

GLORY FUTURE GROUP LIMITED
光彩未來集團有限公司

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

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

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*This announcement, 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**”) 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2006 was approximately HK\$964,000 with a significant increase of approximately 53% as compared with that of last year.
- Loss attributable to equity holders of the Company was approximately HK\$5,149,000 for the year ended 31 December 2006, which increased by approximately 14% as compared with that of last year.
- The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2006 (2005: Nil)

RESULTS

The board of directors (“**Board**”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2006 (“**year**”) together with the comparative figures as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Revenue	4	964	630
Cost of sales		(884)	(566)
		<hr/>	<hr/>
Gross profit		80	64
Other operating income	5	50	39
Selling and distribution expenses		(200)	–
Administrative expenses		(3,069)	(2,742)
		<hr/>	<hr/>
Operating loss		(3,139)	(2,639)
Finance costs	6	(2,035)	(1,912)
		<hr/>	<hr/>
Loss before income tax	7	(5,174)	(4,551)
Income tax expense	8	–	–
		<hr/>	<hr/>
Loss for the year		(5,174)	(4,551)
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Equity holders of the Company		(5,149)	(4,526)
Minority interests		(25)	(25)
		<hr/>	<hr/>
Loss for the year		(5,174)	(4,551)
		<hr/> <hr/>	<hr/> <hr/>
Loss per share for loss attributable to the equity holders of the Company during the year	10		
– Basic		(HK6.8 cents)	(HK6.0 cents)
		<hr/> <hr/>	<hr/> <hr/>
– Diluted		N/A	N/A
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED BALANCE SHEET

As at 31 December 2006

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		<u>38</u>	<u>60</u>
Current assets			
Inventories		65	–
Trade receivables	11	14	187
Prepayments, deposits and other receivables		115	165
Cash and cash equivalents		<u>675</u>	<u>1,854</u>
		869	2,206
Current liabilities			
Trade payables	12	–	30
Other payables and accrued expenses		739	801
Loans from a shareholder		23,982	12,089
Convertible bonds		<u>–</u>	<u>7,980</u>
		24,721	20,900
Net current liabilities		<u>(23,852)</u>	<u>(18,694)</u>
Total assets less current liabilities		(23,814)	(18,634)
Non-current liabilities			
Due to minority shareholders of subsidiaries		<u>474</u>	<u>499</u>
Net liabilities		<u>(24,288)</u>	<u>(19,133)</u>
EQUITY			
Equity attributable to the equity holders of the Company			
Share capital	13	754	37,686
Reserves		<u>(25,042)</u>	<u>(56,819)</u>
Total equity		<u>(24,288)</u>	<u>(19,133)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006

Equity attributable to equity holders of the Company

	Equity attributable to equity holders of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium account HK\$'000	Convertible bond equity reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Minority interests HK\$'000	
At 1 January 2005	37,686	15,796	4,875	(10)	(72,949)	–	(14,602)
Currency translation (Net loss recognised directly in equity)	–	–	–	(5)	–	–	(5)
Loss for the year	–	–	–	–	(4,526)	(25)	(4,551)
Total recognised income and expense for the year	–	–	–	(5)	(4,526)	(25)	(4,556)
Capital contribution from a minority shareholder of a subsidiary	–	–	–	–	–	25	25
Redemption of convertible bonds	–	–	(1,656)	–	1,656	–	–
Share premium cancellation	–	(15,796)	–	–	15,796	–	–
At 31 December 2005 and 1 January 2006	37,686	–*	3,219*	(15)*	(60,023)*	–	(19,133)
Currency translation (Net loss recognised directly in equity)	–	–	–	(6)	–	–	(6)
Loss for the year	–	–	–	–	(5,149)	(25)	(5,174)
Total recognised income and expense for the year	–	–	–	(6)	(5,149)	(25)	(5,180)
Par Value Reduction (<i>note 13</i>)	(36,932)	–	–	–	36,932	–	–
Capital contribution from a minority shareholder of a subsidiary	–	–	–	–	–	25	25
Redemption of convertible bonds	–	–	(3,219)	–	3,219	–	–
At 31 December 2006	754	–*	–*	(21)*	(25,021)*	–	(24,288)

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

NOTES TO FINANCIAL STATEMENTS

1. Basis of preparation

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

The financial statements are prepared on the historical cost basis.

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

- (i) During the year and subsequent to the balance sheet date, Sun Wah Net Investment Limited (“**Sun Wah**”), a substantial shareholder of the Company, advanced several loans to the Group, for the redemption of the convertible bonds and repayment of several previous shareholder’s loans.
- (ii) Sun Wah has made an undertaking to provide continual financial support to the Group so as to enable the Group to continue its day to day operations as a viable going concern up to 31 December 2007 inclusive.

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

2. Adoption of new and amended HKFRSs

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

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

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

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

Notes:

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

3. Segment information

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Details of the business segments are summarised as follows:

- (a) the web page design and website maintenance segment provides application and web page development work and monthly services for maintaining and updating website services;
- (b) the system integration segment provides services including hardware and software management services; and
- (c) the information technology consultancy services segment provides services relating to the implementation and application of computer systems.

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

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

Business segments

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

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

4. Revenue and turnover

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

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

5. Other operating income

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Bank interest income	28	18
Sundry income	22	21
	<hr/> 50 <hr/>	<hr/> 39 <hr/>

6. Finance costs

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

7. Loss before income tax

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

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

8. Income tax expense

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2005: Nil).

