

CO-WINNER ENTERPRISE LIMITED

匯盛實業有限公司*

(Incorporated in Bermuda with limited liability)

(於百慕達註冊成立之有限公司)

(Stock Code: 8108)

Third Quarterly Report 2006

For the nine months ended
30 September 2006

* *For identification purpose only*

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED (“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.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Director(s)”) of Co-winner Enterprise Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (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 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.

THIRD QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the “Board”) of the Company presents the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and nine months ended 30 September 2006 together with the comparative figures.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the three months and nine months ended 30 September 2006

	<i>Notes</i>	Three months ended		Nine months ended	
		30 September		30 September	
		2006	2005	2006	2005
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	52,663	5,107	113,825	8,932
Cost of sales		(37,964)	(4,608)	(81,044)	(8,108)
Gross profit		14,699	499	32,781	824
Other revenue		37	3	240	3
Administrative expenses		(1,261)	(988)	(3,893)	(3,314)
Other operating expenses		(631)	(29)	(817)	(333)
Profit (loss) from operations		12,844	(515)	28,311	(2,820)
Finance costs		(447)	(1)	(484)	(3)
Gain on disposal of subsidiaries		6,918	–	6,918	–
Profit (loss) before taxation		19,315	(516)	34,745	(2,823)
Taxation	3	–	–	–	–
Profit (loss) after taxation		19,315	(516)	34,745	(2,823)
Minority interests		–	–	–	–
Net profit (loss) for the period		<u>19,315</u>	<u>(516)</u>	<u>34,745</u>	<u>(2,823)</u>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Profit (loss) per share – basic	5	<u>16.1</u>	<u>(0.5)</u>	<u>29</u>	<u>(2.5)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months ended 30 September 2006

	Share Capital	Share Premium	Contributed Surplus	Convertible Notes Equity Reserve	Accumulated Losses	Exchange Reserve	Total
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
At 1 January 2005	23,690	22,859	36,527	-	(79,696)	-	3,380
Capital reduction	(23,099)	-	-	-	23,099	-	-
Open offer	594	2,961	-	-	-	-	3,555
Placing of new shares	237	1,185	-	-	-	-	1,422
Net loss for the nine months ended 30 September 2005	-	-	-	-	(2,823)	-	(2,823)
At 30 September 2005	<u>1,422</u>	<u>27,005</u>	<u>36,527</u>	<u>-</u>	<u>(59,420)</u>	<u>-</u>	<u>5,534</u>
At 1 January 2006	1,421	26,650	36,527	-	(70,734)	(140)	(6,276)
Placing of new shares	284	-	-	-	-	-	284
Premium arising from placing of new shares, net of expenses	-	1,419	-	-	-	-	1,419
Exchange difference arising from translation of financial statements of subsidiaries	-	-	-	-	-	369	369
Exchange difference realised on disposal of subsidiaries	-	-	-	-	-	(60)	(60)
Equity component of convertible notes	-	-	-	500	-	-	500
Net profit for the nine months ended 30 September 2006	-	-	-	-	34,745	-	34,745
At 30 September 2006	<u>1,705</u>	<u>28,069</u>	<u>36,527</u>	<u>500</u>	<u>(35,989)</u>	<u>169</u>	<u>30,981</u>

Notes:

1. Basis of preparation

The consolidated results are not audited but have been reviewed by the audit committee of the Board.

The unaudited financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Hong Kong Accounting Standards and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Companies Ordinance (Chapter 32, Laws of Hong Kong) and the disclosure requirements set out in Chapter 18 of the GEM Listing Rules.

2. Turnover

The Group's turnover represents the net invoiced value of household products sold and the income received from provision of telephone sets subcontracting services, after allowance for returns and trade discounts where applicable. An analysis of the Group's turnover is as follows:

	Three months ended		Nine months ended	
	30 September		30 September	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of household products	52,563	4,456	113,211	6,712
Provision of telephone sets subcontracting services	100	651	614	2,220
	<u>52,663</u>	<u>5,107</u>	<u>113,825</u>	<u>8,932</u>

3. Taxation

No provision for Hong Kong profits tax had been made as the Group did not generate any assessable profits for the nine months ended 30 September 2006 (nine months ended 30 September 2005: nil).

No provision for the Company's PRC subsidiary tax had been made because it did not derive any assessable profits during the current and the prior corresponding period.

Deferred tax had not been provided as there were no significant timing differences at the period-end date (nine months ended 30 September 2005: nil).

4. Dividend

No dividends have been paid or declared by the Company for the nine months ended 30 September 2006 (nine months ended 30 September 2005: nil).

