

CORPORATE INFORMATION

DIRECTORS

Wong Ching Ping, Alex (*Chairman*)
Lim Direk
Chu Kar Wing*
Chow King Wai*
Tang Yiu Wing*
Wan Choi Ha# (*resigned on 14 March, 2006*)

Non-executive Director

* Independent Non-executive Directors

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Ho Koon Man, *FCCA, CPA (Practising)*

AUDIT COMMITTEE

Chu Kar Wing (*Chairman*)
Chow King Wai
Tang Yiu Wing

REMUNERATION COMMITTEE

Wong Ching Ping, Alex (*Chairman*)
Chu Kar Wing
Tang Yiu Wing

AUDITORS

CCIF CPA Limited

BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Nanyang Commercial Bank Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL OFFICE

Room 1901, 19th Floor
Hutchison House
10 Harcourt Road
Central
Hong Kong

REGISTRARS (IN BERMUDA)

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

REGISTRARS (IN HONG KONG)

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

STOCK CODE

1182

BIOGRAPHIES OF DIRECTORS

WONG CHING PING, ALEX

Chairman and Executive Director

Aged 51, joined the Company as Executive Director and Chairman in May 2003. He graduated from University of Toronto, Canada, with a master degree in Business Administration. He has extensive experience in the financial services sector. He was previously appointed as director of other listed companies in Hong Kong before joining the Company.

LIM DIREK

Executive Director

Aged 56, joined the Company as Executive Director in May 2003. He graduated from Nanyang University of Singapore, with a bachelor degree in Commerce. He was previously an advisor of the standing committee on transportation and communication, banking and financial institute of the senate of Thailand. He is also a director of several well-known companies.

CHU KAR WING

Independent Non-executive Director

Aged 49, holds a bachelor degree in social science majoring in economics. He has extensive experience in the banking and finance sector for several well-known corporations. He is also independent non-executive directors of Oriental Investment Corporation Limited, Emperor Entertainment Group Limited and New Chinese Medicine Holdings Limited, the shares of the first company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") while the last two companies are listed on GEM of the Stock Exchange. He was appointed as an Independent Non-executive Director of the Company in May 2003.

CHOW KING WAI

Independent Non-executive Director

Aged 51, joined the Company as an Independent Non-executive Director of the Company in May 2003. He holds a doctorate degree from the University of Texas and is a specialist in strategic development and management. He had taught in universities in the United States of America and Hong Kong, and has published many books and manuscripts. With more than 15 years of experience in strategic management consultancy, he has served as an independent non-executive director of another listed company in Hong Kong. He is currently a professor of the University of Sichuan, the People's Republic of China (the "PRC").

TANG YIU WING

Independent Non-executive Director

Aged 39, is a practising solicitor in Hong Kong. He holds a bachelor of laws degree and a postgraduate certificate in laws from the University of Hong Kong and a master of laws degree from the City University of Hong Kong. He is a member of the Law Society of Hong Kong and was admitted as a solicitor of the Supreme Court of England and Wales and a barrister and solicitor of the Supreme Court of Tasmania. He was appointed as an Independent Non-executive Director of the Company in September 2004.

CHAIRMAN'S STATEMENT

For the year ended 31 March 2006, the Company and its subsidiaries (collectively referred to as the Group) recorded a consolidated turnover of approximately HK\$91.9 million, representing a decrease of approximately 39.5% from HK\$151.9 million in the last corresponding year. The drop in turnover is mainly due to the decrease in turnover in the securities trading segment as well as the discontinued operations ceasing to contribute to the Group for the year. The net loss for the year was approximately HK\$22.8 million compared with the profit of HK\$4.6 million, mainly attributable to the gain on disposal of subsidiaries of approximately HK\$21.6 million, in the last corresponding year.

REVIEW OF OPERATIONS

Apparel Trading and Retailing

Apparel trading and retailing business was the core operation for the Group during the year. It mainly involved in the wholesale and retail of products through an extensive outlet network in Hong Kong, Macau and the PRC. The segment recorded a loss of approximately HK\$11.7 million for the year, compared with a loss of approximately HK\$9.7 million for the last corresponding year. Turnover decreased by 4.5% to HK\$86.9 million.