During the year, profits tax of subsidiaries operating outside Hong Kong has not been provided as the subsidiaries did not generate any assessable profits in the respective jurisdictions during the year (2005: Nil).

9. Dividend

The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2006 (2005: Nil).

10. Loss per share

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

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

11. Trade receivables

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Trade receivables	417	590
Less: allowance for impairment of receivables	(403)	(403)
	<hr/>	<hr/>
Trade receivables – net	<u>14</u>	<u>187</u>

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

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
0-30 days	13	32
31-60 days	–	–
61-90 days	–	155
>90 days	1	–
	<hr/>	<hr/>
	<u>14</u>	<u>187</u>

12. Trade payables

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Trade payables	–	30
	<hr/>	<hr/>

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

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
0-30 days	–	–
31-60 days	–	17
61-90 days	–	13
	<hr/>	<hr/>
	<u>–</u>	<u>30</u>

13. Share capital

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

Note:

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

On 15 February 2006, the Company reduced the nominal value of each share from HK\$0.50 to HK\$0.01 (“**Par Value Reduction**”) by cancellation of HK\$0.49 paid up capital on each share. As a result of the Par Value Reduction, on the basis of 75,372,000 issued shares, an amount of approximately HK\$36,932,000 from the share capital account was applied towards the elimination of part of the accumulated losses of the reserves. Upon the Par Value Reduction becoming effective on 15 February 2006, all the then authorised but unissued share capital of the Company was cancelled and the authorised share capital of the Company was immediately restored to the original amount of HK\$100,000,000 (“**Capital Restoration**”) by the creation of 9,800,000,000 new shares of HK\$0.01 each.

CHAIRMAN'S STATEMENT

On behalf of the Board, I hereby present to our shareholders the annual results of the Group for the year ended 31 December 2006.

Financial highlights

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

Business review

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

Prospects

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

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

Appreciation

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

Choi Koon Ming
Chairman of the Board

Hong Kong, 21 March 2007

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

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

Operational review

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

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

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

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

Financial Review

Liquidity and financial resources

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

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

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

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

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

Capital structure

As at 31 December 2006, the Company's total number of issued shares was 75,372,000 shares (2005: 75,372,000 shares). On 15 February 2006, the Company reduced its nominal value of each share from HK\$0.50 to HK\$0.01 by cancellation of HK\$0.49 paid up capital on each share. As a result of the Par Value Reduction, on the basis of 75,372,000 issued shares, an amount of approximately HK\$36,932,000 from the share capital account was applied towards the elimination of part of the accumulated losses of the reserves. Upon the Par Value Reduction becoming effective on 15 February 2006, all the then authorised but unissued share capital of the Company was cancelled and the authorised share capital of the Company was immediately restored to the original amount of HK\$100,000,000 by the creation of the 9,800,000,000 new shares of HK\$0.01 each.

Investment, material acquisitions and disposal of subsidiaries and affiliated companies

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

Segment comments

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

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

Employee information

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

The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme where options to subscribe for shares may be granted to the executive Directors and full-time employees of the Group. The aim of the scheme is to recognise staff outstanding performance and help the Group to retain key staff members.

Charge on group assets

As at 31 December 2006, none of the Group's assets was pledged (2005: Nil).

Future plans for material investments or capital assets

There was no specific plan for material investments and acquisition of material capital assets as at 31 December 2006. However, the Group will continue to seek new business development opportunities.

Gearing ratio

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

Exposure to fluctuation in exchange rates

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

Contingent liabilities

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

Purchase, sale or redemption of listed securities

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

Audit committee

The Company has an Audit Committee which was established with written terms of reference in compliance with the GEM Listing Rules. During the year, the following persons served as the members of the Audit Committee:

Name	Service period during the year	
	From	To
Ms. Ho Suk Yin, <i>JP</i>	1 January 2006	1 March 2006
Mr. Wu Tak Lung	1 January 2006	31 December 2006
Mr. Phillip King	1 January 2006	31 December 2006
Mr. Ng Cheuk Tat, Ambrose	28 February 2006	31 December 2006

The Audit Committee has three members comprising three independent non-executive Directors. As at the date of this announcement, the Audit Committee comprises Mr. Wu Tak Lung (Chairman of the Audit Committee), Mr. Phillip King and Mr. Ng Cheuk Tat, Ambrose.

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 have been reviewed by the Audit Committee which is of the opinion that such statements comply with the applicable accounting standards, the Stock Exchange and legal requirements, and that adequate disclosures have been made.

Code on Corporate Governance Practices

The Code on Corporate Governance Practice set out in Appendix 15 to the GEM Listing Rules (“**Code on Corporate Governance Practices**”) which is effective for the accounting periods commencing on or after 1 January 2005 has replaced the minimum standard of good practices for issuers and their directors stated in Rules 5.35 to 5.45 of the GEM Listing Rules. In the opinion of the Board, the Company has complied with the Code on Corporate Governance Practices. A Corporate Governance Report will be despatched with the annual report of the Company.

By order of the Board

Choi Koon Ming

Chairman

Hong Kong, 21 March 2007

As at the date hereof, the executive Directors are Messrs. Choi Koon Ming, Ng Kam Yiu and Chow Yeung Tuen, Richard; and the independent non-executive Directors are Messrs. Wu Tak Lung, Phillip King and Ng Cheuk Tat, Ambrose.

This announcement will remain on the “Latest Company Announcements” page on the GEM website at www.hkgem.com for at least 7 days from the day of its posting.