5. Profit (loss) per share

The calculation of the basic profit (loss) per share is based on the Group's net profit for the nine months ended 30 September 2006 of approximately HK\$34,745,000 (nine months ended 30 September 2005: net loss of approximately HK\$2,823,000), and the weighted average of 119,852,088 ordinary shares (nine months ended 30 September 2005: 112,809,524 ordinary shares) in issue during the nine months ended 30 September 2006 after adjusting for the effects of the placing of new shares on 20 March 2006 and the share consolidation on 18 May 2006. The basic loss per share for the nine months ended 30 September 2005 had been adjusted accordingly.

Diluted profit (loss) per share for the nine months ended 30 September 2006 and 2005 have not been provided as the share options outstanding during the period had an anti-dilutive effect on the basic profit (loss) per share for the period.

6. Segment information

An analysis of the Group's income and results for the nine months ended 30 September 2006 and 2005 are as follows:

Business segments

During the reporting period, the Group is primarily engaged in the sales of household products and provision of telephone sets subcontracting services. Since 28 August 2006, the Group has been primarily engaged in the sales of household products.

	Provision of telephone sets subcontracting services		Sales of household products		Total	
	2006	2005	2006	2005	2006	2005
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
REVENUE						
External revenue	614	2,220	113,211	6,712	113,825	8,932
RESULTS						
Segment results	31	(839)	32,750	507	32,781	(332)
Unallocated corporate revenue					228	–
Unallocated corporate expenses					(4,710)	(2,491)
Operating profit (loss) excluding interest income/expenses					28,299	(2,823)
Interest income					12	3
Interest expenses					(484)	(3)
Income from disposal of subsidiaries					6,918	–
Gain (Loss) before taxation					34,745	(2,823)
Taxation					–	–
Gain (Loss) after taxation					34,745	(2,823)
Minority interests					–	–
Net profit (loss) for the period					34,745	(2,823)

Geographical segments

The following tables present the geographical segments of the revenue of the Group:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Mainland China	85,021	2,220
Europe	17,737	–
North America*	11,067	6,712
	<u>113,825</u>	<u>8,932</u>

* *North America principally relates to the United States and Canada.*

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Financial and Business Review

For the nine months ended 30 September 2006, the Group's turnover amounted to approximately HK\$113,825,000 (nine months ended 30 September 2005: approximately HK\$8,932,000) while the net profit attributable to the shareholders amounted to approximately HK\$34,745,000 (nine months ended 30 September 2005: net loss of approximately HK\$2,823,000). The improvement in turnover was mainly due to an increase in the sales of household products in PRC and overseas market.

Owing to the unfavourable market sentiments prevailing in the information technology market, the Group ceased the relevant operations during the period under review, and disposed all related assets before 28 August 2006. For details, please refer to the announcement of the Company dated 30 August 2006 and the circular dated 19 September 2006, and the disclosure in the paragraphs headed "Disposal of Interests in Subsidiaries and Associates" in this report. 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.

PROSPECTS

The Board is actively exploring ways to diversify its investments and to further develop the sales of household products. Given an increase in the sales of household products in PRC and overseas, the revenue base of the Company was broadened further.

SHARE OPTION SCHEME

The Company has adopted the new share option scheme on 24 May 2002 (the "New Share Option Scheme"), pursuant to which the Board may for a consideration of HK\$1.00 offer to selected eligible persons (as defined in the circular of the Company dated 6 May 2002) to subscribe for shares of the Company as incentive or rewards for their contribution to the Group. The maximum number of shares in respect of which options may be granted under the New Share Option Scheme and other schemes of the Company may not, in aggregate, exceed 30% of the issued share capital of the Company from time to time which have been duly allotted and issued.

Other than the New Share Option Scheme, at no time during the period was the Company or any of its subsidiaries or holding companies a party to any arrangement to enable the Directors or members of its management to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate and none of the Directors, their spouse, or their children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the reporting period.

As at 30 September 2006, none of the Directors or chief executives of the Company held any share options.

SECURITIES TRANSACTIONS BY DIRECTORS

Save as disclosed hereinafter, during the nine months ended 30 September 2006, the Company had followed the required standard of Directors' dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and the Company had not been notified of any non-compliance with the required standard of dealings regarding securities transactions by Directors.

One of our former Executive Directors, 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, which 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, 2 May and 4 May 2006, Mr. Tse did not notify the chairman of the Company in writing and also not obtained a dated written acknowledgment, which is 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 and 9 May 2006 on the GEM website.

In consideration of the above-mentioned event, the Company has explained to the Directors the standard to be complied with in securities dealings to ensure that no such breach will happen for the second time.

