光彩未來集團
Glory Future Group

Glory Future Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8071)

Annual Report **2007**

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*This report, for which the directors ("**Directors**") of Glory Future Group Limited ("**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM ("**GEM Listing Rules**") 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: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Choi Koon Ming *(Chairman)*
Mr. Leung Ngai Man *(Chief Executive Officer)*
Mr. Ng Kwok Chu, Winfield
Ms. Wu Wei Hua

Independent non-executive Directors

Dr. Leung Wai Cheung
Mr. Chan Sing Fai
Mr. Liu Jia Qing

Company Secretary

Ms. Man Tsz Sai, Lavender

Qualified Accountant

Ms. So Wai Yee, Betty *CPA*

Compliance Officer

Mr. Leung Ngai Man

Authorised Representatives

Mr. Leung Ngai Man
Mr. Ng Kwok Chu, Winfield

Audit Committee

Dr. Leung Wai Cheung *(Chairman)*
Mr. Chan Sing Fai
Mr. Liu Jia Qing

Remuneration Committee

Dr. Leung Wai Cheung *(Chairman)*
Mr. Choi Koon Ming
Mr. Chan Sing Fai
Mr. Liu Jia Qing

Auditors

Grant Thornton
Certified Public Accountants

Principal Bankers

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

Registered Office

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

Head Office and Principal Place of Business

Unit 1006, 10th Floor
Tower One Lippo Centre
No. 89 Queensway
Hong Kong

Share Registrars and Transfer Offices

Principal registrar

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

Branch registrar

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

Stock code

8071

CHAIRMAN'S STATEMENT

On behalf of the board ("**Board**") of directors ("**Directors**"), I hereby present to our shareholders the annual results of Glory Future Group Limited ("**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2007 ("**year**").

Financial highlights

For the year, the Group's audited revenue and the loss attributable to equity holders of the Company were approximately HK$2,609,000 and HK$19,154,000 respectively, representing an increase of approximately HK$1,645,000 and HK$14,005,000 respectively as compared with the audited revenue of approximately HK$964,000 and the loss attributable to equity holders of the Company of approximately HK$5,149,000 for the year ended 31 December 2006. Such increase of revenue was due to a significant rise in the revenue of the business segment of trading of hardware and software. The main reason for the increase in the loss attributable to equity holders of the Company was due to the grant of share options to the eligible grantees of the Company during the year which increased the share based payment expense under administrative expenses by approximately HK$11,433,000.

Business review

During the year, the economy of the Hong Kong Special Administrative Region ("**Hong Kong**") of the People's Republic of China ("**PRC**") had improved 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 offerings activities in Hong Kong during 2007 brought along business opportunities and economic growth. The Group's revenue significantly increased. As the information technology is in need in the PRC market, the profit margin generating from the sale of hardware and software products has noted a significant increase and the Company is expected to continue to engage in this business segment as well as information technology consultancy services and trading of hardware and software which are the main source of revenue for the year.

Prospects

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

CHAIRMAN'S STATEMENT

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. On 4 January 2008, Greatest High Holdings Limited, a wholly-owned subsidiary of the Company and Mr. Leung Ngai Man, an executive Director, 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 on the exploration area located at Luoxi City, Dehong Dai and Jingpo Autonomous Prefecture, Yunan Province, the PRC (雲南省德宏傣族景頗自治州潞西市) ("**Mine Acquisition**"). *(Details of the Mine Acquisition are set out in the announcement of the Company dated 23 January 2008)*. Taking into account the ore supply arrangement between the CJV and the ore supplier as described in the announcement dated 23 January 2008, the Mine Acquisition is expected to bring a positive effect on the Group's prospects.

Appreciation

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

Choi Koon Ming
Chairman of the Board

Hong Kong, 25 February 2008

MANAGEMENT DISCUSSION AND ANALYSIS

Operational review

During the year, the revenue of the Group was approximately HK$2,609,000 which increased by approximately HK$1,645,000 as compared with that of last year (2006: HK$964,000). The revenue was mainly derived from the provision of information technology consultancy services, staff secondment and system integration and trading of hardware and software. Such increase was due to a significant rise in the revenue of the business segment of trading of hardware and software.

The operating loss increased by approximately HK$14,434,000 to approximately HK$17,573,000 (2006: approximately HK$3,139,000). It is due to a substantial increase in administrative expenses (share-based payment expense) which was caused by the grant of share options to the eligible grantees of the Company in April, July and August 2007.

On 1 August 2007 and 12 September 2007, the Company made two partial repayments to fully repay the principal and accrued interest of the loan of HK$10,000,000 granted by Sun Wah Net Investment Limited ("**Sun Wah**") on 27 October 2006. On 16 October 2007, the Company also repaid the principal and accrued interest of the other loan of HK$18,500,000 in full granted by Sun Wah on 13 March 2007. The full repayment of such two loans would largely reduce the Company's interest burden and regular expenditure to a certain extent. Finance costs were then decreased by approximately HK$454,000 to approximately HK$1,581,000, representing a decrease of approximately 22%.

Hence, the audited loss of approximately HK$19,154,000 (2006: HK$5,149,000) for the year attributable to equity holders of the Company increased by approximately HK$14,005,000.

Financial review

Liquidity and financial resources

The Group financed its operations primarily with internally generated cash flow as well as the cash flow generated from the top-up placings during the year. The Group adopted a conservative financial management and treasury policy and will continue to apply such policy in the coming year. All borrowings and the majority of bank balances are denominated in Hong Kong dollars and put in short term deposits.

As at 31 December 2007, the Group had cash and bank balances of approximately HK$74,043,000 (2006: HK$675,000). During the year, the Group has carried out various fund raising activities which include top-up placing of shares and the issue of unlisted warrants. Out of the proceeds of two top-up placings of shares of the Company which took place in September and October 2007 respectively, not less than HK$50,500,000 has been utilised to finance the Mine Acquisition.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2007, the Group had total outstanding borrowings of approximately HK$4,157,000 (2006: HK$24,456,000) as stated in the consolidated balance sheet. The borrowings comprised mainly the bank overdraft of HK$380,000 (2006: Nil), the shareholder's loans in the total principal amount of approximately HK$3,275,000 (2006: HK$23,982,000) and the amount due to minority shareholders of subsidiaries of approximately HK$502,000 (2006: HK$474,000), which were unsecured, interest-free and not repayable within 12 months from 31 December 2007.

With regard to the acquisition of 49% interests in Leland Solutions Limited on 15 February 2008, Leland Solutions Limited is now a wholly-owned subsidiary of the Company. On 18 February 2008, the Company repaid the principal and interests of the outstanding borrowings of approximately HK$3,309,000 to Sun Wah.

Capital structure

As at 31 December 2007, the Company's total number of issued shares was 2,361,711,403 ordinary shares of HK$0.0005 each (2006: 75,372,000 ordinary shares of HK$0.01 each). On 3 July 2007, the Company entered into two separate agreements with two investors for the issue of unlisted warrants to them. Such warrants confer the holders thereof the rights to subscribe up to HK$40,275,000 in aggregate for shares at an initial subscription price of HK$2.25 per share. The issue of those unlisted warrants was completed on 20 July 2007. *(Details of the issue of unlisted warrants are set out in the announcement of the Company dated 4 July 2007)*.

On 9 August 2007, one of the warrantholders exercised the subscription rights attached to the warrants to subscribe for 900,000 shares at an aggregate subscription price of HK$2,025,000. On 19 September and 28 November 2007, the aforesaid warrantholder exercised the subscription rights attached to the warrants to subscribe for 30,000,000 shares and 30,681,818 shares (after the Share Subdivision in August 2007 and adjusted subscription price in November 2007) at an aggregate subscription price of HK$3,375,000 respectively. On 11 December 2007, another warrantholder exercised the subscription rights attached to the warrants to subscribe for 20,454,545 shares at an aggregate subscription price of HK$2,250,000.

The Company has also issued various new shares during the year pursuant to certain fund-raising exercises, brief particulars of which are set out in note 23(c) to the financial statements.

Investment, material acquisition and disposal of subsidiaries and affiliated companies

On 11 October 2007 and 29 October 2007, Richtop Holdings Limited, a wholly-owned subsidiary of the Company, entered into each of the preliminary sale and purchase agreement and the formal agreement respectively, in relation to an acquisition of a property located in Hong Kong at a purchase price of

MANAGEMENT DISCUSSION AND ANALYSIS

HK$17,200,000 ("**Office Acquisition**"). Completion of the Office Acquisition took place on 30 November 2007. The Board considers that the Office Acquisition provides an opportunity for the Group to expand its assets base and to cope with its further expansion. *(Details of the Office Acquisition are set out in the announcement of the Company dated 12 October 2007 and the circular of the Company dated 2 November 2007).*

On 26 November 2007, E-silkroad.net Corporation, a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Sun Rise Int'l Trading Limited ("**Sun Rise**") in relation to acquisition of 49% equity interests in Leland Solutions Limited from Sun Rise. *(Details of this acquisition are set out in the announcement of the Company dated 27 November 2007 and the circular of the Company dated 29 January 2008).* An ordinary resolution regarding this acquisition was passed on 15 February 2008 at an extraordinary general meeting by the shareholders of the Company and completion of such acquisition took place on 19 February 2008.

On 4 January 2008, Greatest High Holdings Limited, a wholly-owned subsidiary of the Company and Mr. Leung Ngai Man 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 on the exploration area located at Luoxi City, Dehong Dai and Jingpo Autonomous Prefecture, Yunan Province, the PRC (雲南省德宏傣族景頗自治州潞西市) ("**Mine Acquisition**"). *(Details of the Mine Acquisition are set out in the announcement of the Company dated 23 January 2008).*

Segment comments

During the year, the revenue from ordinary activities had been mainly derived from the following three business segments:

i) Staff secondment and system integration segment: its revenue increased from approximately HK$128,000 to approximately HK$316,000 which represents an increase of approximately 146.9% as compared with that of last year.

ii) Information technology consultancy services segment: its revenue dropped from approximately HK$829,000 in last year to approximately HK$100,000 in 2007. The profit margin of this segment is still low and the keen competition in this information technology consultancy industry is the main reason for the decrease.

iii) Trading of hardware and software segment: this is a new business segment which is conducted in the PRC. It contributes approximately 83.9% of the total revenue of the Group and the profit margin is about 34.6%. As there is a rapid growth in the economy of the PRC, a high demand for information technology hardware and software is noted.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group will continue to develop its information technology consultancy services and trading of hardware and software and also to seek to invest in the natural resources sector, which the Directors are of view that the Mine Acquisition represents a good opportunity for the Group to diversify into the gold mining business in the PRC.

Employee information

As at 31 December 2007, the Group employed a total number of 16 (2006: 9) employees. The staff costs, including Directors' remuneration and share-based payment, were approximately HK$14,238,000 (2006: HK$1,706,000).

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, full-time employees and consultants of the Group. The aim of the scheme is to recognise staff outstanding performance in order to retain key staff members and for the benefits of the future business development of the Group.

Charge on group assets

As at 31 December 2007, a fixed deposit of HK$200,000 was pledged for obtaining the corporate card services. (2006: Nil).

Future plans for material investments or capital assets

Other than the Mine Acquisition, there was no specific plan for material investments and acquisition of material capital assets as at 31 December 2007. However, the Group will continue to seek new business development opportunities.

