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements 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 management of Leland did not use any critical accounting estimates and judgements in the preparation of the financial statements.

5. REVENUE

Revenue, which is also Leland's turnover, represents the total invoiced value of services rendered. An analysis of revenue and other income is as follows:

	Period from 23 August 2005 (date of incorporation) to 31 December 2005	Year ended 31 December 2006	Nine months ended 30 September 2007	Nine months ended 30 September 2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*
Revenue				
Sales	540	964	196	636
Other income				
Interest income	–	5	14	5

6. LOSS BEFORE INCOME TAX

	Period from 23 August 2005 (date of incorporation) to 31 December 2005	Year ended 31 December 2006	Nine months ended 30 September 2007	Nine months ended 30 September 2006
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*
Loss before income tax is arrived at after charging:				
Cost of services provided*	536	884	143	637
Auditors' remuneration	50	55	–	–
Depreciation	5	17	21	14
Minimum lease payments under operating leases on land and buildings	40	–	–	–
Interest expense on loan from a related company	2	44	119	29
Staff cost (including directors' emoluments – note 18)				
Wages and salaries	381	881	472	732
Pension scheme contributions	12	34	17	28
Amount charged to income statement	393	915	489	760

* Cost of services provided included approximately HK$104,000, HK$123,000, HK$123,000 and HK$139,000 for the period ended 31 December 2005, year ended 31 December 2006, nine months ended 30 September 2006 and 30 September 2007 respectively relating to staff costs and approximately HK$3,000, HK$6,000, HK$6,000 and HK$4,000 for the period ended 31 December 2005, year ended 31 December 2006, nine months ended 30 September 2006 and 30 September 2007 respectively relating to pension scheme contributions, which are also included in the respective total amount disclosed above.

7. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided for each of the Relevant Periods as Leland did not derive any assessable profit arising in Hong Kong during each of the Relevant Periods.

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

	Period from 23 August 2005 (date of incorporation) to 31 December 2005	**Year ended 31 December 2006**	**Nine months ended 30 September 2007**	**Nine months ended 30 September 2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*
Loss before income tax	(413)	(891)	(444)	(780)
Tax on loss, calculated at Hong Kong profits tax rate of 17.5%	(72)	(156)	(77)	(136)
Tax effect of non-deductible expenses	1	11	–	11
Tax effect of non-taxable revenue	–	(1)	(2)	(1)
Tax effect of temporary difference not recognised	(3)	(4)	3	(3)
Tax effect of tax losses not recognised	74	150	76	129
Income tax expense	–	–	–	–

Leland has tax loss arising in Hong Kong of approximately HK$425,000, HK$1,162,000, HK$1,281,000 and HK$1,721,000 as at 31 December 2005, 30 September 2006, 31 December 2006 and 30 September 2007 respectively that are available indefinitely for offsetting against future taxable profits of Leland. Deferred tax assets have not been recognised in respect of these losses as it is uncertain that sufficient future taxable profits will be available for utilising the tax loss.

8. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and fittings	Computer and office equipment	Total
	HK$'000	*HK$'000*	*HK$'000*
Period ended 31 December 2005			
Additions	17	8	25
Depreciation	(3)	(2)	(5)
Closing net book amount	14	6	20
At 31 December 2005			
Cost	17	8	25
Accumulated depreciation	(3)	(2)	(5)
Net book amount	14	6	20
Year ended 31 December 2006			
Opening net book amount	14	6	20
Additions	–	35	35
Transfer	(8)	8	–
Depreciation	(3)	(14)	(17)
Closing net book amount	3	35	38
At 31 December 2006			
Cost	9	51	60
Accumulated depreciation	(6)	(16)	(22)
Net book amount	3	35	38
Nine months ended 30 September 2007			
Opening net book amount	3	35	38
Depreciation	(3)	(18)	(21)
Closing net book amount	–	17	17
At 30 September 2007			
Cost	9	51	60
Accumulated depreciation	(9)	(34)	(43)
Net book amount	–	17	17

9. INVENTORIES

	As at 31 December		As at 30 September
	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Finished goods	–	65	65

10. TRADE RECEIVABLES

	As at 31 December		As at 30 September
	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	187	14	123

Leland allows an average credit term of 30 – 90 days to its trade customers. Leland's sales are billed to customers according to the terms of the relevant agreements. As at 31 December 2005, 31 December 2006 and 30 September 2007, based on the invoice dates, the ageing analyses of the trade receivables were as follows:

	As at 31 December		As at 30 September
	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	32	13	88
31 – 60 days	–	–	24
61 – 90 days	155	–	11
> 90 days	–	1	–
Trade receivables	187	14	123

11. CASH AND CASH EQUIVALENTS

	As at 31 December		As at 30 September
	2005	2006	2007
	HK$'000	*HK$'000*	*HK$'000*
Cash at banks	327	145	1,552

Cash at banks earns interest at floating rates based on daily bank deposit rates.

12. TRADE PAYABLES

	As at 31 December		As at 30 September
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	30	–	–

As at 31 December 2005, 31 December 2006 and 30 September 2007, the ageing analyses of the trade payables were as follows:

	As at 31 December		As at 30 September
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
0 – 30 days	30	–	–

13. AMOUNT DUE TO A FELLOW SUBSIDIARY

The amount due to a fellow subsidiary is unsecured, interest-free and repayable on demand.

14. AMOUNTS DUE TO DIRECTORS

The amounts due to directors are unsecured, interest-free and repayable on demand.