INTEREST DISCLOSURE AS PER REGISTERS KEPT PURSUANT TO THE SECURITIES AND FUTURES ORDINANCE ("THE SFO")

(a) Directors' and chief executives interests and short positions in shares, underlying shares and debentures of the Company or any associated corporations

As at 30 September 2006, the interests and short positions of the Directors and chief executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 & 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which are required pursuant to Section 352 of the SFO to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange

pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules were as follows:

Long positions in ordinary shares of HK\$0.02 each of the Company

Name of director	Number of issued ordinary shares held			Total	Approximate percentage of total issued share capital of the Company
	Beneficial owner	Held by trust	Held by controlled corporation		
Mr. LI Ge	3,460,000	–	–	3,460,000	4.06%

Save as disclosed above, as at 30 September 2006, none of the Directors and chief executives of the Company was, under Divisions 7 and 8 of Part XV of the SFO, taken to be interested or deemed to have any other interests of short positions in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), that were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to the GEM Listing Rules.

(b) Substantial shareholders' and other persons' interests and short positions in shares and underlying shares

To the best knowledge of the Directors or chief executives, as at 30 September 2006, the following persons had interests or short positions in the shares or underlying shares of the Company which as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the ordinary shares of HK\$0.02 each of the Company

Name	Nature and capacity of interest	Number of shares held	Approximate percentage of total issued share capital in the Company (Note 1)
True Allied Assets Limited (Note 2)	Beneficial owner	22,140,000	25.96%
Ms. Huang Ye-hua (Note 3)	Interest of controlled corporation	22,140,000	25.96%

Name	Nature and capacity of interest	Number of shares held	Approximate percentage of total issued share capital in the Company (Note 1)
Disney Garden Limited (Note 4)	Beneficial owner	4,916,666	5.77%
	Person having security interest	19,015,000	22.30%
Lau Tak Chuen Airy (Note 5)	Interest of controlled corporation	23,931,666	28.07%
Sino Hope Investments Limited (Note 6)	Beneficial owner	4,833,333	5.67%
	Person having security interest	19,015,000	22.30%
Zhao Jiangong (Note 7)	Interest of controlled corporation	23,848,333	27.97%
Integrated Asset Management (Asia) Limited (Note 8)	Beneficial owner	4,916,666	5.77%
Yam Tak Cheung (Note 9)	Interest of controlled corporation	4,916,666	5.77%

Notes:

- (1) The percentage is calculated by dividing the number of shares interested or deemed to be interested by the existing 85,280,000 issued shares as at 30 September 2006.
- (2) Pursuant to a share mortgage dated 28 July 2006 (the "Share Mortgage"), True Allied Assets Limited mortgaged 19,015,000 shares of the Company in favour of Disney Garden Limited who acts as security trustee for the benefit of itself and the other holders of the convertible notes of the Company issued on 28 July 2006.
- (3) Ms. Huang Ye-hua is interested by virtue of her 100% beneficial interest in True Allied Assets Limited.
- (4) Disney Garden Limited is interested in the derivative interests of 4,916,666 shares of the Company pursuant to the placing agreement relating to the convertible notes of the Company dated 6 July 2006 (the "Placing Agreement"); it is also interested in the security interests of 19,015,000 shares of the Company pursuant to the Share Mortgage.

- (5) Lau Tak Chuen Airy is interested by virtue of his 100% beneficial interest in Disney Garden Limited.
- (6) Sino Hope Investments Limited is interested in the derivative interests of 4,833,333 shares of the Company pursuant to the Placing Agreement; it is also interested in the security interests of 19,015,000 shares of the Company pursuant to the Share Mortgage.
- (7) Zhao Jianguo is interested by virtue of his 100% beneficial interest in Sino Hope Investments Limited.
- (8) Integrated Asset Management (Asia) Limited is interested in the derivative interests of 4,916,666 shares of the Company pursuant to the Placing Agreement.
- (9) Yam Tak Cheung is interested by virtue of his 100% beneficial interest in Integrated Asset Management (Asia) Limited.

Save as disclosed above, as at 30 September 2006, the Board is not aware of any other persons that had interests or short position in the shares or underlying shares of the Company which as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

CAPITAL REORGANISATION

By an ordinary resolution passed in the special general meeting held on 17 May 2006, every two (2) issued shares in the Company were consolidated into one (1) consolidated share. Accordingly, the issued share capital of the Company was consolidated from 170,560,000 shares of HK\$0.01 each into 85,280,000 shares of HK\$0.02 each. For detailed disclosures, please refer to the announcements of the Company dated 17 May 2006 and 25 May 2006.