Gearing ratio

As at 31 December 2007, the gearing ratio of the Group was approximately 0.046 (2006:-1.01), based on the total borrowings of approximately HK$4,157,000 (2006: approximately HK$24,456,000) and total equity of approximately HK$89,423,000 (2006: approximately HK$24,288,000).

Exposure to fluctuation in exchange rates

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

Contingent liabilities

As at 31 December 2007, the Group had no significant contingent liabilities (2006: Nil).

DIRECTORS AND SENIOR MANAGEMENT

Directors

Executive Directors

Mr. Choi Koon Ming, aged 39, joined the Group on 8 August 2000 as the Chairman of the Company. Mr. Choi is responsible for formulating the overall strategic planning of the Group. He holds a Bachelor of Arts degree from the University of British Columbia. Mr. Choi is also an executive director of SW Kingsway Capital Holdings Limited, a company listed on the Main Board of the Stock Exchange.

Mr. Leung Ngai Man, aged 47, joined the Group on 2 April 2007 and was appointed as the chief executive officer of the Company on 29 June 2007. Mr. Leung has over 21 years' experience in the areas of trading, property development and management in the People's Republic of China ("**PRC**"). He has established an extensive business and social network and relationship with numerous PRC companies. Mr. Leung commenced business in the property development sector in the 1990s. He was previously a vice chairman and general manager of China Land Group Limited (now known as China Agri-Products Exchange Limited), a company listed on the Main Board of the Stock Exchange and principally engaged in property development and investment in the PRC. Mr. Leung is also the chairman of the board and an executive director of Sino Prosper Holdings Limited, a company listed on the Main Board of the Stock Exchange.

Mr. Ng Kwok Chu, Winfield, aged 49, joined the Group on 16 October 2007. Mr. Ng has over 10 years' experience in consumer and commercial finance in the markets of Hong Kong and the PRC. He is currently a General Manager of a local financial institution and an independent non-executive director of each of The Quaypoint Corporation Limited, a company listed on the Main Board of the Stock Exchange, and Long Success International (Holdings) Limited, a company listed on GEM of the Stock Exchange.

Ms. Wu Wei Hua, aged 36, joined the Group on 11 December 2007. Ms. Wu graduated from Donghua University in the PRC and obtained a Bachelor Degree in Textile Engineering. She has been working in the industry of finance and administration management in the PRC since 1995 and has gained extensive management experience throughout these years.

DIRECTORS AND SENIOR MANAGEMENT

Independent non-executive Directors

Dr. Leung Wai Cheung, aged 43, joined the Group on 16 October 2007. Dr. Leung is the chief financial officer of FlexSystem Holdings Limited, a company listed on GEM of the Stock Exchange, and an independent non-executive director of each of Wing Hing International (Holdings) Limited, Sino Prosper Holdings Limited and Mobicon Group Limited, which are companies listed on the Main Board of the Stock Exchange. He is a qualified accountant and chartered secretary with over 21 years of experience in accounting, auditing and financial management. Dr. Leung 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, a Doctor of Philosophy Degree in Management from the Empresarial University of Costa Rica and a Doctor of Education Degree from Bulacan State University. 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, joined the Group on 2 April 2007. Mr. Chan 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 also an executive director of eCyberChina Holdings Limited and an independent non-executive director of Sino Prosper Holdings Limited, which are companies listed on the Main Board of the Stock Exchange.

Mr. Liu Jia Qing, aged 40, joined the Group on 11 December 2007. Mr. Liu graduated from China Central Radio and TV University in the PRC and obtained a Bachelor Degree in Business Corporate Management. He 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.

Senior Management

Ms. So Wai Yee, Betty, aged 26, joined the Group on 18 December 2007. Ms. So is the qualified accountant of the Company. She graduated from the University of Hong Kong with a Bachelor Degree in Business Administration (Accounting and Finance). Ms. So is an associate member of the Hong Kong Institute of Certified Public Accountant. She has several years working experience in one of the major international accounting firms in Hong Kong. Ms. So is currently an independent non-executive director of Sunny Global Holdings Limited, a company listed on the Main Board of the Stock Exchange.

REPORT OF THE DIRECTORS

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

Principal activities

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

An analysis of the Group's performance for the year by business segments is set out in note 5 to the financial statements.

Results and appropriations

The Group's loss for the year ended 31 December 2007 and the state of affairs of the Group and of the Company as at that date are set out in the financial statements on pages 33 to 91.

The Directors do not recommend the payment of any dividend in respect of the year (2006: Nil).

Share capital, warrants and share options

Details of movements in the Company's share capital, warrants and share options during the year, together with the reasons thereof, are set out in notes 23 and 24 to the financial statements.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 25 to the financial statements and the consolidated statement of changes in equity respectively.

Distributable reserves

In accordance with the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company ("**Shareholders**") provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business. As at 31 December 2007, the Company did not have any reserves available for distribution (2006: Nil).

REPORT OF THE DIRECTORS

Property, plant and equipment

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 15 to the financial statements.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association ("**Articles**") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing Shareholders.

Five-year financial summary

A summary of the published results and the assets and liabilities of the Group for the last five financial years as extracted from the audited financial statements of the Group is set out on page 92 of the annual report of the Company for the year ended 31 December 2007 ("**Annual Report**"), of which this report forms part.

Purchase, sale or redemption of listed securities

Save as disclosed in the Annual Report, during the year, there was no purchase, sale or redemption by the Company, or any of subsidiaries, of the Company's listed securities.

Major customers and suppliers

During the year, the purchases and sales percentage from the major customers and suppliers of the Group is set out below:

(1)	**Purchases**	**Percentage of total purchases**
	– the largest supplier	100%
	– the five largest suppliers combined	100%
(2)	**Sales**	**Percentage of total sales**
	– the largest customer	24%
	– the five largest customers combined	90%

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

REPORT OF THE DIRECTORS

Directors

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Choi Koon Ming	
Mr. Leung Ngai Man	(appointed on 2 April 2007)
Mr. Ng Kwok Chu, Winfield	(appointed on 16 October 2007)
Ms. Wu Wei Hua	(appointed on 11 December 2007)
Mr. Ng Kam Yiu	(retired on 29 June 2007)
Mr. Chow Yeung Tuen, Richard	(resigned on 15 February 2008)

Independent non-executive Directors

Mr. Chan Sing Fai	(appointed on 2 April 2007)
Dr. Leung Wai Cheung	(appointed on 16 October 2007)
Mr. Liu Jia Qing	(appointed on 11 December 2007)
Mr. Ng Cheuk Tat, Ambrose	(resigned on 24 September 2007)
Mr. Phillip King	(resigned on 20 November 2007)
Mr. Wu Tak Lung	(resigned on 11 December 2007)

In accordance with articles 87 (1) and (2) of the Articles, Mr. Choi Koon Ming will retire as Director by rotation at the forthcoming annual general meeting and, being eligible, offer himself for re-election as Director. Mr. Choi Koon Ming will not offer himself for re-election due to the fact that Mr. Choi Koon Ming would like to spend more time pursuing his business development.

In accordance with articles 86(3) of the Articles, Mr. Ng Kwok Chu, Winfield and Ms. Wu Wei Hua will retire as Directors at the forthcoming annual general meeting and, being eligible, offer themselves for re-election as Directors.

Independence of independent non-executive Directors

The Company has received written confirmations from each of its independent non-executive Directors in respect of their independence during the year and all independent non-executive Directors are still being considered to be independent.

Director's and senior management's biographies

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

REPORT OF THE DIRECTORS

Directors' service contracts

Mr. Ng Kwok Chu, Winfield and Ms. Wu Wei Hua have entered into service contracts with the Company on 1 December 2007 and 1 February 2008 respectively. All such contracts are for an initial term of two years. Either the Company or the aforesaid Directors may terminate the service contracts by giving one month's notice or payment of the one month's salary in lieu.

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

Director's interests in contracts

Save as disclosed in note 29 to the financial statements, no Director had a significant beneficial interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Director's interests and short positions in the Shares and underlying Shares or any associated corporations

As at 31 December 2007, the interests and short positions of each Director and chief executive in the share capital of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong ("**SFO**")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules were as follows:

Long positions in the ordinary shares of HK$0.0005 each in the capital of the Company ("Shares"):

Name of Director	Capacity	Number of Shares held	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 Ngai Man	Through a controlled corporation *(Note)*	383,288,000	16.23%

Note:

Mr. Leung Ngai Man, an executive Director, is the beneficial owner of Speedy Well Investments Limited, a company incorporated in the British Virgin Islands and a substantial shareholder of the Company which held 383,288,000 Shares.

REPORT OF THE DIRECTORS

Save as disclosed above, none of the Directors had registered an interest of short positions in the Shares or underlying Shares or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

Director's rights to acquire shares or debentures

Save as disclosed under the paragraph headed "Directors' interests and short positions in the Shares and underlying Shares or any associated corporations" and in the share option scheme disclosures in note 24 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire such rights in any other body corporate.

Share option schemes

Detailed disclosures relating to the Company's share option schemes are set out in note 24 to the financial statements.

Substantial Shareholders' interests and short positions in the Shares and underlying Shares

As at 31 December 2007, the following interests of 5% or more in the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

REPORT OF THE DIRECTORS

Long positions in the Shares and underlying Shares:

Name of substantial Shareholder	Capacity and nature of Interests	Number of Shares held	Number of underlying Shares	Approximate percentage of issued share capital of the Company as at 31 December 2007	Number of Shares and underlying Shares
Speedy Well Investments Limited	Beneficial owner	383,288,000	–	16.23%	383,288,000
Fortis Investment Management SA	Investment Manager	178,830,000	–	7.64%	178,830,000
Li Ming Han	Beneficial owner	454,545	163,636,364	6.95%	164,090,909

Save as disclosed above, no person other than the Directors, whose interests are set out in the paragraph headed "Directors' interests and short positions in the Shares and underlying Shares or any associated corporations" and Shareholders, whose interests are set out in the paragraph headed "Substantial Shareholders' interests and short positions in the Shares and underlying Shares" above, had registered an interest or short position in the Shares or underlying Shares that was required to be recorded pursuant to Section 336 of the SFO.

Contract of significance

During the year, the Group did not enter into any contract of significance with its controlling Shareholders or any of its subsidiaries.

During the year, no contract of significance for the provision of services to the Group by a controlling Shareholder or any of its subsidiaries was made.

REPORT OF THE DIRECTORS

Subsequent events

(a) With effect from the passing of the special resolution relating to the change of Company's name on 15 February 2008, the name of the Company has been changed to "China Metal Resources Holdings Limited 中國金屬資源控股有限公司". The Company will carry out all necessary filing procedures with the Registrar of Companies in the Cayman Islands and the Registrar of Companies in Hong Kong. A certificate of incorporation on change of name will be issued by the Registrar of the Companies in the Cayman Islands. Further announcement(s) will be made when the change of Company name becomes effective.

(b) On 4 January 2008, Greatest High Holdings Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, and Mr. Leung Ngai Man ("Mr. Leung"), an executive Director, entered into an agreement (the "Agreement") pursuant to which the Purchaser has agreed to acquire and Mr. Leung has agreed to dispose of the entire issued share capital (the "Sale Share") of China Nonferrous Metals Resources Investment Limited (the "Target") and the Sale Loan (as defined in the announcement of the Company dated 23 January 2008), at a total consideration of HK$1,800 million (the "Consideration").

