FAVA International Holdings Limited
名家國際控股有限公司*

(incorporated in Bermuda with limited liability)
(Stock Code: 8108)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "GEM")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Listed companies are not generally required to issue paid announcement in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM listed issuers.

This announcement, for which the directors (the "Directors") of FAVA International Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "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.

* *For identification purposes only*

ANNUAL RESULTS

The board of directors (the "Board") of the Company is pleased to present the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2006 together with the comparative figures for the year ended 31 December 2005, as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
Turnover	3	**160,414**	22,656
Cost of sales		**(110,423)**	(19,987)
Gross profit		**49,991**	2,669
Other revenue	3	**371**	3
Other income	5	**1,145**	–
Gain on disposal of subsidiaries		**1,158**	–
Provision for amounts due from associates		**–**	(3)
Fair value loss on derivative liability		**(1,616)**	–
Selling and distribution costs		**(1,041)**	–
Administrative expenses		**(7,513)**	(4,602)
Other operating expenses		**(105)**	(571)
Profit/(loss) from operations	5	**42,390**	(2,504)
Finance costs	6	**(724)**	(3)
Share of results of associates		**–**	–
Profit/(loss) before tax		**41,666**	(2,507)
Tax	7	**–**	–
Profit/(loss) for the year from continuing operations		**41,666**	(2,507)
Discontinued operations			
Profit/(loss) for the year from discontinued operations		**5,852**	(11,629)
Profit/(loss) for the year attributable to equity holders of the Company		**47,518**	(14,136)
Earnings/(loss) per share from continuing and discontinued operations	9		
– Basic		**HK11.38 cents**	(HK4.69 cents)
– Diluted		**HK11.24 cents**	(HK4.69 cents)
Earnings/(loss) per share from continuing operations	9		
– Basic		**HK9.98 cents**	(HK0.83 cents)
– Diluted		**HK9.92 cents**	(HK0.83 cents)

CONSOLIDATED BALANCE SHEET

As at 31 December

	Notes	2006 *HK$'000*	2005 *HK$'000*
Non-current assets			
Property, plant and equipment		**239**	373
Current assets			
Inventories		**28,609**	2,293
Trade and bills receivables	*10*	**9,862**	222
Prepayments, deposits and other receivables	*11*	**58,784**	2,190
Amount due from a former subsidiary		**51**	–
Cash and bank balances		**1,711**	392
		99,017	5,097
Less: Current liabilities			
Trade payables	*12*	**18,351**	2,963
Other payables and accruals		**3,271**	7,284
Received in advance		**13,677**	672
Amount due to an associate		**–**	2
Tax payable		**–**	186
Short term loan from a shareholder		**–**	600
Amount due to a director		**761**	–
Obligations under finance lease – due within one year		**13**	13
		36,073	11,720
Net current assets/(liabilities)		**62,944**	(6,623)
Total assets less current liabilities		**63,183**	(6,250)
Less: Non-current liabilities			
Obligations under finance lease – due after one year		**13**	26
Net assets/(liabilities)		**63,170**	(6,276)
Capital and reserves			
Issued capital		**2,005**	1,421
Reserves		**61,165**	(7,697)
Total equity attributable to equity holders of the Company		**63,170**	(6,276)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2006

	Attributable to equity holders of the Company						
	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000*	Accumulated losses *HK$'000*	Exchange reserve *HK$'000*	Statutory reserves *HK$'000*	Total equity *HK$'000*
At 1 January 2005	23,690	22,859	36,527	(79,696)	–	–	3,380
Exchange differences arising from translation of financial statements of subsidiaries	–	–	–	–	(140)	–	(140)
Total expenses for the year recognised in equity	–	–	–	–	(140)	–	(140)
Loss for the year	–	–	–	(14,136)	–	–	(14,136)
Total income and expense for the year	–	–	–	(14,136)	(140)	–	(14,276)
Capital reduction	(23,098)	–	–	23,098	–	–	–
Premium arising from issue of new shares, net of expense	–	3,791	–	–	–	–	3,791
Issue of shares	829	–	–	–	–	–	829
At 31 December 2005 and 1 January 2006	1,421	26,650	36,527	(70,734)	(140)	–	(6,276)
Exchange differences arising from translation of financial statements of subsidiaries	–	–	–	–	1,114	–	1,114
Total income for the year recognised in equity	–	–	–	–	1,114	–	1,114
Disposal of subsidiaries	–	–	(527)	–	140	–	(387)
Profit for the year	–	–	–	47,518	–	–	47,518
Total income and expense for the year	–	–	(527)	47,518	1,254	–	48,245
Transfer to reserve	–	–	–	(7,388)	–	7,388	–
Premium arising from issue of new shares	–	20,734	–	–	–	–	20,734
Issue of shares	584	–	–	–	–	–	584
Share issue expense	–	(117)	–	–	–	–	(117)
At 31 December 2006	2,005	47,267	36,000	(30,604)	1,114	7,388	63,170