15. LOAN FROM A RELATED COMPANY

Pursuant to a loan agreement signed between Leland and Sun Wah Net Investment Limited ("Sun Wah"), one of the then shareholders of the Company, dated 24 November 2005, a short-term loan of HK$600,000 (the "First 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 approximately HK$602,000 as at 31 December 2005.

Pursuant to a loan agreement signed between Leland and Sun Wah dated 12 June 2006, a new short-term loan of HK$1.2 million was advanced from Sun Wah (the "Second Loan") partly for repayment of the principal of HK$0.6 million and accrued interest of the First Loan. Thereafter, the balance of fund of the Second Loan of approximately HK$0.6 million was retained as the working capital of Leland. The Second Loan is unsecured, interest-bearing at 5% per annum and repayable on 12 August 2006. The Second 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 Second Loan at amortised cost using the effective interest method, was approximately HK$1,233,000.

Pursuant to another loan agreement signed between Leland and Sun Wah dated 13 March 2007, a new loan of HK$3.2 million was advanced from Sun Wah (the "Third Loan") for repayment of the principal and accrued interest of the Second Loan as mentioned above. The balance of the Third Loan was retained as working capital of Leland. This loan is unsecured, interest-bearing at 8% per annum and repayable on 15 May 2008. As at 30 September 2007, the balance of the Third Loan at amortised cost using the effective interest method, was approximately HK$3,211,000.

16. AMOUNT DUE TO A SHAREHOLDER

Pursuant to a shareholder agreement signed between E-silkroad.net Corporation and Sun Rise Int'l Trading Limited ("Sun Rise") dated 1 August 2005, both parties agreed and jointly established Leland during the period ended 31 December 2005. The total issued and fully paid capital of Leland was HK$50,000. E-silkroad.net Corporation and Sun Rise have 51% and 49% shareholding in Leland respectively as at 31 December 2005. E-silkroad.net Corporation 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 E-silkroad.net Corporation of HK$102,000 and Sun Rise of HK$98,000 by way of a long-term loan to Leland. The balance was due to Sun Rise as at 31 December 2005, 31 December 2006 and 30 September 2007 and is unsecured, interest-free and not repayable within the next twelve months after each of the balance sheet dates. The terms were negotiated at the dates as mutually agreed between Leland and Sun Rise.

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

17. SHARE CAPITAL

	Number of shares	*HK$'000*
Authorised:		
Ordinary shares of HK$1 each		
At date of incorporation	1,000,000	1,000
At 31 December 2005, 31 December 2006 and 30 September 2007	1,000,000	1,000
Issued and fully paid:		
Ordinary shares of HK$1 each		
At date of incorporation	50,000	50
At 31 December 2005 and 1 January 2006	50,000	50
Issue of shares *(Note)*	50,000	50
At 31 December 2006 and 30 September 2007	100,000	100

Note: On 1 December 2006, 50,000 ordinary shares were issued to E-silkroad.net Corporation and Sun Rise.

18. DIRECTORS' REMUNERATION AND SENIOR MANAGEMENT'S EMOLUMENT

(a) Directors' emoulments

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*
Period from 23 August 2005 (date of incorporation) to 31 December 2005				
Directors				
Choi Koon Ming *(Note 1)*	–	–	–	–
Chow Yeung Tuen, Richard *(Note 1)*	–	–	–	–
Ng Kam Yiu *(Note 1)*	–	–	–	–
Ng Wai Man *(Note 1)*	–	156	4	160
Cheung Chun Ming, Davy *(Note 1)*	–	150	4	154
Choi Fuk Cheun *(Note 1)*	–	–	–	–
	–	306	8	314
Year ended 31 December 2006				
Directors				
Choi Koon Ming	–	–	–	–
Chow Yeung Tuen, Richard	–	–	–	–
Ng Kam Yiu	–	–	–	–
Ng Wai Man *(Note 2)*	–	207	7	214
Cheung Chun Ming, Davy	–	360	12	372
Choi Fuk Cheun	–	–	–	–
	–	567	19	586
Nine months ended 30 September 2007				
Directors				
Choi Koon Ming	–	–	–	–
Chow Yeung Tuen, Richard	–	–	–	–
Ng Kam Yiu *(Note 3)*	–	–	–	–
Cheung Chun Ming, Davy *(Note 4)*	–	307	9	316
Choi Fuk Cheun	–	–	–	–
	–	307	9	316
Nine months ended 30 September 2006 (unaudited)				
Directors				
Choi Koon Ming	–	–	–	–
Chow Yeung Tuen, Richard	–	–	–	–
Ng Kam Yiu	–	–	–	–
Ng Wai Man *(Note 2)*	–	207	7	214
Cheung Chun Ming, Davy	–	270	9	279
Choi Fuk Cheun	–	–	–	–
	–	477	16	493

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

There was no arrangement under which a director waived or agreed to waive any remuneration for the period ended 31 December 2005, year ended 31 December 2006, nine months ended 30 September 2006 and 30 September 2007 respectively.