The Target is a company incorporated in Hong Kong and wholly and beneficially owned by Mr. Leung. The Target is principally engaged in investment holding. The sole asset of the Target is the entire issued capital of China Mining Group Investment Limited, a company incorporated in Hong Kong, which in turn owns 80% of the registered and paid up capital of 雲南西部礦業有限公司 (the "CJV"), a Chinese foreign co-operative joint venture company established under the PRC laws on 14 May 2004. The CJV is principally engaged in the exploration of mines in the PRC at permitted and authorised locations. It has commenced its business and carries out exploration work at a gold mining sited located at Luoxi City, Yunnan Province, the PRC.

Pursuant to the terms of the sales and purchase agreement, the consideration of HK$1,800 million shall be settled in the following manner: (i) on the date of the Agreement, an aggregate amount of HK$65 million was paid by the Purchaser to Mr. Leung as the deposit and part of the Consideration; (ii) a sum equivalent to 90% of the net proceeds from the Fund Raising Exercise (as defined in the announcement of the Company dated 23 January 2008) shall be payable by the Purchaser to Mr. Leung on completion of the Agreement (the remaining 10% of such net proceeds will be retained as general working capital); (iii) in the event that the net proceeds obtained from item (ii) above are not sufficient to satisfy the remaining balance of the consideration (being HK$1,735 million), the Purchaser shall procure the Company to allot and issue up to 1,904,800,000 new shares of the Company (the "Consideration Shares"), credited as fully paid at the issue price of HK$0.40, on completion to Mr. Leung. Such Consideration Shares, together with the shares beneficially owned by Mr. Leung at completion shall not exceed 29% of the issued share capital

REPORT OF THE DIRECTORS

of the Company as enlarged by the issue of the Consideration Shares; and (iv) the balance of the Consideration, after the deduction of items (i), (ii) and (iii) above, shall be satisfied by the Purchaser procuring the Company to issue the convertible bonds in the principal amount of up to HK$1,561.74 million to Mr. Leung on completion.

Details of this transaction are included in the Company's announcement dated 23 January 2008.

(c) On 27 November 2007, the Company announced that Sun Rise and E-silkroad.net Corporation ("E-silkroad.net"), a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Group, has entered into the sale and purchase agreement ("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 Solutions Limited at a consideration of HK$49,000 (the "Acquisition"). Details of the Acquisition are included in the Company's circular dated 29 January 2008.

The Acquisition was approved at the extraordinary meeting held on 15 February 2008 and completed upon the consideration paid on 19 February 2008. Thereafter, Leland Solutions Limited became a wholly-owned subsidiary of the Company.

Audit Committee

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

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control of the Group. During the year, the Audit Committee held four meetings. The annual results of the Group for the year ended 31 December 2007 have been reviewed by the Audit Committee which is of the opinion that the preparation of such results complied with the applicable accounting standards, the Stock Exchange requirements and other legal requirements, and that adequate disclosures have been made.

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

REPORT OF THE DIRECTORS

Connected and related party transactions

Details of the related party transactions for the year are set out in note 29 to the financial statements.

Save as disclosed therein, there were no other transactions to be disclosed as connected and related party transactions in accordance with the requirements of the GEM Listing Rules and accounting principles generally accepted in Hong Kong.

Competition and conflict of interests

None of the directors, the management shareholders or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the businesses of the Group or has any other conflict of interests with the Group.

Corporate governance

A report on the principal corporate governance practices adopted by the Company is set out on pages 21 to 30 of the Annual Report.

Auditors

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

By Order of the Board
Ng Kwok Chu, Winfield
Executive Director

Hong Kong
25 February 2008

CORPORATE GOVERNANCE REPORT

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has applied the principles and, save as disclosed herein, has complied with the code provisions of the Code on Corporate Governance Practices ("**Corporate Governance Code**") as set out in Appendix 15 to the GEM Listing Rules throughout the year ended 31 December 2007.

THE BOARD AND THE MEETINGS OF THE BOARD

The Board has overall responsibility for the stewardship of the Group, including the responsibilities for the adoption of long-term strategies and appointing and supervising senior management to ensure that the operation of the Group is conducted in accordance with the objective of the Group. The Senior Management Committee was established on 27 June 2005 and of its members are Mr. Choi Koon Ming, the Chairman of the Board, Messrs. Leung Ngai Man and Ng Kwok Chu, Winfield and Ms. Wu Wei Hua, three executive Directors.

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

Choi Koon Ming	Chairman and an executive Director
Leung Ngai Man	Chief Executive Officer and an executive Director
Ng Kwok Chu, Winfield	Executive Director
Wu Wei Hua	Executive Director
Leung Wai Cheung	Independent non-executive Director
Chan Sing Fai	Independent non-executive Director
Liu Jia Qing	Independent non-executive Director

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

The Company has appointed three independent non-executive Directors whom the Board considers to have appropriate and sufficient experience and qualification to carry out their duties so as to protect the interests of the Shareholders. Currently, Dr. Leung Wai Cheung, Messrs. Chan Sing Fai and Liu Jia Qing are the independent non-executive Directors. All of them are under a term of service of one year commencing from the date of their respective appointment or the date of entering into their respective service contract. All Directors, including the independent non-executive Directors, are subject to retirement by rotation and re-election at the annual general meeting in accordance with Articles, provided that the appointment may be terminated by the Company or the Director concerned with a written notice of not less than one month unless both parties agreed otherwise.

CORPORATE GOVERNANCE REPORT

During the year, the Board had undergone the following changes:

– Mr. Chow Yeung Tuen, Richard resigned from the office of an executive Director and the finance Director on 15 February 2008 for pursuing his business developments;

– Mr. Wu Tak Lung resigned from the office of an independent non-executive Director on 11 December 2007 for pursuing his own business developments;

– Mr. Philip King resigned from the office of an independent non-executive Director on 20 November 2007 for pursuing his own business developments;

– Mr. Ng Cheuk Tat, Ambrose resigned from the office of an independent non-executive Director on 24 September 2007 for spending more time on his own legal practices;

– Mr. Ng Kam Yiu retired from the office of an executive Director at the annual general meeting of the Company held on 29 June 2007;

– Ms. Wu Wei Hua was appointed as an executive Director on 11 December 2007;

– Mr. Liu Jia Qing was appointed as an independent non-executive Director on 11 December 2007;

– Mr. Ng Kwok Chu, Winfield was appointed as an executive Director on 16 October 2007;

– Dr. Leung Wai Cheung was appointed as an independent non-executive Director on 16 October 2007;

– Mr. Leung Ngai Man was appointed as an executive Director on 2 April 2007; and

– Mr. Chan Sing Fai was appointed as an independent non-executive Director on 2 April 2007.

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

CORPORATE GOVERNANCE REPORT

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

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

The Board meets regularly (at least four times a year) and additional meetings are convened as and when the Board considers necessary. Nine board meetings were held during the year. The Directors attended those meetings in person, by phone or through other electronic means of communication. The attendance record of each Director during the year ended 31 December 2007 is set out below:

Directors	**Number of Board meetings Directors attended/eligible to attend**
Executive Directors	
Choi Koon Ming	9/9
Leung Ngai Man	7/7
Ng Kwok Chu, Winfield	1/1
Chow Yeung Tuen, Richard *(resigned on 15 February 2008)*	9/9
Wu Wei Hua *(appointed on 11 December 2007)*	0/0
Ng Kam Yiu *(retired on 29 June 2007)*	3/4
Independent non-executive Directors	
Leung Wai Cheung	1/1
Chan Sing Fai	6/7
Liu Jia Qing	0/0
Wu Tak Lung *(resigned on 11 December 2007)*	9/9
Philip King *(resigned on 20 November 2007)*	8/9
Ng Cheuk Tat, Ambrose *(resigned on 24 September 2007)*	7/7

CORPORATE GOVERNANCE REPORT

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

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

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

NOMINATION OF DIRECTORS

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

a) criteria of a Director:

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

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

b) nomination procedures:

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

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

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

CORPORATE GOVERNANCE REPORT

Mr. Leung Ngai Man, Mr. Ng Kwok Chu, Winfield and Ms. Wu Wei Hua were appointed as executive Directors and Mr. Chan Sing Fai, Dr. Leung Wai Cheung and Mr. Liu Jia Qing were appointed as an independent non-executive Directors in accordance with the above procedures.

During the financial year ended 31 December 2007, the Board has met three times in connection with the nomination and appointment of new Directors. Details of the attendance of the three Board meetings in relation to the nomination and appointment of new Directors are as follows:

Directors	Number of Board meetings Directors attended/eligible to attend
Executive Directors	
Choi Koon Ming	3/3
Leung Ngai Man	2/2
Ng Kwok Chu, Winfield	1/1
Chow Yeung Tuen, Richard *(resigned on 15 February 2008)*	3/3
Wu Wei Hua *(appointed on 11 December 2007)*	0/0
Ng Kam Yiu *(retired on 29 June 2007)*	1/1
Independent non-executive Directors	
Leung Wai Cheung	1/1
Chan Sing Fai	2/2
Liu Jia Qing *(appointed on 11 December 2007)*	0/0
Wu Tak Lung *(resigned on 11 December 2007)*	3/3
Philip King *(resigned on 20 November 2007)*	2/2
Ng Cheuk Tat, Ambrose *(resigned on 24 September 2007)*	1/1

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

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

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

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITEE

The Remuneration Committee was established on 27 June 2005, comprising the three independent non-executive Directors and the Chairman of the Board. The committee is currently chaired by Dr. Leung Wai Cheung, an independent non-executive Director, and other members include Messrs. Chan Sing Fai and Liu Jia Qing, both of them are also independent non-executive Directors, and Mr. Choi Koon Ming, the Chairman of the Board.

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

During the year ended 31 December 2007, two meetings of the Remuneration Committee were held. Details of the attendance of that meeting are as follows:

Member	**Number of Remuneration Committee meeting attended/eligible to attend**
Choi Koon Ming	2/2
Leung Wai Cheung *(appointed on 16 October 2007)*	0/0
Chan Sing Fai	2/2
Liu Jia Qing *(appointed on 11 December 2007)*	0/0
Wu Tak Lung *(resigned on 11 December 2007)*	2/2
Philip King *(resigned on 20 November 2007)*	2/2
Ng Cheuk Tat, Ambrose *(resigned on 24 September 2007)*	1/1

CORPORATE GOVERNANCE REPORT

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

– Mr. Wu Tak Lung resigned from the office of a member of the Remuneration Committee on 11 December 2007 for pursuing his own business developments;

– Mr. Philip King resigned from the office of a member of the Remuneration Committee on 20 November 2007 for pursuing his own business developments;

– Mr. Ng Cheuk Tat, Ambrose resigned from the office of a member of the Remuneration Committee on 24 September 2007 for spending more time on his own legal practices;

– Mr. Liu Jia Qing was nominated as a member of the Remuneration Committee on 11 December 2007;

– Dr. Leung Wai Cheung was nominated as a member of the Remuneration Committee on 16 October 2007; and

– Mr. Chan Sing Fai was nominated as a member of the Remuneration Committee on 2 April 2007.