Notes:

1. CORPORATE INFORMATION

FAVA International Holdings Limited (formerly known as "Co-winner Enterprise Limited") (the "Company") is a limited liability company incorporated in Bermuda. The registered office and the principal place of business of the Company are disclosed in "Corporate Information" section of the annual report.

The principal activity of the Company is investment holding. During the year, the principal activity of the Group was manufacture and sale of household products.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules"). These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in note 3 to the financial statements of the annual report 2006.

Impact of new and revised HKFRSs

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. The adoption of these new and revised standards and interpretation has had no material impact on these financial statements.

HKAS 21 Amendment	Net investment in a foreign operation
HKAS 27 Amendment	Consolidated and separate financial statements: Amendments as a consequence of the Companies (Amendment) Ordinance 2005
HKAS 39 & HKFRS 4 Amendments	Financial guarantee contracts
HKAS 39 Amendment	Cash flow hedge accounting of forecast intragroup transactions
HKAS 39 Amendment	The fair value option
HK(IFRIC)-Int 4	Determining whether an arrangement contains a lease

Impact of new and revised HKFRSs not yet effective

The Group has not early adopted the following standards or interpretations that have been issued but are not effective.

	Effective for accounting period beginning on or after
HKFRS 7, Financial instruments: disclosures	1 January 2007
HKFRS 8, Operating segments	1 January 2009
HK(IFRIC) – Int 7, Applying the restatement approach under HKAS 29 Financial reporting in hyperinflationary economies	1 March 2006
HK(IFRIC) – Int 8, Scope of HKFRS 2	1 May 2006
HK(IFRIC) – Int 9, Reassessment of embedded derivatives	1 June 2006
Amendment to HKAS 1, Presentation of financial statements: capital disclosures	1 January 2007
HK(IFRIC) – Int 10, Interim financial reporting and impairment	1 November 2006
HK(IFRIC) – Int 11, HKFRS 2 – Group and treasury share transactions	1 March 2007
Revised Guidance on Implementing HKFRS 4 – Insurance contracts	1 January 2007
HK(IFRIC) – Int 12, Service concession arrangements	1 January 2008

The HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

The management is in the process of making an assessment of the impact of these new standards, amendments and interpretations to existing standards. The directors of the Company so far has concluded that the application of these new standards, amendment or interpretations will have no material impact on the results and the financial position of the Group.

A summary of the significant accounting policies adopted by the Group in the preparation of the financial statements is set out below:

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2006. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The acquisition of subsidiaries during the year has been accounted for using the purchase method of accounting. This method involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

3. TURNOVER AND OTHER REVENUE

The Group's turnover represents the net invoiced value of household products sold and the service income from the provision of telephone sets subcontracting service, after allowances for returns and trade discounts, during the year.

An analysis of the Group's turnover and other revenue is as follows:

	2006	2005
	HK$'000	*HK$'000*
Turnover:		
Sale of household products	**160,414**	22,656
Sale of telephone sets	**–**	782
Provision of telephone sets subcontracting services	**614**	2,547
	161,028	25,985
Attributable to continuing operations reported in the consolidated income statement	**160,414**	22,656
Telephone sets sale and subcontracting services attributable to discontinued operations	**614**	3,329
	161,028	25,985
Other revenue:		
Bank interest income	**–**	3
Commission income	**371**	–
	371	3

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. For the year ended 31 December 2006, almost 100% of the Group's revenue and assets relate to the manufacture and sale of household products.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2006 and 2005.