Notes:

1. Appointed on 23 August 2005
2. Resigned on 28 September 2006
3. Resigned on 29 June 2007
4. Resigned on 30 September 2007

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in Leland included two, two, two and one of the directors for period ended 31 December 2005, year ended 31 December 2006, nine months ended 30 September 2006 and 30 September 2007 respectively and whose emoluments are reflected in the analysis presented above. Leland did not have 5 paid individuals (including the directors) during the period ended 31 December 2005, year ended 31 December 2006, nine months ended 30 September 2006 and 30 September 2007 and the emoluments payable to the remaining highest paid individuals are as follows:

	Period from 23 August 2005 (date of incorporation) to 31 December 2005 *HK$'000*	Year ended 31 December 2006 *HK$'000*	Nine months ended 30 September 2007 *HK$'000*	Nine months ended 30 September 2006 *HK$'000* *(unaudited)*
Basic salaries, allowances and other benefits in kind	75	314	165	255
Contributions to pension scheme	4	15	8	12
	79	329	173	267

The emoluments fell within the following band:

	Number of individuals			
	Period from 23 August 2005 (date of incorporation) to 31 December 2005	Year ended 31 December 2006	Nine months ended 30 September 2007	Nine months ended 30 September 2006 *(unaudited)*
Emolument band HK$nil – HK$1,000,000	1	2	2	2

During the period ended 31 December 2005, year ended 31 December 2006, nine months ended 30 September 2006 and 30 September 2007, no emoluments were paid by Leland to the five highest paid employees or the directors as an inducement to join, or upon joining Leland, or as compensation for loss of office.

19. SHARE-BASED EMPLOYEE COMPENSATION

The Company operates a share option (the "Old Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of operations of the Company and its subsidiaries. The eligible participants of the Old Scheme include the employees of the Company and its subsidiaries. The Old 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.

The exercise period of the share options granted is determinable by the Company's 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.

The share-based employee compensation will be settled in the Company's equity. The Company has no legal or constructive obligation to repurchase or settle the options other than by issuing the Company's ordinary shares.

Ordinary resolutions approving the termination of the Old Scheme and the adoption of the new share option scheme of the Company ("New Scheme") were duly passed at the annual general meeting of the Company held on 29 June 2007. No further share options would be granted under the Old Scheme but the Old Scheme would in all other respects remain in force to the extent necessary to give effect to the exercise of the outstanding options granted under it prior to its termination.

Detailed movements in the Old Scheme related to the employees (including directors) of Leland in respect of their services rendered to Leland's fellow subsidiaries and the Company for the period ended 31 December 2005 and year ended 31 December 2006:

	Number of share options							
Directors	At 1 January 2005	Lapsed during the period	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 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
	13,500,000	–	(12,150,000)	1,350,000				

19. SHARE-BASED EMPLOYEE COMPENSATION (Continued)

Detailed movements in the Old Scheme related to the employees (including directors) of Leland in respect of their services rendered to Leland's fellow subsidiaries and the Company for the nine months ended 30 September 2007:

Directors	At 1 January 2007	Lapsed during the period	Adjusted on 23 August 2007##	Exercised during the period##	At 30 September 2007	Date of grant of share options	Exercise period of share options*	Exercise price of share options##	Closing price of shares immediately before the date of grant of options##	Closing price of shares at exercise date of options##
	Number of share options							*HK$*	*HK$*	*HK$*
Mr. Choi Koon Ming	750,000	–	14,250,000	(15,000,000)	–	21 January 2003	21 January 2003 to 20 January 2008	0.0574	0.057	0.19
Mr. Ng Kam Yiu *(Note 1)*	300,000	–	5,700,000	(6,000,000)	–	21 January 2003	8 January 2004 to 7 January 2009	0.0574	0.057	0.107
Mr. Chow Yeung Tuen, Richard	300,000	–	5,700,000	(6,000,000)	–	21 January 2003	21 January 2003 to 20 January 2008	0.0574	0.057	0.117
	1,350,000	–	25,650,000	(27,000,000)	–					

Detailed movements in the Old Scheme related to the employees (including directors) of Leland in respect of their services rendered to Leland's fellow subsidiaries and the Company for the nine months ended 30 September 2006 (unaudited):

Directors	At 1 January 2006	Lapsed during the period	Cancelled during the period	At 30 September 2006	Date of grant of share options	Exercise period of share options*	Exercise price of share options**	Closing price of shares immediately before the date of grant of options**
	Number of share options						*HK$*	*HK$*
Mr. Choi Koon Ming	750,000	–	–	750,000	21 January 2003	21 January 2003 to 20 January 2008	1.15	1.14
Mr. Ng Kam Yiu	300,000	–	–	300,000	21 January 2003	8 January 2004 to 7 January 2009	1.15	1.14
Mr. Chow Yeung Tuen, Richard	300,000	–	–	300,000	21 January 2003	21 January 2003 to 20 January 2008	1.15	1.14
	1,350,000	–	–	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 of the Company 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.

Adjustment on the effect of the share subdivision of the Company. Pursuant to an ordinary resolution passed on 22 August 2007, one share of HK$0.01 each in the issued and unissued share capital of the Company was subdivided into twenty shares of HK$0.0005 each. After the share subdivision being effective on 23 August 2007, the exercise price per share and the closing price of the shares immediately before the dates of grant of options had been adjusted from HK$1.15 to HK$0.0574 and HK$1.14 to HK$0.057 respectively.

Notes:

(1) Mr. Ng Kam Yiu retired as a director on 29 June 2007.

None of the options was granted to the directors or employees of Leland for the nine months ended 30 September 2007.

20. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in this report, Leland had the following transactions with related parties during the Relevant Periods:

	Period from 23 August 2005 (date of incorporation) to 31 December 2005	**Year ended 31 December 2006**	**Nine months ended 30 September 2007**	**Nine months ended 30 September 2006**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000 (unaudited)*
Interest expense paid to a related company, Sun Wah	2	44	119	29

Note: Leland's office premise was leased by Sun Wah without charging Leland for any rental.