AUDITORS' REMUNERATION

As at 31 December 2007, the fee payable to the auditors in respect of the audit and non-audit services provided by the auditors of the Group is as follows:

Type of services	**Amount** *(HK$'000)*
Audit services	272
Non-audit services	32

AUDIT COMMITTEE AND ACCOUNTABILITY

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

CORPORATE GOVERNANCE REPORT

In full compliance with Rule 5.28 of GEM Listing Rules, the Audit Committee, which has been established since the listing of the Company, is currently chaired by Dr. Leung Wai Cheung, an independent non-executive Director, with the other members being Mr. Chan Sing Fai and Mr. Liu Jia Qing, both of them are also the independent non-executive Directors.

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

Name	Service period
Liu Jia Qing	From 11 December 2007 to 31 December 2007
Leung Wai Cheung	From 16 October 2007 to 31 December 2007
Chan Sing Fai	From 2 April 2007 to 31 December 2007
Wu Tak Lung	From 1 January 2007 to 10 December 2007
Philip King	From 1 January 2007 to 19 November 2007
Ng Cheuk Tat, Ambrose	From 1 January 2007 to 23 September 2007

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

– Mr. Wu Tak Lung resigned from the office of a member of the Audit Committee on 11 December 2007 for pursuing his own business developments;

– Mr. Philiip King resigned from the office of a member of the Audit Committee on 20 November 2007 for pursuing his own business developments;

– Mr. Ng Cheuk Tat, Ambrose resigned from the office of a member of the Audit Committee on 24 September 2007 for spending more time on his own legal practices;

– Mr. Liu Jia Qing was nominated as a member of the Audit Committee on 11 December 2007;

– Dr. Leung Wai Cheung was nominated as a member of the Audit Committee on 16 October 2007; and

– Mr. Chan Sing Fai was nominated as a member of the Audit Committee on 2 April 2007.

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

CORPORATE GOVERNANCE REPORT

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

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

The work done by the Audit Committee during the year ended 31 December 2007 are set out as follows:–

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

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

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

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

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

For the financial year ended 31 December 2007, the Audit Committee held four meetings. The individual attendance record of each member of the Audit Committee is as follows:

Member	**Number of Audit Committee meetings attended/eligible to attend**
Leung Wai Cheung	1/1
Chan Sing Fai	3/3
Liu Jia Qing *(appointed on 11 December 2007)*	0/0
Wu Tak Lung *(resigned on 11 December 2007)*	4/4
Philip King *(resigned on 20 November 2007)*	4/4
Ng Cheuk Tat, Ambrose *(resigned on 24 September 2007)*	3/3

CORPORATE GOVERNANCE REPORT

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

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

During the year, the Group adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' securities transactions in securities of the Company. Upon the Group's specific enquiry, each Director confirmed that during the year ended 31 December 2007, he or she had fully complied with the required standard of dealings and there was no event of non-compliance.

DIRECTORS' AND AUDITORS' ACKNOWLEDGEMENT

All Directors acknowledge their responsibility for preparing the accounts for the year ended 31 December 2007.

The auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year ended 31 December 2007.

INTERNAL CONTROL

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

By Order of the Board
Ng Kwok Chu, Winfield
Executive Director

Hong Kong
25 February 2008

INDEPENDENT AUDITORS' REPORT

Grant Thornton
均富

To the members of Glory Future Group Limited
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Glory Future Group Limited (the "**Company**") set out on pages 33 to 91 which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

INDEPENDENT AUDITORS' REPORT

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

25 February 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2007

	Notes	2007 *HK$'000*	2006 *HK$'000*
Revenue	*6*	**2,609**	964
Cost of sales		**(1,811)**	(884)
Gross profit		**798**	80
Other operating income	*7*	**555**	50
Selling and distribution expenses		**(285)**	(200)
Administrative expenses		**(18,641)**	(3,069)
Operating loss		**(17,573)**	(3,139)
Finance costs	*8*	**(1,581)**	(2,035)
Loss before income tax	*9*	**(19,154)**	(5,174)
Income tax expense	*10*	**–**	–
Loss for the year		**(19,154)**	(5,174)
Attributable to:			
Equity holders of the Company	*11*	**(19,154)**	(5,149)
Minority interests		**–**	(25)
Loss for the year		**(19,154)**	(5,174)
Loss per share for loss attributable to the equity holders of the Company during the year	*12*		
			(restated)
– Basic		**(HK1.0 cent)**	(HK0.34 cent)
– Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	3,576	38
Prepaid lease payments	16	16,189	–
		19,765	38
Current assets			
Inventories	18	65	65
Trade receivables	19	132	14
Prepayments, deposits and other receivables		178	115
Cash and bank balances	20	74,043	675
		74,418	869
Current liabilities			
Bank overdrafts	20	380	–
Other payables and accrued expenses		603	739
Loans from a shareholder	21	3,275	23,982
		4,258	24,721
Net current assets/(liabilities)		70,160	(23,852)
Total assets less current liabilities		89,925	(23,814)
Non-current liabilities			
Due to minority shareholders of subsidiaries	22	502	474
Net assets/(liabilities)		89,423	(24,288)
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	23	1,181	754
Reserves	25	88,242	(25,042)
Total equity		89,423	(24,288)

Leung Ngai Man
Director

Ng Kwok Chu, Winfield
Director

BALANCE SHEET

As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**283**	–
Investments in subsidiaries	17	**–**	–
		283	–
Current assets			
Prepayments and other receivables		**70**	100
Cash and bank balances	20	**6,666**	471
		6,736	571
Current liabilities			
Other payables and accrued expenses		**52**	250
Due to a subsidiary	17	**3**	3
Loans from a shareholder	21	**–**	22,749
		55	23,002
Net current assets/(liabilities)		**6,681**	(22,431)
Total assets less current liabilities		**6,964**	(22,431)
EQUITY			
Share capital	23	**1,181**	754
Reserves	25	**5,783**	(23,185)
Total equity		**6,964**	(22,431)

Leung Ngai Man
Director

Ng Kwok Chu, Winfield
Director

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
Cash flows from operating activities			
Loss before income tax		**(19,154)**	(5,174)
Adjustments for:			
Depreciation	*9*	**92**	50
Amortisation of prepaid lease payments	*9*	**26**	–
Share-based payment	*9*	**11,433**	–
Loss on disposal of property, plant and equipment	*9*	**–**	6
Interest income	*7*	**(549)**	(28)
Interest expense	*8*	**1,581**	2,035
Operating loss before working capital changes		**(6,571)**	(3,111)
Increase in inventories		**–**	(65)
(Increase)/Decrease in trade receivables		**(118)**	173
(Increase)/Decrease in prepayments, deposits and other receivables		**(63)**	50
Decrease in trade payables		**–**	(30)
Decrease in other payables and accrued expenses		**(136)**	(62)
Cash used in operations		**(6,888)**	(3,045)
Interest paid		**(2,088)**	(522)
Net cash used in operating activities		**(8,976)**	(3,567)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**–**	1
Purchases of property, plant and equipment		**(3,630)**	(35)
Upfront lease payments		**(16,215)**	–
Interest received		**549**	28
Increase in pledged deposit		**(200)**	–
Net cash used in investing activities		**(19,496)**	(6)
Cash flows from financing activities			
Proceeds from issuance of share capital		**124,987**	–
Proceeds from issuance of warrants		**358**	–
Share issue expenses		**(3,895)**	–
Redemption of convertible bonds		**–**	(9,000)
Advance of loans from a shareholder		**21,700**	23,400
Repayment of loans to a shareholder		**(41,900)**	(12,000)
Net cash from financing activities		**101,250**	2,400
Net increase/(decrease) in cash and cash equivalents		**72,778**	(1,173)
Cash and cash equivalents at beginning of year		**675**	1,854
Effect of foreign exchange rate changes, net		**10**	(6)
Cash and cash equivalents at end of year		**73,463**	675
Analysis of balances of cash and cash equivalents	*20*		
Cash and bank balances		**73,792**	205
Short term time deposits		**51**	470
Bank overdrafts		**(380)**	–
		73,463	675

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

	Equity attributable to equity holders of the Company								Minority interests	Total
	Share capital	Share premium account	Convertible bond equity reserve	Employee compensation reserve	Translation reserve	Warrant reserve	Accumulated losses	Subtotal		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'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)	–	(19,133)
Currency translation (Net loss recognised directly in equity)	–	–	–	–	(6)	–	–	(6)	–	(6)
Loss for the year	–	–	–	–	–	–	(5,149)	(5,149)	(25)	(5,174)
Total recognised income and expense for the year	–	–	–	–	(6)	–	(5,149)	(5,155)	(25)	(5,180)
Par Value Reduction *(note 23)*	(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 and 1 January 2007	754	–*	–*	–*	(21)*	–*	(25,021)*	(24,288)	–	(24,288)
Currency translation (Net loss recognised directly in equity)	–	–	–	–	(18)	–	–	(18)	–	(18)
Loss for the year	–	–	–	–	–	–	(19,154)	(19,154)	–	(19,154)
Total recognised income and expense for the year	–	–	–	–	(18)	–	(19,154)	(19,172)	–	(19,172)
Issuance of new shares	320	107,860	–	–	–	–	–	108,180	–	108,180
Share issue expense	–	(3,895)	–	–	–	–	–	(3,895)	–	(3,895)
Recognition of equity-settled share-based compensation	–	–	–	11,433	–	–	–	11,433	–	11,433
Proceeds from shares issued under share option scheme	58	7,385	–	(1,661)	–	–	–	5,782	–	5,782
Issuance of warrants	–	–	–	–	–	358	–	358	–	358
Exercise of warrants	49	11,075	–	–	–	(99)	–	11,025	–	11,025
At 31 December 2007	1,181	122,425*	–*	9,772*	(39)*	259*	(44,175)*	89,423	–	89,423

* The aggregate amount of these reserve accounts is included in the consolidated reserves of HK$88,242,000 in surplus (2006: HK$25,042,000 in deficit) in the consolidated balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

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 the Company's 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 staff secondment and system integration services

– provision of information technology consultancy services

– trading of hardware and software

The financial statements on pages 33 to 91 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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules").

The financial statements for the year ended 31 December 2007 were approved by the board of directors on 25 February 2008.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

2. ADOPTION OF NEW AND AMENDED HKFRSs

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 these HKFRSs has given rise to additional disclosures as follows:

2.1 HKAS 1 (Amendment) – Capital Disclosures

In accordance with the HKAS 1 (Amendment) – Capital Disclosures, the Group now reports on its capital management objectives, policies and procedures in each annual financial report. The new disclosures that become necessary due to this change are detailed in note 32.

2.2 HKFRS 7 – Financial Instruments: Disclosures

HKFRS 7 – Financial Instruments: Disclosures is mandatory for reporting periods beginning on 1 January 2007 or later. The new standard replaces and amends the disclosure requirements previously set out in HKAS 32 Financial Instruments: Presentation and Disclosures and has been adopted by the Group in its financial statements for the year ended 31 December 2007. All disclosures relating to financial instruments including the comparative information have been updated to reflect the new requirements. In particular, the Group's financial statements now feature:

– a sensitivity analysis explaining the Group's market risk exposure in regard to its financial instruments, and

– a maturity analysis that shows the remaining contractual maturities of financial liabilities,

each as at the balance sheet date. The first-time application of HKFRS 7, however, has not resulted in any prior-period adjustments on cash flows, net income or balance sheet items.