	Continuing		Discontinued			
	Manufacture and sale of household products		**Telephone sets sale and subcontracting services**		**Total**	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
				(Restated)		(Restated)
Segment revenue:						
Sales to external customers	**160,414**	22,656	**614**	3,329	**161,028**	25,985
Segment results	**45,852**	2,037	**5,852**	(11,629)	**51,704**	(9,592)
Interest and unallocated gains					**2,303**	3
Corporate and other unallocated expenses					**(5,765)**	(4,544)
Finance costs					**(724)**	(3)
Profit/(loss) before tax					**47,518**	(14,136)
Tax					**–**	–
Profit/(loss) for the year					**47,518**	(14,136)

	Continuing		Discontinued			
	Manufacture and sale of household products		**Telephone sets sale and subcontracting services**		**Total**	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Assets and liabilities						
Segment assets	**98,603**	4,689	**–**	2	**98,603**	4,691
Interests in associates					**–**	–
Corporate and other unallocated assets					**653**	779
Total assets					**99,256**	5,470
Segment liabilities	**33,868**	2,342	**–**	4,307	**33,868**	6,649
Corporate and other unallocated liabilities					**2,218**	5,097
Total liabilities					**36,086**	11,746

	Continuing		Discontinued					
	Manufacture and sale of household products		Telephone sets sale and subcontracting services		Unallocated		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Other segment information								
Depreciation	**11**	–	**20**	51	**32**	66	**63**	117
Capital expenditure	**233**	4	**–**	1	**–**	52	**233**	57
Impairment loss recognised in the income statement – goodwill in respect of a subsidiary	–	–	–	9,948	–	–	–	9,948

(b) Geographical segments

During the year, the Group's turnover was derived from operations carried out in the People's Republic of China (the "PRC"), United States of America ("USA") and European Union. All assets are located in the PRC (including Hong Kong). Over 90% of the Group's results, assets and capital expenditures are derived from operations carried out in the PRC. Accordingly, no further geographical segment information is presented in the financial statements except turnover.

	Continuing		Discontinued			
	Manufacture and sale of household products		Telephone sets sale and subcontracting services		Total	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Sales						
The PRC	**125,242**	11,544	**614**	3,329	**125,856**	14,873
USA	**3,618**	11,112	**–**	–	**3,618**	11,112
European Union	**30,995**	–	**–**	–	**30,995**	–
Others	**559**	–	**–**	–	**559**	–
	160,414	22,656	**614**	3,329	**161,028**	25,985

Sales are allocated based on the countries in which customers are located.

5. PROFIT/(LOSS) FROM OPERATIONS

The Group's profit/(loss) from operations is arrived at after charging:

	2006 HK$'000	2005 HK$'000
Cost of inventories sold	**110,423**	19,987
Cost of services provided	**583**	3,124
Auditors' remuneration	**300**	315
Depreciation on owned property, plant and equipment	**54**	98
Depreciation on property, plant and equipment held under hire purchase contracts/finance lease	**9**	19
	63	117
Minimum lease payments under operating leases:		
Plant and machinery	**2,142**	–
Land and buildings	**1,198**	713
Trademark	**579**	–
	3,919	713
Employee benefits expense (excluding directors' remuneration):		
Wages, salaries and other allowances	**4,962**	2,162
Pension scheme contributions	**14**	26
	4,976	2,188
Provision for impairment of trade receivables	**179**	137
Provision for impairment of other receivables	**1**	–
Bad debts written off	**–**	245
Provision for prepaid tax	**–**	563
Provision for amounts due from associate	**–**	3
and after crediting:		
Gain on disposal of subsidiaries	**7,874**	–
Reversal of provision for obsolete inventories	**–**	793
Other income:		
Waiver of amount due to a former associate	**1,124**	–
Gain on disposal of items of property, plant and equipment	**21**	–
	1,145	–

6. FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Interest on convertible notes	**722**	–
Interest on obligations under finance leases	**2**	3
Total interest	**724**	3

7. TAX

No provision for Hong Kong profits tax has been made during the year as the Group has no assessable profits arising in Hong Kong (2005: Nil).

No provision for PRC income taxes has been made during the year (2005: Nil) as the subsidiaries operated in the PRC either enjoy tax holiday or had no assessable profit for the year.

8. DIVIDEND

No dividend has been declared or proposed by the directors of the Company in respect of the year ended 31 December 2006 (2005: Nil).

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year, as adjusted to reflect the share consolidation effective on 18 May 2006 during the year and the share subdivision effective after the balance sheet date.

The calculation of diluted earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the convertible bonds and fair value loss on derivative liability, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings/(loss) per share calculation, and the weighted average number of ordinary shares assumed to have been issued on conversion of all dilutive potential ordinary shares into ordinary shares.