DISPOSAL OF INTERESTS IN SUBSIDIARIES AND ASSOCIATES

- (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) held by the Company to Lippo Sun Enterprise Limited at a cash consideration of HK\$1.00.

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 discloseable transaction of the Company.

As at the date of this report, the Shares Sales Agreement has been completed.

- (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\$100,000.00.

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 discloseable transaction of the Company.

Before the completion of the Share Sales 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.

As at the date of this report, the Shares Sales Agreement has been completed.

- (c) On 28 August 2006, the Company entered into the Share Sales 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\$50,000.00.

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.

Before the completion of the Share Sales 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.

As at the date of this report, the Share Sales Agreement has been completed.

AUDITOR

Messrs. HLB Hodgson Impey Cheng and Messrs. Cheung & Siu were retired and re-appointed as joint auditors of the Company at the annual general meeting on 17 May 2006 and to hold office until the conclusion of the next annual general meeting of the Company.

PLACING OF CONVERTIBLE NOTES

On 28 July 2006, the Company has placed a principal amount of HK\$18,000,000 convertible notes to seven subscribers. Net proceeds of approximately HK\$17,000,000 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.

BOARD PRACTICES AND PROCEDURES

Save as disclosed in the paragraphs headed “Code of Conduct Regarding Securities Transactions by Directors” above, the Company has complied with the board practices and procedures as set out in Rule 5.34 of the GEM Listing Rules (if applicable) throughout the nine months ended 30 September 2006.

CHANGE IN DIRECTORSHIP

The following changes occurred during the period under review and up to the date of this report:

1. Mr. TOK Beng Tiong has resigned as independent non-executive Director of the Company with effect from 12 June 2006;
2. Mr. LEE Yuen Kwong has been appointed as independent non-executive Director of the Company with effect from 12 June 2006;
3. Mr. SHEN Jia Hui has resigned as independent non-executive Director of the Company with effect from 30 June 2006;
4. Mr. YANG Jie has been appointed as independent non-executive Director of the Company with effect from 30 June 2006;
5. Mr. TSE Wai-kwok, Raymond has resigned as executive Director of the Company with effect from 6 July 2006;

6. Mr. ZHAO Guo Wei has been appointed as executive Director of the Company with effect from 6 July 2006;
7. Mr. TAI Chi Ching has resigned as executive Director of the Company with effect from 31 August 2006; and
8. Mr. LI Ge has been appointed as executive Director of the Company with effect from 31 August 2006.

AUDIT COMMITTEE

The Company has established an audit committee in July 2000 with its written terms of reference being in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. As at 30 September 2006, the audit committee comprised three members, namely Mr. LEE Yuen Kwong, Mr. YANG Dongli and Mr. YANG Jie, being independent non-executive Directors of the Company.

The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group and to provide advice and comments to the Board. During the nine months ended 30 September 2006, the audit committee has reviewed the Group's third quarterly report, financial statements and provided advice and recommendations to the Board. After the review of the financial statements, the members of the audit committee, who were of the opinion that such statements complied with the applicable accounting standards, the GEM Listing Rules and relevant legal requirements, and that adequate disclosure had been made.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS AND QUALIFIED ACCOUNTANT

Each of the independent non-executive Directors has confirmed his independence to the Company pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers that the independent non-executive Directors are independent.

With effect from 1 April 2006, Mr. Chan Wing Chung ("Mr. Chan") has resigned as qualified accountant of the Company. Following Mr. Chan's resignation, the Company had no qualified accountant. Hence, the Company was not able to comply with Rule 5.15 of the GEM Listing Rules, pursuant to which, it requires the Company to have at least a qualified accountant. Mr. Chan Yuk Hiu Taylor has been appointed as qualified accountant of the Company with effect from 1 May 2006 to ensure the compliance with such provision of the GEM Listing Rules.

CHANGE OF NAME

On 31 October 2006, the Company passed a special resolution to approve the change of the Company's English name to "FAVA International Holdings Limited" and, for identification purpose, its Chinese name to "名家國際控股有限公司". For details, please refer to the Company's announcements dated 4 October 2006 and 31 October 2006 and the Company's circular dated 4 October 2006.

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

For the nine months ended 30 September 2006, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities.

COMPETING INTEREST

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) or their respective associates had any interest in any business which competes or might compete with the business of the Group or has or may have any conflicts of interests with the Group.

By Order of the Board
Co-winner Enterprise Limited
LI Ge
Executive Director

Hong Kong, 10 November 2006

As at the date of this report, the Board comprises of Mr. LI Ge and Mr. ZHAO Guo Wei as executive Directors and Mr. LEE Yuen Kwong, Mr. YANG Dong Li and Mr. YANG Jie as independent non-executive Directors.