21. NOTES TO CASH FLOW STATEMENTS

Major non-cash transactions

During the period ended 31 December 2005, pursuant to a shareholder agreement signed between E-silkroad.net Corporation and Sun Rise dated 1 August 2005, both parties agreed to jointly establish Leland during the period. E-silkroad.net Corporation, subscribed for 51% of the issued capital of approximately HK$25,000 by way of cash and Sun Rise subscribed the remaining 49% of the issued capital of approximately HK$25,000 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 ended 31 December 2006, the issued capital of Leland was increased from HK$50,000 to HK$100,000. The contribution from E-silkroad.net Corporation was paid by E-silkroad.net Online Exhibition Limited on its behalf by off-setting the amount due to a fellow subsidiary and Sun Rise paid its contribution by way of the transfer from its shareholders' loans to Leland.

22. RISK MANAGEMENT OBJECTIVES AND POLICIES

Leland is exposed to a variety of financial risks which result from its operating activities. Leland's risk management is co-ordinated by its ultimate holding company, in close co-operation with the board of directors, and focuses on actively securing Leland's short to medium term cash flows by minimising the exposure to financial markets.

Leland does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The financial risks relevant to Leland are described below.

(a) Interest rate risk

Leland's exposure to fair value interest rate risk is mainly attributable to its loans from a related company as detailed in note 15. Leland has no cash flow interest rate risk as there are no borrowings which bear floating interest rates.

(b) Foreign currency risk

Leland does not have any significant exposure to foreign currency risk as the transactions are mainly denominated in Hong Kong dollars which is its functional currency.

(c) Credit risk

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfil its obligation which results in Leland suffering financial loss. The carrying amounts of trade receivables and cash and cash equivalents included in the balance sheet represent Leland's maximum exposure to credit risk in relation to financial assets. No other financial assets carry significant exposure to credit risk. Leland monitors trade receivables on an ongoing basis and only trades with creditworthy third parties. In addition, all Leland's cash and cash equivalents are deposited with major bank located in Hong Kong. Leland had no significant concentrations of credit risk.

(d) Liquidity risk

Leland's policy is to regularly monitor its liquidity requirements and its compliance with lending convenants, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term. Leland had net current liabilities of approximately HK$285,000, HK$1,168,000 and HK$1,591,000 and had net liabilities of approximately HK$363,000, HK$1,204,000 and HK$1,648,000 as at 31 December 2005, 31 December 2006 and 30 September 2007 respectively. Leland can maintain its liquidity requirements by obtaining continuing financial support from the Company. In the opinion of directors, Leland's exposure to liquidity risk is limited.

22. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(d) Liquidity risk (continued)

The following table details the remaining contractual maturities at each of the balance sheet dates of Leland's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payment computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date Leland can be required to pay:

	As at 31 December 2005				As at 31 December 2006			
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables	30	(30)	(30)	–	–	–	–	–
Accrued liabilities and other payables	52	(52)	(52)	–	81	(81)	(81)	–
Amount due to a fellow subsidiary	104	(104)	(104)	–	78	(78)	(78)	–
Amounts due to directors	13	(13)	(13)	–	–	–	–	–
Loan from a related company	602	(602)	(602)	–	1,233	(1,233)	(1,233)	–
Amount due to a shareholder	98	(98)	–	(98)	74	(74)	–	(74)
	899	(899)	(801)	(98)	1,466	(1,466)	(1,392)	(74)

	As at 30 September 2007			
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accrued liabilities and other payables	42	(42)	(42)	–
Amount due to a fellow subsidiary	83	(83)	(83)	–
Loan from a related company	3,211	(3,211)	(3,211)	–
Amount due to a shareholder	74	(74)	–	(74)
	3,410	(3,410)	(3,336)	(74)

(e) Fair values

The fair values of Leland's trade receivables, cash and cash equivalents, trade payables, accrued liabilities and other payables, amount due to a fellow subsidiary, amounts due to directors and loan from a related company are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments. The carrying amount of the amount due to a shareholder approximate their fair value.

22. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(f) Summary of financial assets and liabilities by category

The carrying amounts of Leland's financial assets and liabilities as recognised at the balance sheet dates of the Relevant Periods under review may also be catergorised as follows. See notes 3(f) and 3(m) for explanations about how the categorisation of financial instruments affects their subsequent measurement.

	As at 31 December		As at 30 September
	2005	**2006**	**2007**
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Current assets			
Loans and receivables:			
– Trade receivables	187	14	123
– Cash and cash equivalents	327	145	1,552
	514	159	1,675
Financial liabilities			
Current liabilities:			
Financial liabilities measured at amortised cost			
– Trade payables	30	–	–
– Accrued liabilities and other payables	52	81	42
– Amount due to a fellow subsidiary	104	78	83
– Amount due to directors	13	–	–
– Loan from a related company	602	1,233	3,211
Non-current liabilities:			
Amount due to a shareholder	98	74	74
	899	1,466	3,410

23. CAPITAL MANAGEMENT

Leland's objectives when managing capital are:

(a) To safeguard Leland's ability to continue as a going concern, so that it continues to provide returns and benefits for its stakeholders;

(b) To support Leland's stability and growth; and

(c) To provide capital for the purpose of strengthening Leland's risk management capability.

Leland actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of Leland and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. Leland currently does not adopt any formal dividend policy. Management regards total equity and loan from a related company as capital, for capital management purpose.