A diluted loss per share amount for the year ended 31 December 2005 has not been disclosed as no diluting events existed during that year.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2006	2005
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**47,518**	(14,136)
Interest on convertible bonds	**722**	–
Fair value loss on derivative liability	**1,616**	–
Profit/(loss) attributable to ordinary equity holders of the Company before interest on convertible bonds and fair value loss on derivative liability	**49,856**	(14,136)

Number of shares

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**417,587**	301,480#
Effect of dilution – weighted average number of ordinary shares:		
Convertible bonds issued on 28 July 2006	**25,890**	–
	443,477	301,480

\# Pursuant to an ordinary resolution passed in the special general meeting held on 17 May 2006, every two issued and unissued shares of the Company of HK$0.01 each were consolidated into one consolidated share of HK$0.02 each. Subsequent to the balance sheet date, pursuant to an ordinary resolution passed in the special general meeting held on 26 January 2007, each of the existing issued and unissued shares of the Company of HK$0.02 were subdivided into five subdivided shares of HK$0.004 each. As such, the weighted average number of ordinary shares in issue during the year ended 31 December 2005 used in the basic earnings/(loss) per share calculation is restated to 301,480,000.

10. TRADE AND BILLS RECEIVABLES

All sales invoices are due and payable upon presentation. In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade and bills receivables are non-interest bearing.

	2006	2005
	HK$'000	*HK$'000*
Trade receivables	**2,178**	359
Bills receivables	**7,863**	–
	10,041	359
Less: Provision for impairment of trade receivables	**(179)**	(137)
	9,862	222

An aging analysis of the trade and bills receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	2006	2005
	HK$'000	*HK$'000*
0 – 60 days	**9,215**	170
61 – 90 days	**260**	52
91 – 180 days	**245**	–
Over 180 days	**142**	–
	9,862	222

The Directors considered that the carrying values of trade and bills receivables approximate their fair values.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2006	2005
	HK$'000	*HK$'000*
Prepayments	**58,032**	1,447
Deposits and other receivables	**753**	743
	58,785	2,190
Less: Provision for impairment of other receivables	**(1)**	–
	58,784	2,190

Prepayments, deposits and other receivables are non-interest bearing and the Directors considered that the carrying values of prepayment, deposits and other receivables approximate their fair values.

12. TRADE PAYABLES

An aging analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	2006	2005
	HK$'000	*HK$'000*
0 – 60 days	**14,081**	423
61 – 90 days	**1,713**	–
91 – 180 days	**2,111**	–
Over 180 days	**446**	2,540
	18,351	2,963

Trade payables are non-interest bearing and the Directors considered that the carrying values of trade payables approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2006, the Group's turnover from continuing operations amounted to approximately HK$160,414,000 (2005 (restated): HK$22,656,000) while the net profit attributable to the shareholders amounted to approximately HK$47,518,000 (2005: net loss of HK$14,136,000). The improvement in turnover in 2006 was mainly the result of the introduction of two solid wood production lines which led to the expansion of the production capacity of the solid wood furniture and the continuing increase in the sales of household products in the PRC and foreign countries. As a result of the stable orders for household products both from domestic and overseas markets, the business of the Group has successfully transformed from information technology to consumer durable goods. The transformation of the Group's business has just been started. The Company has to put more effort to solidify and enhance corporate governance and business promotion.

Owing to the unfavourable market sentiments prevailing in the information technology market, the Group ceased the relevant operations during the year under review, and disposed of all related assets before 28 August 2006. The sales of household products in PRC and foreign countries have broadened the revenue base of the Group and also brought in conspicuous revenue to the Group's investment. For detailed information, please refer the section headed "Significant investments and material acquisitions and disposals".

PROSPECT

In November 2006, the Group entered into a sales and purchase agreement with 廊坊華日家具股份有限公司 (Lang Fang Huari Furniture Joint Stock Co., Ltd, for identification purpose only) and 廊坊天誠家具有限公司(Lang Fang Tian Cheng Furniture Co., Ltd, for identification purpose only) to acquire certain machineries and production equipment for manufacturing of solid wood home furniture. Upon the completion of the acquisition in February 2007, the production capacity of solid wood furniture has been strengthened further. Accompanied with the increasing recognition of the solid wood furniture in the PRC, the Company believes that the sales of solid wood furniture will be further improved in 2007. Based on the continuous growth in overseas orders, the overseas sales of household product are also expected to increase. At the same time, the Group will also put effort on the household product retail business.

Given an increase in the sales of household products in the PRC and overseas, the revenue base of the Company will be broadened further. The Board is actively exploring business opportunities to further develop the sales of household products.