The adoption of other 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

2. ADOPTION OF NEW AND AMENDED HKFRSs *(Continued)*

The Group has not early adopted the following HKFRSs that have been issued but are not yet effective. The directors of the Company are currently assessing the impact of these HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group's financial statements.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKFRS 8	Operating segments[1]
HK(IFRIC)-Int 11	HKFRS 2: 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

3.1 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.2 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.

3.3 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.

Business combinations (other than for combining entities under common control) are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.3 Subsidiaries *(Continued)*

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

3.4 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 carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. 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 translation reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.5 Recognition of revenue

Revenue comprises the fair value for the sale of goods and rendering of services and the use by others of the Group's assets yielding interest and dividends, net of rebates and discounts and after eliminated sales within the Group. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Sales of goods are recognised upon transfer of the significant risks and rewards of ownership to the customer. This is usually taken as the time when the goods are delivered.

Sales of services are recognised in the accounting period in which the services are rendered.

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

3.6 Prepaid lease payments and property, plant and equipment

Prepaid lease payments represent up-front payments to acquire long term interest in the usage of land. They are stated at cost and charged to income statement over the remaining period of the lease on a straight-line basis net of any impairment losses.

Buildings held for own use which are situated on prepaid lease payments, where the fair value of the buildings could be measured separately from the fair value of the prepaid lease payments, and other items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.6 Prepaid lease payments and property, plant and equipment *(Continued)*

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

Medium term leasehold buildings in Hong Kong	Over the shorter of the lease terms or 50 years
Furniture, fixtures and fittings	2 – 5 years
Computer and office equipment	2 – 3 years
Motor vehicles	5 years

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

3.7 Impairment of assets

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

All 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.7 Impairment of assets *(Continued)*

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 generate 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 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 no impairment loss had been recognised.

3.8 Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as an operating lease.

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.

3.9 Financial assets

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

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

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. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.9 Financial assets *(Continued)*

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 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. The Group's trade and most other receivables fall into this category of financial instruments.

At each balance sheet date, loans and receivables are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence that an impairment loss on loans and receivables 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 profit or loss of 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 profit or loss of the period in which the reversal occurs.

3.10 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.11 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. 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 goodwill or 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 liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.12 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand as well as highly liquid investments such as bank deposits, less bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

3.13 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.

3.14 Retirement benefit costs and short term employee benefits

(a) Retirement benefit costs

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**Hong Kong Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the Hong Kong Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the Hong Kong Scheme. The assets of the Hong Kong 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 Hong Kong Scheme.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.14 Retirement benefit costs and short term employee benefits *(Continued)*

(a) Retirement benefit costs (Continued)

Pursuant to the relevant regulations of the government of the People's Republic of China except Hong Kong (the "**PRC**"), a subsidiary of the Company operating in the PRC participates in a local municipal government retirement benefits scheme (the "**PRC Scheme**"), whereby the subsidiary is required to make contributions, as calculated under the rules specified by the relevant PRC local government authorities, to the PRC Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary. The only obligation of the Group with respect to the PRC Scheme is to pay the ongoing required contributions under the PRC Scheme mentioned above. Contributions under the PRC Scheme are charged to the income statement as incurred. There are no provisions under the PRC Scheme whereby forfeited contributions may be used to reduce future contributions.

(b) Short term employee benefits

(i) Provisions for bonus due are recognised when the Group has a present legal or constructive obligations as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(ii) 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.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3.15 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.15 Share-based employee compensation *(Continued)*

All share-based compensation is ultimately recognised as an expense in income statement with a corresponding increase in equity (employee compensation 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.

At the time when the share options are exercised, the amount previously recognised in employee compensation reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in employee compensation reserve will be transferred to retained profits.

3.16 Financial liabilities

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

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

3.17 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 and prepaid lease payments.

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

3.18 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

4. 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.

4.1 Critical accounting estimates and assumptions

Valuation of share option granted

The fair value of share option granted was calculated using the Black-Scholes valuation model based on the Group's management's significant inputs into calculation including an estimated life of share options granted to be two and a half years to ten years, based on exercise restrictions and behavioural consideration, the volatility of share price, weighted average share prices and exercise price of the share options granted. Furthermore, the calculation assumes nil future dividends.

4.2 Critical judgements in applying the entity's accounting policies

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.

5. 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 staff secondment and system integration segment provides services including hardware and software management services;

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

5. SEGMENT INFORMATION *(Continued)*

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

(d) the trading of hardware and software segment provides trading of computer products in the PRC.

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 (2006: 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		Staff secondment and system integration		Information technology consultancy services		Trading of hardware and software		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**5**	7	**316**	128	**100**	829	**2,188**	–	**2,609**	964
Segment results	**5**	(12)	**45**	4	**(9)**	88	**757**	–	**798**	80
Bank interest income									**549**	28
Sundry income									**6**	22
Unallocated expenses									**(18,926)**	(3,269)
Operating loss									**(17,573)**	(3,139)
Finance costs									**(1,581)**	(2,035)
Loss before income tax									**(19,154)**	(5,174)
Income tax expense									**–**	–
Loss for the year									**(19,154)**	(5,174)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

5. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

	Web page design and website maintenance		Staff secondment and system integration		Information technology consultancy services		Trading of hardware and software		Consolidated	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**100**	1	**77**	102	**132**	14	**–**	–	**309**	117
Unallocated assets									**93,874**	790
Total assets									**94,183**	907
Segment liabilities	**265**	248	**–**	–	**–**	–	**–**	–	**265**	248
Unallocated liabilities									**4,495**	24,947
Total liabilities									**4,760**	25,195
Other segment information:										
Depreciation	**11**	33	**81**	17	**–**	–	**–**	–	**92**	50
Capital expenditure	**111**	–	**3,519**	35	**–**	–	**–**	–	**3,630**	35

6. REVENUE AND TURNOVER

The Group's turnover represents the invoiced value of goods sold and services rendered arising from the principal activities of the Group during the year after eliminations of all significant intra-group transactions.

	2007	2006
	HK$'000	*HK$'000*
Web page design and website maintenance income	**5**	7
Staff secondment and system integration income	**316**	128
Information technology consultancy services income	**100**	829
Trading of hardware and software income	**2,188**	–
	2,609	964

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

7. OTHER OPERATING INCOME

	2007 HK$'000	2006 HK$'000
Bank interest income on financial assets stated at amortised cost	549	28
Sundry income	6	22
	555	50

8. FINANCE COSTS

	2007 HK$'000	2006 HK$'000
Interest charges on financial liabilities stated at amortised cost:		
Loans from a shareholder wholly repayable within one year	1,581	745
Convertible bonds	–	1,290
	1,581	2,035

9. LOSS BEFORE INCOME TAX

	Notes	2007 HK$'000	2006 HK$'000
Loss before income tax is arrived at after charging:			
Cost of goods sold		1,432	–
Cost of services provided *		379	884
Auditors' remuneration		272	190
Employee benefit expense (excluding directors' emoluments)#	13	13,574	1,556
Directors' emoluments	14	664	150
		14,238	1,706
Minimum lease payments paid under operating leases in respect of:			
– Land and buildings		62	169
– Computer server		12	12
Loss on disposal of property, plant and equipment		–	6
Depreciation		92	50
Amortisation of prepaid lease payments		26	–

* Cost of services provided included HK$253,000 (2006: HK$176,000) relating to employee benefit expense. This amount is included in both "Cost of services provided" and "Employee benefit expense" disclosed above.

\# Employee benefit expense (excluding directors' emoluments) included share based payment of HK$11,433,000 (2006: Nil) disclosed above.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

10. 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 (2006: Nil).

No provision for PRC profits tax has been made on the financial statements for the current year as the assessable profits were wholly offset by tax losses brought forward (2006: Nil).

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

	2007	2006
	HK$'000	*HK$'000*
Loss before income tax	**(19,154)**	(5,174)
Tax at the statutory rate of 17.5% in Hong Kong (2006: 17.5%)	**(3,352)**	(905)
Effect of different tax rate of the other jurisdictions	**75**	(22)
Tax effect of non-deductible expenses	**3,105**	739
Tax effect of non-taxable revenue	**(95)**	(5)
Tax effect of temporary differences not recognised	**(15)**	(4)
Tax effect of tax losses not recognised	**443**	197
Tax effect of prior years' unrecognised tax losses utilised this year	**(161)**	–
Income tax expenses	**–**	–

As at 31 December 2007, the Group had unutilised tax loss of HK$2,927,000 (2006: HK$143,000) 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$52,728,000 (2006: HK$50,242,000) 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 2007, 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 (2006: Nil).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

11. 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$19,154,000 (2006: HK$5,149,000), a loss of HK$103,488,000 (2006: HK$4,031,000) has been dealt with in the financial statements of the Company.

12. 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$19,154,000 (2006: HK$5,149,000) and on the weighted average number of 1,889,075,000 (2006: 1,507,440,000 (restated)) ordinary shares of the Company in issue during the year.

The weighted average number of shares for the purposes of calculating basic earnings per share for the year ended 31 December 2006 has been restated to reflect the share subdivision during the year as detailed in note 23(b) to the financial statements.

Diluted result per share for the years ended 31 December 2007 and 2006 have not been disclosed as the share options and warrants outstanding during these years were anti-dilutive.

13. EMPLOYEE BENEFIT EXPENSE (EXCLUDING DIRECTORS' EMOLUMENTS)

	2007	2006
	HK$'000	*HK$'000*
Wages and salaries	**2,071**	1,504
Share options granted to employees	**11,433**	–
Pension costs – defined contribution plans	**70**	52
	13,574	1,556

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

14. 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 2007				
Executive directors				
Choi Koon Ming	–	–	–	–
Ng Kam Yiu *(Note 7)*	–	–	–	–
Chow Yeung Tuen, Richard (*Note 10*)	–	390	12	402
Ng Kwok Chu, Winfield (*Note 1*)	–	40	1	41
Leung Ngai Man *(Note 4)*	–	–	–	–
Wu Wei Hua *(Note 5)*	–	–	–	–
Independent non-executive directors				
Wu Tak Lung *(Note 6)*	69	–	–	69
Phillip King *(Note 2)*	67	–	–	67
Ng Cheuk Tat, Ambrose *(Note 3)*	65	–	–	65
Chan Sing Fai *(Note 4)*	20	–	–	20
Liu Jia Qing *(Note 5)*	–	–	–	–
Leung Wai Cheung *(Note 1)*	–	–	–	–
	221	**430**	**13**	**664**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

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

(a) Directors' emoluments *(Continued)*

	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 *(Note 7)*	–	–	–	–
Chow Yeung Tuen, Richard	–	90	3	93
Non-executive director				
Ha Kee Choy, Eugene *(Note 8)*	–	–	–	–
Independent non-executive directors				
Wu Tak Lung	20	–	–	20
Phillip King	20	–	–	20
Ng Cheuk Tat, Ambrose	17	–	–	17
Ho Suk Yin, *JP (Note 9)*	–	–	–	–
	57	**90**	**3**	**150**

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2006: Nil).