The Group has established a distribution network of 23 sales outlets in the key cities of the PRC, such as Shanghai, Beijing and Guangzhou, compared with 20 sales outlets in the previous year. The operation has been heavily affected by keen competition and serious privacy in the PRC, which accounted for the decrease in turnover. To fight against the circumstances, the management decided last year to re-build its image by focusing on quality and personal styling. Due to the sales and marketing effort in clearing slow moving stock, there was a write back of provision for slow moving stock of approximately HK\$5,195,000. And the profit margin was slightly improved compared with last corresponding year. The Group, in Shanghai, had opened a self-operated shop in Shanghai Mason Mode Department; while in Beijing, it had renovated all counters to cope with the new image.

Securities Trading

The operation from securities trading resulted in a profit of HK\$189,000, compared with a profit of HK\$26,000 in the last corresponding year, with a turnover of HK\$5.0 million, down from HK\$61.0 million. A more prudent investment approach together with a portfolio composition of longer term investment lead to a decrease in turnover as against an improvement in the contribution to the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2006, the Group employed 167 permanent employees, including 75 employees in Hong Kong and 92 in the PRC. The Group continued to review the remuneration packages of employees with reference to the level and composition of pay, general market condition and individual performance. Staff benefits include contribution to Mandatory Provident Fund Scheme and discretionary bonus, share option scheme, medical allowance and hospitalization scheme and housing allowance.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had been funding its operation entirely by shareholders' equity and cash generated from operations and short term loan. Total non-current assets and current assets of the Group as at 31 March 2006 were approximately HK\$5.3 million and approximately HK\$68 million which were financed by non-current liabilities, current liabilities and shareholders' equity of approximately HK\$1.0 million, HK\$28.4 million and HK\$43.9 million respectively.

CHAIRMAN'S STATEMENT

The gearing ratio (calculated by total short term loans as a percentage to the net assets value of the Group) of the Group was reduced from 32.7% as at 31 March 2005 to 21.5% for the year.

Together with cash generated from the Group's operation in its ordinary course of business, coupled with the net proceeds from the open offer under the heading of Capital Structure below, the Directors expected that the Group will have sufficient working capital for its operations.

The Group had limited exposure to fluctuation in exchange rates.

CAPITAL STRUCTURE

A proposal to raise approximately HK\$30 million before expenses by an open offer ("Open Offer") of 1,311,324,786 shares at a subscription price of HK\$0.023 per share was approved by the shareholders at a special general meeting held on 25 November 2005. After the completion of the Open Offer on 9 December 2005, the number of issued shares of the Company increased to 1,748,433,048.

Subsequent to the financial year end, a special resolution was passed at a special general meeting of the Company held on 26 April 2006 pursuant to which the paid up capital of the Company was reduced from HK\$0.001 per share to HK\$0.00005 per share ("Reduced Share") by cancellation of HK\$0.00095 of the paid up capital on each issued share ("Capital Reduction"). As a result of the Capital Reduction and based on the number of issued shares of the Company as at 26 April 2006, an amount of approximately HK\$1,661,000 from the share capital account of the Company was cancelled and credited to the contributed surplus account of the Company where it will be utilized in accordance with the bye-laws of the Company and all applicable laws, including to set off the accumulated losses of the Company. Upon the Capital Reduction taking effect, every 20 Reduced Shares were consolidated into one shares of HK\$0.001 ("New Share") each resulting in the total issued share capital of the Company reduced to 87,421,652 New Shares.

CHARGES ON ASSETS

Short term loan was secured by the Group's equity interest in a subsidiary, a charge on loan due by this subsidiary and a time bank deposit of approximately HK\$1.7 million. It was repayable within one year.

PROSPECTS

The management of the apparel operation will cautiously monitor its retail outlets expansion in the PRC, watching closely on those key markets as well as keeping an eye on those fast-growing second-tier cities such as Xian and Chengdu while trying to control operational expenses and sustain gross profits. The Group also plans to bring in more wholesale partners to further its market penetration.

Whereas in Hong Kong, the management will keep the growing momentum of its wholesale business with the existing and potential partners. It will also work with retail partners in joint promotions to boost sales volume.

The Group will continue to seek suitable investment opportunities with a view to broaden and diversify its income base.

Wong Ching Ping, Alex
Chairman

Hong Kong, 14 July 2006

DIRECTORS' REPORT

The directors of the Company (the "Directors") present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2006.

1. PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its subsidiaries are apparel trading, securities trading and strategic investments.

2. RESULTS AND DIVIDENDS

The results of the Group for the year are set out in the consolidated income statement on page 20.