LIQUIDITY AND FINANCIAL RESOURCES

All the Group's funding and treasury activities are basically managed and controlled by the senior management. There is no significant change in respect of treasury and financing policies from the information disclosed in the Group's latest annual report.

As at 31 December 2006, cash and bank balances of the Group was approximately HK$1,711,000 (2005: HK$392,000). The Group has no bank borrowings throughout the year under review.

Total borrowing of the Group amounted to approximately HK$26,000 (2005: HK$39,000), representing obligation under a finance lease contract with an interest rate of approximately 4.5% per annum and average lease term of approximately five years. Except for the finance lease contract for the Group's office equipment, the Group did not have any mortgage or charge on assets as at 31 December 2006 (2005: Nil).

As at 31 December 2006, the Group's gearing ratio was 0.01% representing a percentage of long term liabilities over total assets (2005: 0.48%).

CAPITAL STRUCTURE

PLACING OF NEW SHARES

On 20 March 2006, the Company placed under the refreshed general mandate a total of 28,420,000 new shares of HK$0.01 each to seven placees at a price of HK$0.064 per share. Proceeds of approximately HK$1.7 million was being raised as general working capital. The total issued share capital of the Company immediately after the placing of new shares was 170,560,000 shares.

SHARE CONSOLIDATION AND SUBDIVISION

By an ordinary resolution approved at the special general meeting held on 17 May 2006, every two (2) issued and unissued shares in the Company of par value of HK$0.01 each were consolidated into one (1) consolidated share of HK$0.02 each. Immediately before the share consolidation, the authorised share capital of the Company was HK$500,000,000 divided into 50,000,000,000 shares, of which 170,560,000 shares were issued and fully paid. Immediately after the share consolidation, the authorised share capital was HK$500,000,000 divided into 25,000,000,000 consolidated shares, comprising 85,280,000 consolidated shares in issue and fully paid.

By an ordinary resolution approved at the special general meeting held on 26 January 2007, each of the issued and unissued shares of HK$0.02 each in the Company was subdivided into five (5) subdivided shares of HK$0.004 each. Immediately before the share subdivision, the authorised share capital of the Company was HK$500,000,000, which was divided into 25,000,000,000 shares of which 100,279,997 shares were in issue. Immediately after the share subdivision, the authorised share capital of the Company was HK$500,000,000 divided into 125,000,000,000 subdivided shares of which 501,399,985 subdivided shares were in issue.

PLACING OF CONVERTIBLE NOTES

On 28 July 2006, the Company placed a principal amount of HK$18,000,000 convertible notes to seven subscribers. Net proceeds of approximately HK$17,160,000 was being raised as general working capital. For detailed information, please refer to the announcements of the Company dated 7 July 2006 and 28 July 2006.

On 1 December 2006, the convertible notes were fully converted into 14,999,997 ordinary shares of the Company of HK$0.02 each at the conversion price of HK$1.2 per share. As a result, the issued shares of the Company increased from 85,280,000 shares to 100,279,997 shares.

TOP-UP PLACING

Pursuant to the Placing and Subscription Agreement dated 31 January 2007, Guotai Junan Securities (Hong Kong) Limited acting as placing agent placed a total of 100,000,000 shares of the Company on behalf of True Allied Assets Limited (the substantial shareholder of the Company) to not less than six professional investors at a placing price of HK$1.08 per share on 6 February 2007. On 12 February 2007, 100,000,000 new shares of the Company was issued to True Allied Assets Limited pursuant to the subscription under the Placing and Subscription Agreement. Immediately after the top-up placing, the issued shares of the Company increased from 501,399,985 to 601,399,985 shares.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

Significant investments and material acquisitions and disposals made by the Group during the year ended 31 December 2006 are listed as follows:

(a) On 27 July 2006, the Company entered into a share sales agreement with an independent third party – Lippo Sun Enterprises Limited, pursuant to which, the Company agreed to sell 100% issued share capital of Smart Circle Enterprises Limited (together with all interests in Sun-iOMS Maintenance Limited held by Smart Circle Enterprises Limited) with effective date from 10 July 2006 held by the Company to Lippo Sun Enterprise Limited at a cash consideration of HK$1.

    According to Chapter 19 of the GEM Listing Rules, the disposal of 100% issued share capital of Smart Circle Enterprises Limited (together with all interest in Sun-iOMS Maintenance Limited held by Smart Circle Enterprises Limited) held by the Company does not constitute a notifiable transaction of the Company.