Notes:

1. Appointed on 16 October 2007
2. Resigned on 20 November 2007
3. Resigned on 24 September 2007
4. Appointed on 2 April 2007
5. Appointed on 11 December 2007
6. Resigned on 11 December 2007
7. Retired on 29 June 2007
8. Retired on 28 June 2006
9. Resigned on 1 March 2006
10. Resigned on 15 February 2008

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one director (2006: Nil) whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2006: five) highest paid individuals during the year are as follows:

	2007	2006
	HK$'000	*HK$'000*
Basic salaries, allowances and other benefits in kind	**1,081**	1,298
Contributions to pension scheme	**31**	45
	1,112	1,343

The emoluments fell within the following band:

	Number of individuals	
	2007	2006
Emolument band		
HK$Nil – HK$1,000,000	**4**	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 (2006: Nil).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings HK$'000	Furniture, fixtures and fittings HK$'000	Computer and office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
At 1 January 2006					
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
Year ended 31 December 2007					
Opening net book amount	–	2	36	–	38
Additions	1,630	30	81	1,889	3,630
Depreciation	(3)	(4)	(33)	(52)	(92)
Closing net book amount	1,627	28	84	1,837	3,576
At 31 December 2007					
Cost	1,630	37	436	1,889	3,992
Accumulated depreciation	(3)	(9)	(352)	(52)	(416)
Net book amount	1,627	28	84	1,837	3,576

The buildings are located on land with medium term leases in Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Motor vehicles
	HK$'000
At 1 January 2006	
Cost	–
Accumulated depreciation	–
Net book amount	–
Year ended 31 December 2006	
Opening and closing net book amount	–
At 31 December 2006	
Cost	–
Accumulated depreciation	–
Net book amount	–
Year ended 31 December 2007	
Opening net book amount	–
Additions	309
Depreciation	(26)
Closing net book amount	283
At 31 December 2007	
Cost	309
Accumulated depreciation	(26)
Net book amount	283

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

16. PREPAID LEASE PAYMENTS

The Group's interests in leasehold land represent prepaid operating lease payments and their net book value are analysed as follows:

Group

	2007 HK$'000	2006 HK$'000
Carrying amount at 1 January	–	–
Additions	16,215	–
Amortisation of prepaid lease payments	(26)	–
Carrying amount at 31 December	16,189	–

Group

	2007 HK$'000	2006 HK$'000
In Hong Kong held on:		
Leases of between 10 to 50 years	16,189	–

17. INVESTMENTS IN SUBSIDIARIES/DUE TO A SUBSIDIARY

COMPANY

	2007 HK$'000	2006 HK$'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 2007 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 Directly	Indirectly	Principal activity
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

NOTES TO THE FINANCIAL STATEMENTS
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17. INVESTMENTS IN SUBSIDIARIES/DUE TO A SUBSIDIARY *(Continued)*

Name of subsidiary	Place of incorporation/ registration/ operations and kind of legal entity	Particulars of issued and fully paid share capital/ registered capital	Percentage of issued capital held by the Company		Principal activity
			Directly	Indirectly	
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")	PRC*	HK$8,000,000	–	95%	Provision of web page design services, application development and technical support services and trading of hardware and software
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, staff secondment, system integration and information technology consultancy services
Richtop Holdings Limited	Hong Kong, limited liability company	1 ordinary shares of HK$1 each	100%	–	Investment holding
Greatest High Holdings Limited	British Virgin Islands, limited liability company	1 ordinary share of US$1 each	100%	–	Investment holding
Merit Billion Limited	Hong Kong, limited liability company	1 ordinary share of HK$1 each	100%	–	Investment holding

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

18. INVENTORIES

GROUP

	2007 *HK$'000*	2006 *HK$'000*
Finished goods	65	65

19. TRADE RECEIVABLES

GROUP

	2007 *HK$'000*	2006 *HK$'000*
Trade receivables	132	417
Less: allowance for impairment of receivables	–	(403)
Trade receivables – net	132	14

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly. The movement in the provision for impairment of trade receivables is as follows:

	2007 *HK$'000*	2006 *HK$'000*
At 1 January	403	403
Amount written off	(403)	–
At 31 December	–	403

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

19. TRADE RECEIVABLES *(Continued)*

At each of the balance sheet date, the Group's provision for impairment of trade receivables were individually determined based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. Consequently, specific impairment provision was recognised.

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:

	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**52**	13
31 – 60 days	**52**	–
61 – 90 days	**10**	–
> 90 days	**18**	1
	132	14

The ageing analysis of trade receivables that are not impaired is as follows:

	2007	2006
	HK$'000	*HK$'000*
Neither past due nor impaired	**114**	13
Past due but not impaired	**18**	1
	132	14

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

19. TRADE RECEIVABLES *(Continued)*

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default. Receivables that were past due but not impaired related to a number of customers that have a good track record with the Group. Based on past experience, the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

20. CASH AND BANK BALANCES/CASH AND CASH EQUIVALENTS

GROUP

	2007	2006
	HK$'000	*HK$'000*
Cash at banks and in hand	**73,792**	205
Short-term bank deposits	**251**	470
Cash and bank balances per consolidated balance sheet	**74,043**	675
Bank overdrafts	**(380)**	–
Pledged deposit*	**(200)**	–
Cash and cash equivalents per consolidated cash flow statement	**73,463**	675

* As at 31 December 2007, a fixed deposit of HK$200,000 was pledged for obtaining the corporate card services (2006: Nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

20. CASH AND BANK BALANCES/CASH AND CASH EQUIVALENTS *(Continued)*

COMPANY

	2007	2006
	HK$'000	*HK$'000*
Cash at banks and in hand	**6,615**	1
Short-term bank deposits	**51**	470
	6,666	471

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 1.45% to 3.45% (2006: 3.30% to 3.75%) 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$665,000 (2006: HK$16,000) of bank balances denominated in Renminbi ("**RMB**") placed with banks in the PRC. RMB is not freely convertible into other currencies, however, under the PRC'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. LOANS FROM A SHAREHOLDER

Pursuant to a loan agreement signed between the Company and Sun Wah Net Investment Limited ("**Sun Wah**"), a former substantial shareholder of the Company, dated 2 May 2006, the Company obtained a short-term loan of HK$12.2 million (the "**First 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 previous shareholder's loan. Thereafter, the balance of the fund from the First Shareholder's Loan in the amount of approximately HK$0.6 million was retained as working capital of the Group. The First Shareholder's Loan was unsecured, interest bearing at 5% per annum and was originally scheduled as repayable on 2 August 2006. The First 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 First Shareholder's Loan, at amortised cost using the effective interest method, was HK$12.6 million.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

21. LOANS FROM A SHAREHOLDER *(Continued)*

Pursuant to a loan agreement signed between a subsidiary of the Company and Sun Wah dated 12 June 2006, a short-term loan of HK$1.2 million was advanced from Sun Wah (the "**Second Shareholder's Loan**") partly for repayment of the principal of HK$0.6 million and accrued interest of the previous shareholder's loan. Thereafter, the balance of fund of the Second Shareholder's Loan of approximately HK$0.6 million was retained as the working capital of that subsidiary of the Company. The Second Shareholder's Loan was unsecured, interest-bearing at 5% per annum and was originally scheduled as repayable on 12 August 2006. The Second 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 Second Shareholder's Loan at amortised cost using the effective interest method, was HK$1.2 million.

On 27 October 2006, Sun Wah granted a loan of HK$10 million to the Company (the "**Third 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. The Third Shareholder's Loan was unsecured, interest-bearing at 8% per annum and would be due and repayable on 26 October 2007. Sun Wah had confirmed that it would not demand repayment of the shareholder's loan of HK$10 million upon its maturity on 26 October 2007 unless the Group had 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 Third Shareholder's Loan at amortised cost using the effective interest method, was HK$10.1 million. The Company has partly repaid for HK$4 million of the Third Shareholder's Loan on 1 August 2007 and the remaining balance on 12 September 2007.

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 (**the "Fourth Shareholder's Loan**") which was mainly used to repay the outstanding principal and accrued interest of the First Shareholder's Loan to the Company as mentioned above. The balance of the remaining Fourth Shareholder's Loan was retained as working capital of the Group. The Fourth Shareholder's Loan was unsecured, interest-bearing at 8% per annum and repayable on 15 May 2008. The Fourth Shareholder's Loan had been fully repaid by the Company on 16 October 2007.

NOTES TO THE FINANCIAL STATEMENTS
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21. LOANS FROM A SHAREHOLDER *(Continued)*

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 (the "**Fifth Shareholder's Loan**") for repayment of the principal and accrued interest of the Second Shareholder's Loan as mentioned above. The balance of the remaining Fifth Shareholder's Loan was retained as working capital of the Group. The Fifth Shareholder's Loan was unsecured, interest-bearing at 8% per annum and repayable on 15 May 2008. Sun Wah had confirmed it would not demand repayment of the shareholder's loan of HK$3.2 million upon its maturity on 15 May 2008 unless the Group has sufficient financial ability to repay it. As at 31 December 2007, the balance of the Fifth Shareholder's Loan at amortised cost using the effective interest method, was approximately HK$3.3 million.

22. 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 and 2007 was approximately HK$73,000. The shareholding ratio of the Group and Sun Rise in Leland remains unchanged.

The remaining amount of HK$429,000 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

23. SHARE CAPITAL

The share capital of the Company consists only of ordinary shares. All shares are equally eligible to receive dividends and the repayment of capital.

	Notes	Number of shares of HK$0.5 each		Number of shares of HK$0.01 each		Number of shares of HK$0.0005 each		Share capital	
		2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
		'000	*'000*	***'000***	*'000*	***'000***	*'000*	***HK$'000***	*HK$'000*
Authorised:									
Ordinary shares at beginning of year		**–**	200,000	**10,000,000**	–	**–**	–	**100,000**	100,000
Par Value Reduction and Capital Restoration	*(a)*	**–**	(200,000)	**–**	10,000,000	**–**	–	**–**	–
Share Subdivision	*(b)*	**–**	–	**(10,000,000)**	–	**200,000,000**	–	**–**	–
Ordinary shares at end of year		**–**	–	**–**	10,000,000	**200,000,000**	–	**100,000**	100,000

	Notes	Number of shares of HK$0.5 each		Number of shares of HK$0.01 each		Number of shares of HK$0.0005 each		Share capital	
		2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
		'000	*'000*	***'000***	*'000*	***'000***	*'000*	***HK$'000***	*HK$'000*
Issued and fully paid:									
Ordinary shares at beginning of year		**–**	75,372	**75,372**	–	**–**	–	**754**	37,686
Par Value Reduction	(a)	**–**	(75,372)	**–**	75,372	**–**	–	**–**	(36,932)
Issuance of new shares	(c)	**–**	–	**13,567**	–	**367,695**	–	**320**	–
Exercise of share options	(d)	**–**	–	**2,085**	–	**74,400**	–	**58**	–
Exercise of warrants	(e)	**–**	–	**900**	–	**81,136**	–	**49**	–
Share Subdivision	(b)	**–**	–	**(91,924)**	–	**1,838,480**	–	**–**	–
Ordinary shares at end of year		**–**	–	**–**	75,372	**2,361,711**	–	**1,181**	754

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

23. SHARE CAPITAL *(Continued)*

Note:

(a) **Par Value Reduction and Capital Restoration**

On 14 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 14 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.

(b) **Share Subdivision**

Pursuant to an ordinary resolution passed on 22 August 2007, with effect from 23 August 2007, one share of HK$0.01 each in the issued and unissued share capital of the Company were subdivided into twenty shares of HK$0.0005 each ("**Share Subdivision**"). The authorised share capital of the Company remained at HK$100,000,000 but was divided into 200,000,000,000 shares of HK$0.0005 each.