24. SEGMENT INFORMATION

Leland's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of Leland'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.

Leland'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 period ended 31 December 2005, year ended 31 December 2006, and nine months ended 30 September 2006 and 30 September 2007.

Business segments

The following table presents revenue, loss and asset, liability and expenditure information for Leland's business segments for the period ended 31 December 2005 and year ended 31 December 2006:

	Web page design and website maintenance		System integration		Information technology consultancy services		Total	
	Year ended 31 December 2006	Period from 23 August 2005 (date of incorporation) to 31 December 2005	Year ended 31 December 2006	Period from 23 August 2005 (date of incorporation) to 31 December 2005	Year ended 31 December 2006	Period from 23 August 2005 (date of incorporation) to 31 December 2005	Year ended 31 December 2006	Period from 23 August 2005 (date of incorporation) to 31 December 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	40	964	540
Segment results	(12)	(1)	4	5	88	–	80	4
Bank interest income							5	–
Unallocated expenses							(932)	(415)
Operating loss							(847)	(411)
Finance costs							(44)	(2)
Loss before income tax							(891)	(413)
Income tax expense							–	–
Loss for the year/period							(891)	(413)
Segment assets	–	34	102	169	14	4	116	207
Unallocated assets							146	329
Total assets							262	536
Segment liabilities	–	1	–	17	–	12	–	30
Unallocated liabilities							1,466	869
Total liabilities							1,466	899
Other segment information:								
Depreciation	–	3	17	1	–	1	17	5
Capital expenditure	–	22	35	2	–	1	35	25

The following table presents revenue, loss and asset, liability and expenditure information for Leland's business segments for the nine months ended 30 September 2006 and 30 September 2007:

	Web page design and website maintenance Nine months ended 30 September		System integration Nine months ended 30 September		Information technology consultancy services Nine months ended 30 September		Total Nine months ended 30 September	
	2007	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
	HK$'000	*HK$'000* (unaudited)	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*	*HK$'000* (unaudited)
Segment revenue:								
Sales to external customers	5	2	128	100	63	534	196	636
Segment results	5	–	17	(35)	31	34	53	(1)
Bank interest income							14	5
Unallocated expenses							(392)	(755)
Operating loss							(325)	(751)
Finance costs							(119)	(29)
Loss before income tax							(444)	(780)
Income tax expense							–	–
Loss for the period							(444)	(780)
Segment assets	–	–	82	106	123	3	205	109
Unallocated assets							1,557	106
Total assets							1,762	215
Segment liabilities	–	–	–	–	–	–	–	–
Unallocated liabilities							3,410	1,358
Total liabilities							3,410	1,358
Other segment information:								
Depreciation	–	–	21	14	–	–	21	14
Capital expenditure	–	–	–	35	–	–	–	35

25. SUBSEQUENT EVENTS

No significant event has taken place subsequent to 30 September 2007.

26. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for Leland in respect of any period subsequent to 30 September 2007.

Yours faithfully,
Grant Thornton
Certified Public Accountants
Hong Kong

The following is the unaudited pro forma financial information of the Enlarged Group as if the Acquisition had been completed.

1. INTRODUCTION

The following is the unaudited pro forma financial information of the Enlarged Group prepared in accordance with the GEM Listing Rules for the purpose of illustrating the effect of the Acquisition on the financial position of the Group as if the Acquisition had been completed on 30 June 2007. As it is prepared for illustrative purpose only, and because of its nature, it may not give a true picture of the financial position of the Enlarged Group following the completion of the Acquisition.

The unaudited pro forma statement of assets and liabilities of the Enlarged Group is prepared based on the unaudited consolidated balance sheet of the Group as at 30 June 2007 extracted from the published interim report of the Group as at 30 June 2007 as set out in Appendix I to this circular, as if the Acquisition had been completed on 30 June 2007.

2. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2007

	(Unaudited) The Group as at 30 June 2007	Pro forma adjustments		Pro forma Enlarged Group
	HK$'000	*HK$'000*	*Notes*	*HK$'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	31			31
	31			31
Current assets				
Inventories	65			65
Trade receivables	45			45
Prepayments, deposits and other receivables	94			94
Cash and cash equivalents	9,017	(49)	*(a)*	8,968
	9,221			9,172
Current liabilities				
Other payables and accrued charges	(805)			(805)
Loans	(28,016)			(28,016)
	(28,821)			(28,821)
Net current liabilities	(19,600)			(19,649)
Total assets less current liabilities	(19,569)			(19,618)
Non-current liabilities				
Due to minority shareholders of subsidiaries	(474)	73	*(b)*	(401)
Other long term loans	–	(73)	*(b)*	(73)
	(474)			(474)
Net liabilities	(20,043)			(20,092)
Total Equity	(20,043)	49	*(a)*	(20,092)

3. NOTE TO THE UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES

(a) On 26 November 2007, E-silkroad.net Corporation, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with Sun Rise Int'l Trading Limited in relation to the acquisition by E-silkroad.net Corporation of 49% equity interest in Leland Solutions Limited ("Leland") in which the Company already owned 51% equity interest. The consideration for the Acquisition is HK$49,000 which was determined with reference to the par value of the ordinary shares of Leland. Such consideration shall be satisfied in cash at completion of the Acquisition.