(b) On 27 July 2006, the Company entered into a share sales agreement with an independent third party – China Wealth Trading Limited, pursuant to which, the Company agreed to sell 100% issued share capital of Grandmass ERP Limited (together with all interests in other entities held by Grandmass ERP Limited) held by the Company to China Wealth Trading Limited at a cash consideration of HK$100,000.

According to Chapter 19 of the GEM Listing Rules, the disposal of 100% issued share capital of Grandmass ERP Limited (together with all interests in other entities held by Grandmass ERP Limited) held by the Company does not constitute a notifiable transaction of the Company.

Before the completion of the above agreement, Grandmass ERP Limited was a wholly owned subsidiary of the Company, which directly holds 100% issued share capital of Grandmass iOMS Limited, 100% issued share capital of Sun-iOMS Limited, 100% issued share capital of Grandmass Solutions Limited, 100% issued share capital of Grandmass Cyber Factory (China) Limited and 49% issued share capital of Sun-iOMS Technology Holdings Limited; indirectly holds 100% equity interests in Grandmass iOMS (SZ) Co. Limited through Grandmass iOMS Limited, 100% issued share capital in Grandmass Enterprise System (Shanghai) Limited through Grandmass Cyber Factory (China) Limited and 49% equity interests in Sun-iOMS Development Limited and 49% equity interests in Sun-iOMS (HK) Limited through Sun-iOMS Technology Holdings Limited.

(c) On 28 August 2006, the Company entered into a share sales agreement (the "Share Sale Agreement") with an independent third party – Lead Asset Holdings Limited, pursuant to which, the Company agreed to sell 100% issued share capital of Grandmass Global Investment Limited (together with all interests in other entities held by Grandmass Global Investment Limited) held by the Company to Lead Asset Holdings Limited at a cash consideration of HK$50,000.

According to Chapter 19 of the GEM Listing Rules, as the profits ratio and the revenue ratio are more than 5% but less than 25%, the disposal of 100% issued share capital of Grandmass Global Investment Limited (together with all interests in other entities held by Grandmass Global Investment Limited) held by the Company constitutes a discloseable transaction of the Company. For details of the transaction, please refer to the Company's announcements dated 30 August 2006 and 19 September 2006 and the circular dated 19 September 2006.

As disclosed in the clarification announcement of the Company dated 19 September 2006 (the "Clarification Announcement"), the gain on disposal in relation to the Share Sale Agreement of Grandmass Global Investment Limited together with all interests in other entities held by Grandmass Global Investment Limited ("Grandmass Global Group") was HK$11,198,000. This Clarification Announcement was made based on the advice of one of the Company's former joint auditors after their review on the relevant calculations in relation to the Disposal of Grandmass Global Group (the "Disposal"). However, adjustments to reduce the gain on the Disposal including a major adjustment which amounting to approximately HK$4,070,000 has been made by one of the Company's former joint auditors to reflect the omission of a waiver granted by Grandmass ERP Limited (a former indirect wholly-owned subsidiary of the Company disposed on 27 July 2006) to Grandmass Global Investment Limited during their review of the third quarter results of 2006 of the Company. Therefore, the unaudited gain on disposal of Grandmass Global Group amounting to approximately HK$6,856,000, has been included in the unaudited consolidated income statement for the nine months ended 30 September 2006 in the Third Quarterly Report 2006 of the Company.

Adjustment on release of exchange reserve of approximately HK$140,000 has been made on the gain on disposal of Grandmass Global Group by the Company's auditors during their audit for the year ended 31 December 2006, the audited amount in relation to the gain on disposal of Grandmass Global Group for the year ended 31 December 2006 was HK$6,716,000.

Before the completion of the Share Sale Agreement, Grandmass Global Investment Limited was a wholly-owned subsidiary of the Company, which directly holds 33% issued share capital of Signking Science Limited, 36% issued share capital of Grand Teton Limited and 100% issued share capital of Lucky Force Development Limited; indirectly holds 8.25% equity interests in Shanghai Signking Science & Technology Company Limited through Signking Science Limited, 32.4% issued share capital in IFS HK Limited through Grand Teton Limited and 66.7% equity interests in 深圳新弘茂科技有限公司 (Shenzhen Xinghongmao Technology Limited) through Lucky Force Development Limited; and also indirectly holds 66.7% interests in 深圳市新弘茂工貿發展有限公司龍華通訊設備廠 (Long Hua Telecom Factory of Shenzhen Xinghongmao Industrial and Trading Development Limited) through 深圳新弘茂科技有限公司 (Shenzhen Xinghongmao Technology Limited). Grandmass Global Investment Limited together with its interests in other entities are mainly engaged in the provision of telephone sets subcontracting services.