The Directors did not recommend the payment of any dividend in respect of the year.

3. SEGMENT INFORMATION

An analysis of the Group's performance for the year by business and geographical segments is set out in Note 7 to the financial statements.

4. FIVE YEAR FINANCIAL SUMMARY

A financial summary of the Group for the past five financial years is set out on page 84.

5. SHARE CAPITAL

Details of the movements in the Company's share capital are set out in Note 32 to the financial statements.

6. RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated summary statement of changes in equity on page 23 and other details of the reserves of the Company and the Group are set out in Note 34 to the financial statements.

7. PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in Note 17 to the financial statements.

DIRECTORS' REPORT

8. DIRECTORS AND SERVICE CONTRACTS

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

Executive Directors:

Wong Ching Ping, Alex (*Chairman*)

Lim Direk

Independent Non-executive Directors:

Chu Kar Wing

Chow King Wai

Tang Yiu Wing

Non-executive Director:

Wan Choi Ha (resigned on 14 March 2006)

In accordance with Bye-law 87(1) and 87(2) of the Company's Bye-laws, Mr. Wong Ching Ping, Alex, Mr. Lim Direk and Dr. Chow King Wai would retire by rotation at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

No Director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

The independent non-executive Directors are not appointed for a specific term but subject to retirement by rotation at least once every three years as required by the Company's Bye-laws.

9. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' REPORT

10. DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 31 March 2006, the interests and short positions of the Directors and chief executives of the Company and their respective associates had the following interests in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code"):

Long position in shares of the Company

Name of Director	Nature of interest	Number of ordinary shares held	Percentage of shareholding
Wong Ching Ping, Alex ("Alex Wong")	Interest of a controlled corporation	336,170,600	19.23%

Note: The shares were registered in the name of Leopard Vision Limited ("Leopard Vision"). The entire issued share capital of Leopard Vision was held by Byford Group Limited ("Byford") which in turn was held by Expert Rich Investments Limited ("Expert Rich"). Expert Rich was wholly-owned by Mr. Alex Wong.

Save as disclosed above, as at 31 March 2006, none of the Directors or chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation(s).

11. SHARE OPTIONS AND DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Details of the Company's share option scheme are set out in Note 33 to the financial statements.

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

None of the Directors or chief executives or their spouses, or 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 year.

DIRECTORS' REPORT

12. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

As at 31 March, 2006, so far as is known to any Director or chief executive of the Company, the following persons or corporations (other than a Director or chief executive of the Company) who had interest and short positions in the shares, underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company were as follows:-

Long position in shares of the Company

Name of shareholder	Capacity/ Nature of interests	Number of ordinary shares interested or deemed to be interested (long position)	Approximate percentage holding
Expert Rich (<i>Note</i>)	Interest of a controlled corporation	336,170,600	19.23%
Gomes Maria Da Silva Rubi Angela (<i>Note</i>)	Family	336,170,600	19.23%

Note: Leopard Vision beneficially owned 336,170,600 shares of the Company. The entire issued share capital of Leopard Vision was held by Byford which in turn was held by Expert Rich. Expert Rich is wholly-owned by Mr. Alex Wong. Mr. Alex Wong is therefore deemed to be interested in the above shares. By virtue of the aforesaid interest of Mr. Alex Wong, Ms. Gomes Maria Da Silva Rubi Angela, spouse of Mr. Alex Wong, is also deemed to be interested in the shares above mentioned. These shares are the same parcel of shares as those set out under paragraph 10 headed "Directors' and Chief Executives' Interests and Short Positions in Securities".

Save as disclosed above, as at 31 March, 2006, the Directors of the Company were not aware of any other person or corporation (other than the Directors and chief executives of the Company) who had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO or as otherwise notified to the Company.

DIRECTORS' REPORT

13. DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, the interests of Directors and their respective associates in the businesses which are considered to compete or are likely to compete, either directly or indirectly, with the businesses of the Group ("Competing Business") as required to be disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Name of director	Name of company	Nature of interest	Competing Business
Alex Wong	Bright Mark Investments Limited ("Bright Mark")	Director and substantial shareholder	Securities trading

Bright Mark has been engaged in securities trading and is therefore deemed to be competing with the securities trading business of the Group. However, Bright Mark targets its investments in the second/third liners stock while the Group targets its investments in blue chip/red chip stock. Given the fact that Bright Mark and the Group have different investment strategies in their securities trading business and also they have been placing their investment orders with different securities broker firms, the Group considers that its interests are adequately safeguarded.

14. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities trading. Having made specific enquiry to all the Directors, all the Directors confirmed that they have complied with the required standard of dealings as set out in the Model Code.

15. CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

The Company had no outstanding convertible securities, options, warrants or other similar rights as at 31 March 2006. There had been no exercise of convertible securities, options, warrants or similar rights during the year.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

17. MAJOR SUPPLIERS AND CUSTOMERS

For the year, the aggregate percentage of purchases attributable to the Group's five largest suppliers is less than 30% of the total purchases of the Group.

For the year, the aggregate percentage of sales attributable to the Group's five largest customers is less than 30% of the total sales of the Group.

To the best of the Directors' knowledge, neither the Directors, their associates, nor any shareholders who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest suppliers or customers during the year.

DIRECTORS' REPORT

18. RETIREMENT BENEFITS SCHEMES

Details of the retirement benefits schemes of the Group are set out in Note 38 to the financial statements.

19. CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 12 to 17.

20. SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company maintained the prescribed public float under the Listing Rules.

21. PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

22. AUDITORS

The financial statements for the financial years ended 31 March 2003, 2004 and 2005 were audited by RSM Nelson Wheeler. RSM Nelson Wheeler resigned as auditors of the Group with effect from 10 March 2006. CCIF CPA Limited was appointed as auditors of the Group at the special general meeting held on 26 April 2006.

A resolution to re-appoint the retiring auditors, CCIF CPA Limited, will be put at the forthcoming annual general meeting of the Company.

On behalf of the Board

Wong Ching Ping, Alex
Chairman

Hong Kong, 14 July 2006

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The board of directors of the Company (“Director(s)” or “Board”) has been working to maintain a solid and sound corporate governance framework suitable for the Company. The Company had complied throughout the financial year ended 31 March, 2006 with all the provisions of the Code on Corporate Governance Practices (the “Code”) as set out in the Listing Rules, except with the deviation from Code provisions A.2.1 and 4.1 in respect of the roles of chairman and chief executive officer to be performed by separate individual and the requirement that non-executive directors should be appointed for a specific term, which were further explained in the following relevant paragraphs.

AMENDMENTS TO BYE-LAWS OF THE COMPANY

The Board proposed the resolutions, which were passed in the last annual general meeting held on 21 September, 2005, to amend Bye-laws 87 and 45(a) to the effect that every Director shall be subject to retirement by rotation at least every three years and removal of the restriction to fix the record dates for payment of dividends or other distribution to shareholders of not more than 30 days before or after the date of declaration or payment respectively.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company had adopted the Model Code for Securities Transactions under the Listing Rules as its own code of conduct regarding Directors’ and relevant employees’ securities trading. Having made specific enquiry to all the Directors of the Company, all of them confirmed that they had complied with the required standard of dealings as set out in the Model Code throughout the year.

BOARD OF DIRECTORS

The Board of Directors currently comprises of five directors, two Executive Directors and three Independent Non-executive Directors. The biographies of the Directors are set out on page 3 of this report. All the Directors are highly qualified professionals with extensive experience either gained from banking, financial, business management or educational sectors, which are vital and valuable for the business of the Group.

The Directors are fully aware of their responsibilities under statute and common law, the Listing Rules and applicable legal requirement(s) as well as the conduct, business activity and development of the Group. Induction pack for newly appointed directors are prepared and they will be invited to an induction. No new director was appointed during the year.

The Board has not set up a nomination committee and the Board will assess the qualification, experience as well as the integrity of any potential candidate to be appointed as new director of the Company.

CORPORATE GOVERNANCE REPORT

The Company has received annual confirmation of independence from each of the Independent Non-executive Directors under the Listing Rules' requirements. The Board continues to consider each of them to be independent. The Independent Non-executive Directors have been expressly identified as such in all corporate communications of the Company that disclose the names of Directors.

The Board monitors the development and financial performance and sets strategic directions of the Group's business. Matters including material investment decisions, approving financial accounts, declaration of dividend, appointment of new directors are reserved to the Board. The management implements the Board's decisions, makes investment proposals and reports to the Board on the overall performance of the Group. Daily operations of the business are also delegated to the management.