The pro forma adjustment is to reflect the effect of the Acquisition on the consolidated balance sheet of the Group as if the Acquisition had taken place on 30 June 2007. Leland was loss making for several years and the amount of loss allocated to the minority interest was limited to its share of the equity of Leland, the minority interest has already become nil balance in the Group's consolidated balance sheet as at 30 June 2007, and no pro forma adjustment is necessary to eliminate the minority interest. It is the Group's accounting policy to recognise directly in equity the difference between the consideration payable and the amount of minority interest eliminated. The amount recorded in other reserve under equity is therefore equal to the consideration paid by the Group for the Acquisition amounting to HK$49,000.

On Completion, the minority interest of Leland will have to be reassessed. As a result of the reassessment, the amount recorded in equity may be different from the amount based on the basis stated above for the purpose of preparation of the unaudited pro forma financial information. Accordingly, the actual amount recorded in equity at the date of Completion may be different from the amount presented above.

(b) Upon Completion of the Acquisition, amount due to minority shareholders of Leland would become other long term loans.

(c) The unaudited pro forma financial information has been prepared in accordance with the accounting policies of the Group, as set out in the published interim report of the Group as at 30 June 2007 and extracted in Appendix I to this circular, prepared under Hong Kong Financial Reporting Standards.

4. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Certified Public Accountants
Member of Grant Thornton International

Grant Thornton
均富會計師行

29 January 2008

The Directors
Glory Future Group Limited
Unit 1006, 10th Floor
Tower One Lippo Centre
No. 89 Queensway
Hong Kong

Dear Sirs

We report on the unaudited pro forma financial information of Glory Future Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition of 49% equity interests of Leland Solutions Limited, a subsidiary of the Company, from Sun Rise Int'l Trading Limited, might have affected the financial information presented, for the inclusion in Appendix III of the Company's circular dated 29 January 2008 (the "Circular"). The basis of the preparation of the unaudited pro forma financial information is set out in Section 1 to 3 of the "Unaudited Pro Forma Financial Information of the Enlarged Group" (the "Unaudited Pro Forma Financial Information") on pages 100 to 102 of Appendix III of the Company's Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 31 of Chapter 7 of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Audit or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we did not express any such assurance on the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group as at 30 June 2007 or any future date.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully
Grant Thornton
Certified Public Accountants
Hong Kong

1. DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV to the SFO (including interests and short positions in which they deemed or taken to have under such provisions of the SFO); or were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to the securities transactions by Directors, to be notified to the Company and the Stock Exchange:

Long position in the Shares and underlying Shares

Name of Director	Capacity	Number of issued Shares held	Approximate percentage of issued share capital
Mr. Choi Koon Ming	Beneficial owner	7,860,000	0.33%
Mr. Chow Yeung Tuen, Richard	Beneficial owner	900,000	0.04%
Mr. Leung *(Note)*	Interest of a controlled corporation	383,288,000	16.09%

Note: Mr. Leung, an executive Director, is the beneficial owner of Speedy Well which is a company incorporated in the British Virgin Islands and a substantial Shareholder which was interested in 383,288,000 Shares as at the Latest Practicable Date.

2. SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS WITH INTERESTS IN THE COMPANY WHICH ARE DISCLOSEABLE UNDER SECTION 336 OF PART XV OF THE SFO

(a) Substantial Shareholders of the Company

As at the Latest Practicable Date, so far as was known to the Directors, the persons, other than a Director whose interest is disclosed under the paragraph headed "Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures" in this Appendix, who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

Long position in the Shares and underlying Shares

Name of Shareholder	Capacity	Number of Shares and underlying Shares held	Approximate percentage of issued share capital
Speedy Well *(Note)*	Beneficial owner	383,288,000	16.09%
Fortis Investment Management SA	Investment manager	178,830,000	7.64%
Mr. Li Ming Han	Beneficial owner	164,090,909	6.89%

Note: Speedy Well is a company incorporated in the British Virgin Islands and beneficially owned by Mr. Leung, an executive Director, whose interests in the Shares are disclosed in the paragraph headed "Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures".

(b) 10% holder of a subsidiary of the Company

As at the Latest Practicable Date, so far as was known to or can be ascertained after reasonable enquiry by the Directors, the following person was, either directly or indirectly, interested in shares representing 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of a subsidiary of the Company:

Name of shareholder of the subsidiary of the Company	Name of subsidiary	Total number and class of securities in issue	Approximate percentage of securities held
Sun Rise	Leland	49,000 shares of HK$1.00 each	49%

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, there is no other person who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or, had a direct or indirect interests amounting to 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company and/or any subsidiaries of the Company, or are required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

3. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract with the Company which was not determinable by the Company within one year without payment of compensation other than statutory compensation.

5. DIRECTORS' INTEREST IN ASSETS

Save for the proposed acquisition of mine as described in sub-paragraphs (d) and (k) under the paragraph headed "Material contracts" below in which Mr. Leung, an executive Director, had an indirect interest, none of the Directors has since 31 December 2006, being the date to which the latest published audited accounts of the Company were made up, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. DIRECTORS' INTEREST IN CONTRACTS

Other than the non-legally-binding memorandum of understanding and the conditional sale and purchase agreement as described in sub-paragraphs (d) and (k) respectively under the paragraph headed "Material contracts" below in which Mr. Leung, an executive Director, had an indirect interest, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date, and which was significant in relation to the business of the Group as a whole.

7. COMPETING BUSINESS

None of the Directors and management Shareholders has any business or interest which competes or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

8. PROFESSIONAL QUALIFICATIONS

(a) The company secretary of the Company is Ms. Man Tsz Sai, Lavender ("**Ms. Man**"). Ms. Man is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

(b) The qualified accountant of the Company is Ms. So Wai Yee, Betty ("**Ms. So**"). Ms. So is an associate member of Hong Kong Institute of Certified Public Accountants.