(d) On 29 November 2006, an indirect wholly owned subsidiary of the Company, 廊坊天豐家居有限公司(Lang Fang Tian Feng Home Co., Ltd., for identification purpose only), entered into the conditional sales and purchase agreement with 廊坊華日家具股份有限公司(Lang Fang Huari Furniture Joint Stock Co., Ltd, for identification purpose only) ("Huari Furniture") and 廊坊天誠家具有限公司(Lang Fang Tian Cheng Furniture Co., Ltd., for identification purpose only), for acquisition of certain machineries and equipment for the manufacturing of furniture (the "Acquisition") at a total consideration of RMB75,398,100. The Acquisition constitutes a very substantial acquisition of the Company under Chapter 19 of the GEM Listing Rules and was subject to the approval of the independent shareholders. The Acquisition was approved by an ordinary resolution at a special general meeting held on 26 January 2007. For details, please refer to the Company's circular dated 3 January 2007. As at the date of this announcement, the Acquisition has been completed.

(e) On 31 January 2007, 廊坊恆宇家居有限公司 (Lang Fang Hengyu Home Co., Ltd, for identification purpose only) ("Langfang Hengyu"), an indirect wholly-owned subsidiary of the Company (i) entered into the letter of intent dated 31 January 2007 with 北京錦繡投資有限公司 (Beijing Glory Investment Co., Ltd, for identification purpose only) ("Beijing Glory"), setting out the basic understanding between the parties thereto in connection with proposed acquisition by Langfang Hengyu of the furniture retail business of Beijing Glory in Beijing City; and (ii) entered into another letter of intent of even date with Huari Furniture setting out the basic understanding between the parties thereto in connection with the proposed acquisition by Langfang Hengyu of the furniture retail business of Huari Furniture in the Hebei Province.

The letters of intent do not constitute the relevant parties' legally binding commitments as to the proposed acquisitions, which are subject to the execution and completion of formal sale and purchase agreements by the relevant parties. However, the letters of intent constitute legally binding obligation on the part of Beijing Glory and Huari Furniture in favour of Langfang Hengyu under which, inter alia, Beijing Glory and Huari Furniture may not contact, negotiate, discuss, consider or enter into contract, whether directly or indirectly with, any third party (other than the professional advisers of themselves and Langfang Hengyu) in relation to the proposed acquisitions within six months from the date of the letters of intent (subject to extension by agreement of the relevant parties in writing).

As at the date of this announcement, the terms of the proposed acquisitions are still under negotiation and no formal sale and purchase agreement has been concluded yet. The proposed acquisitions, if materialize, may or may not constitute notifiable transactions for the Company under the provisions of Chapter 19 of the GEM Listing Rules and the Company shall comply with the relevant disclosures and/or shareholders' approval requirements of the GEM Listing Rules where appropriate. The proposed acquisitions may or may not materialize.

CONTINGENT LIABILITIES

As at 31 December 2006, the Group has the following contingent liabilities:

On 2 March 2000, an independent third party executed a Deed of Guarantee in favour of Sun-iOMS Maintenance Limited, a former indirect wholly-owned subsidiary of the Company which was disposed of by the Group on 27 July 2006, guaranteeing that the income accrued to Sun-iOMS Maintenance Limited arising from the sales of iOMS Millennium Edition Software for a period of 18 months from the date of the guarantee would not be less than HK$15,000,000. However, the aforesaid independent third party has not fulfilled his commitment under the Deed of Guarantee, Hence, Sun-iOMS Maintenance Limited and the Company took legal action against the abovementioned independent third party and the two executive directors resigned in 2001 in respect of the breach of the Deed of Guarantee and their fiduciary duties accordingly. Up to the date of this announcement, the proceedings relating to the claim were still in progress. The action has been set down for trial and the hearing is scheduled for a four-day trial commencing from 17 September 2007. In the opinion of the Company's special legal advisors in respect of the above litigation, it is difficult to predict the outcome of the proceedings at this stage; and as the matters now stand, there is no actual liability on the Company's part save and except the legal costs involved. In the opinion of the Directors of the Company, no provision for legal costs was required as at 31 December 2006.

Save as disclosed above, the Group had no other contingent liabilities as at 31 December 2006.

CHARGE ON GROUP ASSETS

The Group did not have any charge on its assets as at 31 December 2006.