(c) **Issuance of new shares**

On 27 April 2007, the issued share capital of the Company was increased from approximately HK$754,000 to HK$889,000 by the issue of 13,566,960 ordinary shares of HK$0.01 each for cash at a placing price of HK$0.49 per share. The total proceeds and net proceeds, after deducting all related expenses, were HK$6,648,000 and HK$6,538,000 respectively. The Company has utilised the net proceeds (i) for repayment of the loans of the Group; and (ii) for general working capital of the Group.

On 28 September 2007, the Company through a placing agent, BNP Paribas Capital (Asia Pacific) Limited placed 255,000,000 ordinary shares of HK$0.0005 each at the placing price of HK$0.27 each. The gross proceeds and net proceeds from the placing of shares, after deducting all related expenses, were approximately HK$68,850,000 and HK$66,949,000 respectively. The Company has utilised the net proceeds (i) for repayment of the loans of the Company; (ii) for acquisition of office premises; (iii) for general working capital of the Group; and (iv) for financing of the Mine Acquisition.

On 26 October 2007, the Company through a placing agent, Morgan Stanley & Co. International plc placed 112,695,840 ordinary shares of HK$0.0005 each at the placing price of HK$0.29 each. The gross proceeds and net proceeds from the placing of shares, after deducting all related expenses, were approximately HK$32,682,000 and HK$30,798,000 respectively. The Company has utilised the entire net proceeds for the financing of the Mine Acquisition.

(d) **Exercise of share options**

Details of the Company's share option schemes and the share options issued under the schemes are included in note 24.

(e) **Exercise of warrants**

During the year, part of the warrants issued were exercised for 900,000 shares of HK$0.01 each with an exercise price of HK$2.25 per warrant, 30,000,000 shares of HK$0.0005 each with an exercise price of HK$0.1125 per warrant and 51,136,363 shares of HK$0.0005 each with an exercise price of HK$0.11 per warrant.

Subsequent to the balance sheet date, part of the warrants issued were exercised for 40,909,090 shares of HK$0.0005 each with an exercise price of HK$0.11 per warrant.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

24. SHARE – BASED EMPLOYEE COMPENSATION

During the year ended 31 December 2007, the Group terminated the existing share option scheme adopted on 19 February 2001 and adopted a new share option scheme for employee compensation as details below.

All share-based employee compensation will be settled in equity. The Group has no legal or construction obligation to repurchase or settle the options.

(a) The Old Scheme

On 19 February 2001, a share option scheme ("**Old Scheme**") was adopted by the Company.

The principal purpose of the share option scheme was 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 were 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, would 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 was 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 might 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 might 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 might 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 should not exceed 30% of the Company's shares in issue from time to time.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

24. SHARE – BASED EMPLOYEE COMPENSATION *(Continued)*

(a) The Old Scheme *(Continued)*

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 might be accepted in writing within 21 days from the date of the offer. The exercise period of the share options granted was determinable by the directors, and should 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 was 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.

On 11 April 2007, 99,000,000 share options had been granted to each of ten other grantees (all are the employees of the Group) under the Old Scheme at an exercise price of HK$0.0475 per Share with an exercise period from 11 April 2007 to 18 February 2011. For the year ended 31 December 2007, 89,100,000 share options were exercised. As at 31 December 2007, the Company had options outstanding under the Old Scheme entitling the holders thereof to subscribe for 9,900,000 shares.

The Old Scheme was terminated 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.

Subsequent to the balance sheet date, 9,900,000 shares were allotted and issued upon the exercise of all the outstanding share options as at 31 December 2007; and as at the date of approving of these financial statements, there is no outstanding share options under the old scheme.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

24. SHARE – BASED EMPLOYEE COMPENSATION *(Continued)*

(a) The Old Scheme *(Continued)*

Detailed movements in the Old Scheme for the years ended 31 December 2006 and 2007:

Name or category of participant	Share option type	At 1 January 2006 and 2007**	Number of options granted**	Number of options exercised**	At 31 December 2007**	Date of grant of options	Exercise period of share options*	Exercise price of share option** HK$	Closing price of share immediately before the date of grant of options** HK$
Directors									
Mr. Choi Koon Ming	2001	15,000,000	–	(15,000,000)	–	21 January 2003	21 January 2003 to 20 January 2008	0.0574	0.057
Mr. Ng Kam Yiu	2001	6,000,000	–	(6,000,000)	–	21 January 2003	8 January 2004 to 7 January 2009	0.0574	0.057
Mr. Chow Yeung Tuen, Richard	2001	6,000,000	–	(6,000,000)	–	21 January 2003	21 January 2003 to 20 January 2008	0.0574	0.057
Sub-total		27,000,000	–	(27,000,000)	–				
Employees									
In aggregate	2001	–	99,000,000	(89,100,000)	9,900,000	11 April 2007	11 April 2007 to 18 February 2011	0.0475	0.023
Total		**27,000,000**	**99,000,000**	**(116,100,000)**	**9,900,000**				
Weighted average exercise price ***		0.0574	0.0475	0.0498	0.0475				

* The vesting period of the share options is from the date of the grant until the commencement of the exercise 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 Subdivision with effect from 23 August 2007, the total number of share options outstanding and the exercise price of the share options outstanding and the closing price of shares immediately before the date of grant of options had been adjusted accordingly.

*** The weighted average exercise price was adjusted under Share Subdivision.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

24. SHARE – BASED EMPLOYEE COMPENSATION *(Continued)*

(b) The New Scheme

On 29 June 2007, the Company adopted a new share option scheme ("**New Scheme**").

The directors may at their absolute discretion, invite any person belonging to any of the following classes of participants ("**Eligible Participants**") to take up options to subscribe for shares:

- any employee (whether full time or part time, including any director) of the Company, any of its subsidiaries or any entity ("**Invested Entity**") in which any member of the Group holds an equity interest (the persons are collectively referred to as "Eligible Employees");
- any directors (including non-executive directors and independent non-executive directors) of the Company, any subsidiary or any Invested Entity;
- any supplier of goods or services to any member of the Group or any Invested Entity;
- any customer of any member of the Group or any Invested Entity;
- any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- any adviser (professional or otherwise), consultant, individual or entity who in the opinion of the directors of the Company has contributed or will contribute to the growth and development of the Group;
- any other group or classes of particpants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group, and
- for the purposes of the New Scheme, the offer may be made to any company wholly owned by one or more Eligible Participants.

The share option scheme became effective on 2 July 2007 and unless otherwise cancelled or amended, will remain in force for 10 years from its date of adoption on 29 June 2007.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

24. SHARE – BASED EMPLOYEE COMPENSATION *(Continued)*

(b) The New Scheme *(Continued)*

Under the New Scheme, the maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes adopted by the Group shall not exceed 30% of the share capital of the Company in issue from time to time. No options may be granted under the New Scheme or any other share option scheme adopted by the Group if the grant of such option will result in the limit being exceeded. 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 New 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 total number of shares which may be allotted and issued upon exercise of all options excluding, options which have lapsed in accordance with the terms of this scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue as at the date of passing the relevant resolution adopting the scheme.

The total number of shares issued and which may fall to be issued upon exercise of the options and the options granted under any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Where any further grant of options to a grantee under the scheme, would result in the shares issued and to be issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the New Scheme and any other share option schemes of the Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by shareholders of the Company in general meeting with such grantee and his associates abstaining from voting.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

24. SHARE – BASED EMPLOYEE COMPENSATION *(Continued)*

(b) The New Scheme *(Continued)*

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 might 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 should 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 New 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.

On 9 July 2007 and 22 August 2007, the Company granted 96,000,000 share options at the exercise price of HK$0.1425 per share and 82,000,000 share options at the exercise price of HK$0.2030 per share respectively, totalling 178,000,000 share options, under the New Scheme. None of such options was granted to the Directors or senior management of the Company. As at 31 December 2007, no option granted under New Scheme had been exercised.

As at 31 December 2007, the Company had options outstanding under the New Scheme entitling the holders thereof to subscribe for 178,000,000 shares.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

24. SHARE – BASED EMPLOYEE COMPENSATION *(Continued)*

(b) The New Scheme *(Continued)*

The fair value of share options granted is recognised in the profit and loss account taking into account the probability that the options will vest over the vesting period. Upon the exercise of the options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapsed, if any, prior to their exercise dated are deleted from the outstanding options.

Detailed movements in the New Scheme for the year ended 31 December 2007:

Name or category of participant	Share option type	At 1 January 2007**	Number of options granted**	Number of options exercised**	At 31 December 2007**	Date of grant of options	Exercise period of share options*	Exercise price of share option**	Closing price of shares immediately before the date of grant of options**
								HK$	*HK$*
Other eligible employees									
In aggregate	2007(a)	–	96,000,000	–	96,000,000	9 July 2007	9 July 2007 to 29 June 2017	0.1425	0.124
	2007(b)	–	82,000,000	–	82,000,000	22 August 2007	22 August 2007 to 29 June 2017	0.2030	0.182
Total		–	178,000,000	–	178,000,000				
Weighted average exercise price ***		–	0.1704	–	0.1704				

* The vesting period of the share options is from the date of the grant until the commencement of the exercise 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 Subdivision with effect from 23 August 2007, the total number of share options outstanding and the exercise price of the share options outstanding and the closing price of shares immediately before the date of grant of options had been adjusted accordingly.

*** The weighted average exercise price was adjusted under Share Subdivision.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

24. SHARE – BASED EMPLOYEE COMPENSATION *(Continued)*

(c) Summary of details of the Old Scheme and New Scheme

	2007		2006	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at 1 January	**27,000,000**	**0.0574**	27,000,000	0.0574
Granted	**277,000,000**	**0.1265**	–	–
Exercise	**(116,100,000)**	**0.0498**	–	–
Outstanding at 31 December	**187,900,000**	**0.1639**	27,000,000	0.0574

No share options were granted in 2006. The following significant assumptions were used to derive the fair values of share options granted in 2007, using the Black-Scholes Option Pricing Model:

Share option type	**2001**	**2007 (a)**	**2007 (b)**
Date of grant	**11 April 2007**	**9 July 2007**	**22 August 2007**
Expected volatility	144.72%	113.43%	111.57%
Expected exercise date	11 October 2007 to 11 October 2008	8 January 2008	21 February 2008
Risk-free interest rate	3.55% to 3.793%	3.89%	3.94%
Expected dividend yield	Nil	Nil	Nil

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

24. SHARE – BASED EMPLOYEE COMPENSATION *(Continued)*

(c) Summary of details of the Old Scheme and New Scheme *(Continued)*

The expected volatility is based on the historical volatility of the Company's share price, adjusted for any expected changes to future volatility based on publicly available information. The expected life used in the model has been adjusted based on management's best estimate.

The weighted average share price of these shares at the date of exercise was HK$0.2751. All remaining share options as at 31 December 2007 have been accounted for under HKFRS 2. The option outstanding at 31 December 2007 had weighted average exercise prices of HK$0.1639 (2006: HK$0.0574) and a weighted average remaining contractual life of 9.2 years (2006: 1.2 years).