(c) The compliance officer of the Company is Mr. Leung.

9. AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in accordance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the audit committee include the re-appointment of the external auditors and review of their audit fee; discussing with the external auditors before the audit commences, the nature and scope of the audit; review of quarterly results with the auditors and management, review of accounting policies adopted by the Group and to supervise the financial reporting process and internal control systems of the Group. The audit committee comprises three members, namely Dr. Leung Wai Cheung (chairman of the audit committee), Mr. Chan Sing Fai and Mr. Liu Jia Qing, who are all independent non-executive Directors, further details of whom are set out below:

Dr. Leung Wai Cheung, aged 43, is the chief financial officer of FlexSystem Holdings Limited, a company listed on GEM, and an independent non-executive director of Wing Hing International (Holdings) Limited, Sino Prosper Holdings Limited ("**Sino Prosper**") and Mobicon Group Limited, which are companies listed on the Main Board of the Stock Exchange. Dr. Leung is a qualified accountant and chartered secretary with over 21 years of experience in accounting, auditing and financial management. He graduated from Curtin University with a Bachelor of Commerce degree majoring in accounting and subsequently obtained a postgraduate diploma in corporate administration and a Master degree in Professional Accounting from the Hong Kong Polytechnic University and a Doctor of Philosophy degree in Management from the Empresarial University of Costa Rica. He is an associate member of each of the Hong Kong Institute of Certified Public Accountants, The Institute of Chartered Accountants in England & Wales, CPA Australia, The Institute of Chartered Secretaries and Administrators, The Hong Kong Institute of Chartered Secretaries and the Taxation Institute of Hong Kong and a fellow member of the Association of Chartered Certified Accountants. Dr. Leung is also a visiting lecturer of the Open University of Hong Kong (LiPACE) and the Hong Kong University (SPACE).

Mr. Chan Sing Fai, aged 51, has about 25 years' experience in property development and management. He obtained a Master Degree in Business Administration from The Chinese University of Hong Kong in 1981. Mr. Chan is an independent non-executive director of Sino Prosper, a company listed on the Main Board of the Stock Exchange.

Mr. Liu Jia Qing, aged 40, graduated from China Central Radio and TV University in the PRC and obtained a bachelor's degree in Business Corporate Management. Mr. Liu has more than 15 years of experience in mining, smelting and trading. He has been working in the industry of mining resources development since 1991.

10. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in ordinary course of business of the Group, have been entered into by the members of the Group within the two years preceding the date of this circular and are, or may be, material:

(a) the SP Agreement;

(b) the conditional placing agreement dated 23 October 2007 and made between Speedy Well as vendor, Morgan Stanley & Co. International plc. as placing agent and the Company pursuant to which the placing agent agreed, as agent of the vendor, to procure purchasers to purchase or, failing of which, itself to purchase a total of 112,695,840 placing shares beneficially owned by the vendor at HK$0.29 per placing share;

(c) the subscription agreement dated 23 October 2007 and made between Speedy Well and the Company for the subscription of 112,695,840 new Shares at HK$0.29 per subscription share;

(d) the non-legally binding memorandum of understanding dated 3 October 2007 and entered into between the Company as purchaser and Mr. Leung as vendor setting out the preliminary understanding in relation to the possible acquisition by the Company from Mr. Leung of not less than 51% of the issued share capital of China Nonferrous Metals Resources Investment Limited at a consideration which will be determined by further negotiation between the Company and Mr. Leung;

(e) the conditional placing agreement dated 20 September 2007 and made between Speedy Well as vendor, BNP Paribas Capital (Asia Pacific) Limited as placing agent and the Company pursuant to which the placing agent agreed to place, on a best effort basis, up to 255,000,000 placing shares beneficially owned by the vendor, on behalf of the vendor, to independent purchasers at HK$0.27 per placing share;

(f) the subscription agreement dated 20 September 2007 and made between Speedy Well and the Company pursuant to which Speedy Well conditionally agreed to subscribe for the subscription shares (the number of which was equal to the number of placing shares sold by Speedy Well pursuant to the placing as described in paragraph (e) above at HK$0.27 per subscription Share;

(g) the subscription agreement dated 3 July 2007 entered into between the Company and Mr. Li Ming Han in relation to the issue and subscription of 9,000,000 unlisted warrants at an issue price of HK$0.02 per warrant, each entitling the holder thereof to subscribe in cash for one then ordinary share of HK$0.01 in the capital of the Company at the then initial subscription price of HK$2.25, subject to adjustment, at any time for a period of three years commencing from the date of issue of the warrants;

(h) the subscription agreement dated 3 July 2007 entered into between the Company and Mr. Pan Chik in relation to the issue and subscription of 8,900,000 unlisted warrants at an issue price of HK$0.02 per warrant, each entitling the holder thereof to subscribe in cash for one then ordinary share of HK$0.01 in the capital of the Company at the then initial subscription price of HK$2.25, subject to adjustment, at any time for a period of three years commencing from the date of issue of the warrants;

(i) the memorandum of understanding dated 19 April 2007 and entered into between E-silkroad.net Online Commerce Limited, a wholly-owned subsidiary of the Company and 北京合眾盈彩投資顧問有限公司 (unofficial English translation being Beijing Hezhong Yingcai Investment Consultancy Co., Ltd.) setting out the basic understanding between the parties thereto in connection with the proposed acquisition by E-silkroad.net Online Commerce Limited of a controlling stake in 北京合眾盈彩投資顧問有限公司 (unofficial English translation being Beijing Hezhong Yingcai Investment Consultancy Co., Ltd.);