FOREIGN CURRENCY RISK

As most of the Group's monetary assets and liabilities were denominated in Renminbi and Hong Kong dollars, the exchange rate risks of the Group were considered to be minimal. As at 31 December 2006, no related hedges were made by the Group.

CORPORATE GOVERNANCE REPORT

The Company is committed to achieving high standards of corporate governance and following the principles set out in the Code on Corporate Governance Practices for GEM listed companies as set out in Appendix 15 of the GEM Listing Rules (the "CG Code"). During the year, save as disclosed hereunder, the Company did not deviate from the code provisions as set out in the CG Code:

Code Provision A.2.1

Mr. Li Ge ("Mr. Li") assumes the roles of both the chairman and the chief executive officer of the Company. While serving as the chairman of the Group, Mr. Li leads the Board and is responsible for the proceedings and workings of the Board. He ensures that:

– the Board acts in the best interests of the Group; and

– the Board functions effectively, and that all key and appropriate issues are properly briefed to and discussed by the Board.

The Group deviates from Code Provision A.2.1 in the CG Code. The roles of chairman and chief executive officer of the Group rests on the same individual without having a clear division of responsibilities. However, the Board is of the view that, such non-compliance does not compromise accountability and independent decision making for the following reasons:

– the three independent non-executive Directors form the majority of the five-member Board; and

– the Audit Committee is composed exclusively of independent non-executive Directors;

– the independent non-executive Directors could have free and direct access to the Company's external auditors and independent professional advice whenever necessary.

Mr. Li has considerable industry experience. He is dedicated to contribute to the growth and profitability of the Group. The Board is of the view that it is in the best interests of the Group to have an executive chairman, so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is most capable to guide discussions and brief the Board in a timely manner on pertinent issues and their progress, for the purpose of facilitating open dialogue between the Board and the management.

In order to comply with the CG Code, the Company is now seeking for proper candidate to serve as the chief executive officer of the Company.

Code Provision A.5.4

A former executive Director, Mr. Tse Wai Kwok Raymond ("Mr. Tse") sold 250,000 shares, 200,000 shares and 150,000 shares of the Company held by him to independent third parties on the Stock Exchange on 28 April 2006, 2 May 2006 and 4 May 2006 respectively, who is in breach of the Rule 5.56 of the GEM Listing Rules; and prior to the disposals of the Company's shares on 28 April 2006, 2 May 2006 and 4 May 2006, Mr. Tse did not notify the chairman of the Company in writing and also not obtained a dated written acknowledgment, who was also in breach of the Rule 5.61 of the GEM Listing Rules. The Company made detailed disclosures of these breaches in the announcements dated 4 May 2006 and 9 May 2006 on the GEM website.

In consideration of the above-mentioned events, the Company has explained to the Directors the standard to be complied with in securities dealings to ensure no recurrence of such breach.

The Company will also enhance the training for the Directors, and will provide relevant information and training to all newly appointed directors to make sure that all the newly appointed directors understand and quickly perform their duties as directors of the Company.

BOARD OF DIRECTORS

The Board comprises five directors, of whom two are executive Directors (one is the Chairman and Chief Executive Officer of the Company), and three are independent non-executive Directors. The participation of independent non-executive Directors in the Board brings independent judgement on issues relating to the Group's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered.

AUDIT COMMITTEE

The Audit Committee was established on 7 July 2000 to review the Group's financial reporting, internal controls and make relevant recommendations to the Board. The Audit Committee comprises three independent non-executive Directors, namely Mr. Lee Yuen Kwong, Mr. Yang Dongli and Mr. Yang Jie. The chairman of the Audit Committee is Mr. Lee Yuen Kwong.

The Audit Committee held four meetings in 2006, which were attended by all members. The Group's annual results for the year ended 31 December 2006 have been reviewed by the Audit Committee, which was of the opinion that such results were prepared in accordance with the applicable accounting standards and requirements. The committee also monitored the Company's progress in implementing the code provisions on corporate governance practices as required under the GEM Listing Rules.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 December 2006, the Company has not redeemed any of its shares. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year under review.

On behalf of the Board
Li Ge
Executive Director

Hong Kong, 23 March 2007

As at the date of this announcement, the Board comprises Mr. Li Ge and Mr. Zhao Guo Wei as executive Directors, and Mr. Lee Yuen Kwong, Mr. Yang Jie and Mr. Yang Dongli as independent non-executive Directors.

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Company Announcements" page for at least seven days from the day of its posting.