In total, approximately HK$11,433,000 of employee benefit expense has been included in the consolidated income statement for 2007 (2006: Nil), the corresponding amount of which has been credited to employee compensation reserve (note 25). No liabilities were recognised on the equity-settled share-based payment transactions.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

25. 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*	Employee compensation reserve *HK$'000*	Warrant reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
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 23)*	–	–	–	–	36,932	36,932
Redemption of convertible bonds	–	(3,219)	–	–	3,219	–
At 31 December 2006	–	–	–	–	(23,185)	(23,185)

	Share premium account *HK$'000*	**Convertible bond equity reserve** *HK$'000*	**Employee compensation reserve** *HK$'000*	**Warrant reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 January 2007	–	–	–	–	(23,185)	(23,185)
Loss for the year	–	–	–	–	(103,488)	(103,488)
Issuance of new shares	107,860	–	–	–	–	107,860
Share issue expense	(3,895)	–	–	–	–	(3,895)
Recognition of equity-settled share-based compensation	–	–	11,433	–	–	11,433
Proceeds from shares issued under share option scheme	7,385	–	(1,661)	–	–	5,724
Issuance of warrants	–	–	–	358	–	358
Exercise of warrants	11,075	–	–	(99)	–	10,976
At 31 December 2007	122,425	–	9,772	259	(126,673)	5,783

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

25. RESERVES *(Continued)*

Note:

(a) 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.

(b) On 3 July 2007, the Company entered into two subscription agreements with two investors, namely Mr. Li Ming Han and Mr. Pan Chik for the issue of warrants. The Company issued 358,000,000 non-listed warrants at the issue price of HK$0.001 per warrant. The warrants will mature in three years from the date of issue. Each warrant entitles the holder thereof to subscribe for one new share at initial exercise price of HK$2.25 per new share, payable in cash and subject to adjustment, at any time from 3 July 2007 to 2 July 2010. Consideration of HK$358,000 was received in respect of warrants during the year 2007. After the share subdivision being effective on 23 August 2007, the exercise price per share was adjusted from HK$2.25 to HK$0.1125. Each warrant of the Company shall confer right to subscribe for 20 subdivided shares of HK$0.0005 each. On 23 October 2007, the Company issued subscription shares at a discount of more than 10% to the then prevailing market price of the shares of the Company which constitutes an event that gave rise to adjustments to the subscription price of the warrants. The subscription price of the warrants was adjusted from HK$0.1125 per share to HK$0.11 per share. On 11 December 2007, the holders of the warrants passed a special resolution to amend the warrant instrument so that any future issue of securities of the Company at a discount of more than 10% to the then prevailing market price of the shares of the Company will no longer trigger any adjustment to the exercise price of the warrants.

The reason for the issues was to raise additional funds for the Group's general working capital.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

26. OPERATING LEASE COMMITMENTS

GROUP

At 31 December 2007, the total future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2007	2006
	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 2007 and 2006.

27. CAPITAL COMMITMENTS

The Group and the Company had no significant capital commitments as at 31 December 2007 and 2006.

28. CONTINGENT LIABILITIES

The Group and the Company had no significant contingent liabilities as at 31 December 2007 and 2006.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

29. RELATED PARTY TRANSACTIONS

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

	Notes	2007 HK$'000	2006 HK$'000
Interest expenses paid to Sun Wah:	*(i)*		
– Shareholder's loans		**1,581**	745
– Convertible bonds		**–**	1,290
Company secretarial fee paid to Sun Wah	*(ii)*	**460**	–

Notes:

(i) Sun Wah was one of the former substantial shareholders of the Company until 29 March 2007. Details of the loans advanced by Sun Wah are set out in note 21. The convertible bonds issued to Sun Wah have been redeemed in whole on 27 October 2006.

(ii) The Group paid to Sun Wah for secretarial services provided to the Group. The amount was mutually agreed between Sun Wah and the Group.

(iii) The Group leased its office premises from Sun Wah starting from December 2006 to 31 December 2007. Sun Wah did not demand the Group for any rental expense.

(b) Compensation of key management personnel

GROUP

	2007 HK$'000	2006 HK$'000
Total remuneration of directors and other members of key management during the year	**1,426**	563

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

30. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Major non-cash transactions

During the year ended 31 December 2006, 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.

31. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to a variety of financial risks such as market risk (including foreign currency risk, interest rate risk, credit risk), liquidity risk and price risk, 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 meets periodically to analyse and formulate strategies to manage the Group's exposure to these financial risks. 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.

31.1 Foreign currency risk

The Group's exposure to currency exchange rates is minimal as the group companies usually hold most of their financial assets/liabilities in their own functional currencies.

31.2 Interest rate risk

The Group has no exposure to interest rate risk as all of its financial liabilities are stated at amortised cost and are either charged at a fixed interest rate or interest free.

31.3 Credit risk

Details of the Group's credit risk are included in note 19.

31.4 Fair values

The fair values of cash and bank balances, trade receivables, other receivables, other payables and accrued expenses, loans from a shareholder and bank overdrafts are not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

31. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

31.5 Liquidity risk

The Group manages its liquidity needs by carefully monitoring expected payments for potential investments as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long term liquidity needs for a 360-day lookout period are identified monthly.

The Group maintains mainly cash to meet its liquidity requirements for up to 30-day periods, funding for long-term liquidity needs will be considered when there is any potential investment identified.

	2007			2006		
	Current		Non-current	Current		Non-current
	On demand	Within 1 year	More than 1 year	On demand	Within 1 year	More than 1 year
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdrafts	380	–	–	–	–	–
Other payables and accrued expenses	265	338	–	248	491	–
Loans from a shareholder	3,456	–	–	13,800	10,800	–
Due to minority shareholders of subsidiaries	–	–	502	–	–	474

The above contractual maturities reflect the gross cash flows, which may differ to the carrying values of the liabilities at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2007

31. RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

31.6 Summary of financial assets and liabilities by category

The carrying amounts of the Group's financial assets and liabilities as recognised at 31 December 2007 and 2006 may be categorised as follows. See notes 3.9 and 3.16 for explanations about how the category of financial instruments affects their subsequent measurement.

(i) Financial assets

	2007	2006
	HK$'000	*HK$'000*
Current assets		
Cash and bank balances	**74,043**	675
Loans and receivables:		
Trade receivables	**132**	14
Other receivables	**1**	115
	133	129
	74,176	804

(ii) Financial liabilities

	2007	2006
	HK$'000	*HK$'000*
Current liabilities		
Financial liabilities at amortised cost:		
Bank overdrafts	**380**	–
Other payables and accrued expenses	**603**	739
Loans from a shareholder	**3,275**	23,982
	4,258	24,721
Non-current liabilities		
Financial liabilities at amortised cost:		
Due to minority shareholders of subsidiaries	**502**	474

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

32. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group's capital management objectives are:

– to ensure the Group's ability to continue as a going concern;
– to provide an adequate return to shareholders; and
– to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders and issue new shares to reduce its debt level.

Consistent with other industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) and total capital is calculated as "equity", as shown in the consolidated balance sheet.

The gearing ratios as at 31 December 2007 and 2006 were as follows:

	2007 *HK$'000*	2006 *HK$'000*
Total borrowings	**4,157**	24,456
Total equity	**89,423**	(24,288)
Gearing ratio	**0.046**	-1.01

The decrease in the gearing ratio during 2007 results primarily from the issue of new shares as detailed in note 23.

33. POST BALANCE SHEET EVENTS

(a) With effect from the passing of the special resolution relating to the change of Company's name on 15 February 2008, the name of the Company has been changed to "China Metal Resources Holdings Limited 中國金屬資源控股有限公司". The Company will carry out all necessary filing procedures with the Registrar of Companies in the Cayman Islands and the Registrar of Companies in Hong Kong. A certificate of incorporation on change of name will be issued by the Registrar of the Companies in the Cayman Islands. Further announcement(s) will be made when the change of Company name becomes effective.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

33. POST BALANCE SHEET EVENTS *(Continued)*

(b) On 4 January 2008, Greatest High Holdings Limited (the "**Purchaser**"), a wholly-owned subsidiary of the Company, and Mr Leung Ngai Man ("**Mr Leung**"), an executive director of the Company, entered into an agreement (the "**Agreement**") pursuant to which the Purchaser has agreed to acquire and Mr Leung has agreed to dispose of the entire issued share capital (the "**Sale Share**") of China Nonferrous Metals Resources Investment Limited (the "**Target**") and the Sale Loan (as defined in the announcement of the Company dated 23 January 2008), at a total consideration of HK$1,800 million (the "**Consideration**").

The Target is a company incorporated in the British Virgin Islands and wholly and beneficially owned by Mr. Leung. The Target is principally engaged in investment holding. The sole asset of the Target is the entire issued capital of China Mining Group Investment Limited, a company incorporated in Hong Kong, which in turn owns 80% of the registered and paid up capital of 雲南西部礦業有限公司 (the "**CJV**"), a Chinese foreign co-operative joint venture company established under the PRC laws on 14 May 2004. The CJV is principally engaged in the exploration of mines in the PRC at permitted and authorised locations. It has commenced its business and carries out exploration work at a gold mining sited located at Luoxi City, Yunnan Province, the PRC.

Pursuant to the terms of the sales and purchase agreement, the consideration of HK$1,800 million shall be settled in the following manner: (i) on the date of the Agreement, an aggregate amount of HK$65 million was paid by the Group to Mr Leung as the deposit and part of the Consideration; (ii) a sum equivalent to 90% of the net proceeds from the Fund Raising Exercise (as defined in the announcement of the Company dated 23 January 2008) shall be payable by the Purchaser to Mr Leung on completion of the Agreement (the remaining 10% of such net proceeds will be retained as general working capital); (iii) in the event that the net proceeds obtained from item (ii) above are not sufficient to satisfy the remaining balance of the Consideration (being HK$1,735 million), the Purchaser shall procure the Company to allot and issue new shares of the Company (the "Consideration Shares"), credited as fully paid at the issue price of HK$0.40, on completion to Mr Leung. Such Consideration Shares, together with the shares beneficially owned by Mr Leung at Completion shall not exceed 29% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares; and (iv) the balance of the Consideration, after the deduction of items (i), (ii) and (iii) above, shall be satisfied by the Purchaser procuring the Company to issue convertible bonds to Mr Leung on Completion.

Details of this transaction are included in the Company's announcement dated 23 January 2008.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2007

33. POST BALANCE SHEET EVENTS *(Continued)*

(c) On 27 November 2007, the Company announced that Sun Rise and E-silkroad.net Corporation ("**E-silkroad.net**"), a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Group, has entered into the sale and purchase agreement (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 "**Acquisition**"). Details of the Acquisition were included in the Company's circular dated 29 January 2008.

The Acquisition was approved at the extraordinary meeting of the Company held on 15 February 2008 and completed on 19 February 2008. Thereafter, Leland became a wholly-owned subsidiary of the Company.

FINANCIAL SUMMARY

FINANCIAL RESULTS

	Year ended 31 December				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	1,063	133	630	964	**2,609**
Loss before income tax	(6,437)	(5,293)	(4,551)	(5,174)	**(19,154)**
Income tax expense	–	–	–	–	–
Loss for the year	(6,437)	(5,293)	(4,551)	(5,174)	**(19,154)**
Minority interests	–	–	25	25	–
Loss per share for loss attributable to the equity holders of the Company during the year	(6,437)	(5,293)	(4,526)	(5,149)	**(19,154)**

	As at 31 December				
	2003	2004	2005	2006	**2007**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
ASSETS AND LIABILITIES					
Total assets	4,711	1,033	2,266	907	**94,183**
Total liabilities	(14,021)	(15,635)	(21,399)	(25,195)	**(4,760)**
	(9,310)	(14,602)	(19,133)	(24,288)	**89,423**