(j) the placing and subscription agreement dated 13 April 2007 and made between Speedy Well as vendor, Payton Place Limited as purchaser, Ms. Lo Yuk Yee, the ultimate beneficial owner of the purchaser, and the Company pursuant to which (i) Speedy Well agreed to sell 13,566,960 placing shares of HK$0.01 each in the capital of the Company held by the vendor to the purchaser who is an independent third party at HK$0.49 per placing Share; and (ii) Speedy Well conditionally agreed to subscribe for a total of 13,566,960 new shares (the number of which is equal to the number of placing shares sold by Speedy Well) of HK$0.01 each in the capital of the Company at HK$0.49 per subscription share; and

(k) the conditional sale and purchase agreement dated 4 January 2008 entered into between Greatest High Holdings Limited, a wholly-owned subsidiary of the Company, as purchaser and Mr. Leung as vendor in relation to the acquisition of the entire equity interest in and all shareholder's loan to China Nonferrous Metals Resources Investment Limited at a consideration of HK$1,800 million.

11. EXPERTS AND CONSENT

(a) The following are the qualifications of the experts who have given their opinions and advice which are included in this circular:

Name	Qualification
Grand Cathay Securities (Hong Kong) Limited	a corporation licensed to carry on type 1 (dealing in securities), type 6 (advising on corporate finance) and type 9 (asset management), regulated activities pursuant to the SFO
Grant Thornton	Certified Public Accountants

(b) None of the Independent Financial Adviser and Grant Thornton has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) Each of the Independent Financial Adviser and Grant Thornton has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of the references to its name and/or its opinion or report in the form and context in which they are included.

(d) None of the Independent Financial Adviser and Grant Thornton had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Enlarged Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Enlarged Group since 31 December 2006, the date to which the latest published audited financial statements of the Group were made up.

12. MISCELLANEOUS

(a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The head office and principal place of business of the Company in Hong Kong is at Unit 1006, 10th Floor, Tower One Lippo Centre, No. 89 Queensway, Hong Kong.

(c) The Company's branch share registrar in Hong Kong is Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(d) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong, Unit 1006, 10th Floor, Tower One Lippo Centre, No. 89 Queensway, Hong Kong, up to and including 15 February 2008:

(a) the memorandum and articles of association of the Company;

(b) the letter from the Independent Board Committee containing its recommendation to the independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

(c) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;

(d) the consolidated audited financial statements of the Group for the two years ended 31 December 2006;

(e) the accountants' report prepared by Grant Thornton on Leland, the text of which is set out in Appendix II to this circular;

(f) the accountants' report prepared by Grant Thornton in respect of the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(g) the letters of consent referred to under the paragraph headed "Experts and consent" in this Appendix;

(h) a copy of each of the material contracts referred to in the paragraph headed "Material contracts" above; and

(i) the circular of the Company dated 2 November 2007 in relation to a discloseable transaction.

GLORY FUTURE GROUP LIMITED
光彩未來集團有限公司

(incorporated in the Cayman Islands with limited liability)

(stock code: 8071)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Glory Future Group Limited ("**Company**") will be held at Unit 1006, 10th Floor, Tower One Lippo Centre, No. 89 Queensway, Hong Kong on 15 February 2008 at 11:30 a.m. for the purpose of considering and, if thought fit, with or without amendments, passing the following ordinary resolution:

ORDINARY RESOLUTION

"**THAT:**

(a) the acquisition by E-silkroad.net Corporation of 49% equity interests in Leland Solutions Limited from Sun Rise Int'l Trading Limited ("**Sun Rise**") as contemplated under the conditional sale and purchase agreement ("**SP Agreement**") dated 26 November 2007 and entered into between Sun Rise as vendor and E-silkroad.net Corporation as purchaser (a copy of which agreement has been produced to the meeting and marked "**A**" and initialed by the chairman of the meeting for identification purpose) be and is hereby approved; and

(b) the directors of the Company ("**Director**") be and are hereby authorised to do all such acts and things, to sign and execute all such further documents and to take such steps as the Directors in their discretion may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the SP Agreement and to agree to such variation, amendments or waiver or matters relating thereto (including any variation, amendments or waiver of such documents, which are not fundamentally different from those as provided under the SP Agreement) as are, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole."

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

Hong Kong, 29 January 2008

As at the date hereof, the board comprised the following Directors:

Executive Directors:	Messrs. Choi Koon Ming, Leung Ngai Man, Chow Yeung Tuen, Richard, Ng Kwok Chu, Winfield and Ms. Wu Wei Hua
Independent non-executive Directors:	Dr. Leung Wai Cheung, Messrs. Chan Sing Fai and Liu Jia Qing

Head Office and Principal Place of Business in Hong Kong:
Unit 1006, 10th Floor
Tower One Lippo Centre
No. 89 Queensway
Hong Kong

Notes:

(1) Any member entitled to attend and vote at the above meeting is entitled to appoint one or, if he/she is the holder of two or more shares, more than one proxy to attend and vote on his/her behalf in accordance with the articles of association of the Company. A proxy need not be a member of the Company.

(2) To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed or a certified copy of such power or authority must be deposited at the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the above meeting or any adjournment thereof.

(3) Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

(4) In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto to if more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.