During the year, four full Board meetings were held with the attendance of each Director set out as follows:-

Name of Director	Number of Board meetings attended	Attendance rate
Wong Ching Ping, Alex	4/4	100%
Lim Direk	1/4	25%
Chu Kar Wing	4/4	100%
Chow King Wai	2/4	50%
Tang Yiu Wing	1/4	25%
Wan Choi Ha (resigned on 14 March 2006)	3/4	75%

Board meeting procedures have been in place to ensure that at least 14 days' prior notice and agenda be given to all Directors and they are provided with an opportunity to include matters in the agenda for regular board meetings. Detailed and adequate Board papers are delivered to all Directors before the date of meeting to facilitate the meeting. Directors are free to raise any questions to the management before the meeting date and make objective decisions at the meeting. Draft and final versions of minutes are circulated to the Directors or Committee members for their comment and records respectively. Minutes of Board meetings and Committee meetings are kept by the Company Secretary and are available for the Directors' inspection. The Chairman and the Company Secretary have ensured that all Board meetings and Committee meetings are convened in accordance with the Bye-Laws of the Company.

CORPORATE GOVERNANCE REPORT

All Board members are entitled to have unrestricted access to the advice and services of the Company Secretary, and the Directors are entitled to, upon reasonable request and arranged through the Company Secretary, seek external professional advice at the cost of the Company. A detailed procedure of such arrangement will be adopted and approved by the Board of Directors.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company does not appointed a chief executive officer. Mr. Wong Ching Ping, Alex, the Chairman of the Group, assisted by the Company Secretary, is responsible for managing the Board in respect of ensuring that proper meeting procedures are followed and dispatch of timely and adequate Board papers. He also works closely with another Executive Director, Mr. Lim Direk, supported by the experienced management team, to oversee the overall management of the Group's business. The current management organization functions well within the Group and the Board anticipates no immediate need to appoint a chief executive officer.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code provision A.4.1 requires non-executive directors be appointed for a specific term, subject to re-election.

The Non-executive Directors of the Company were not appointed for a specific term. However, bye-law 87 of the Bye-laws of the Company was amended on 21 September, 2005 so that one-third of the directors for the time being shall retire by rotation, provided every director shall be subject to retirement by rotation at least once every three years. As such, the term of the non-executive directors is deemed to be the period up to his retirement by rotation in accordance with the Bye-laws of the Company. The Board concluded that the appointment of Non-executive Directors without specific term but otherwise subject to retirement by rotation and re-election by shareholders was fair and reasonable, and did not intend to amend the terms of their appointment.

Pursuant to bye-law 86.2 of the Bye-laws of the Company, all directors appointed to fill a casual vacancy shall hold office only until the first annual general meeting after their appointment and shall then be eligible for election at that meeting.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The remuneration committee of the Company was established on 15 July, 2005, comprises two Independent Non-executive Directors, Mr. Chu Kar Wing and Mr. Tang Yiu Wing and an Executive Director, Mr. Wong Ching Ping, Alex (Chairman of the remuneration committee).

The major roles and functions of the remuneration committee are as follows:

1. To make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management;
2. To have the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments and make recommendations to the Board of the remuneration of Non-executive Directors;
3. To review and approve the compensation payable to Executive Directors and key senior management officers in connection with any loss or termination of their office or appointment;
4. To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct;
5. To ensure that no Director is involved in deciding his own remuneration.

The remuneration committee will review the remuneration of each Director for the year ended 31 March, 2006.

ACCOUNTABILITY AND AUDIT

The Directors acknowledged their responsibility of overseeing the internal control and the preparation of accounts of each financial period, which gives a true and fair view of the state of affairs of the Group and of the results and cash flow for that period. The Directors have selected suitable accounting policies and have applied them consistently, and adopted appropriate Hong Kong Financial Reporting Standards, made judgements and estimates that are prudent and reasonable, and have prepared the accounts on a going concern basis in preparing the accounts for the year ended 31 March, 2006.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

An audit committee of the Company was established on 22 September, 2004, comprises three Independent Non-executive Directors, Mr. Chu Kar Wing (Chairman of the audit committee), Dr. Chow King Wai and Mr. Tang Yiu Wing. All of them are professionals and the Chairman of the audit committee has attained the related financial management expertise as required under the Listing Rules.

Clear terms of reference, including the following major roles and functions, were resolved and adopted by the Company for the audit committee:

1. To consider the appointment of the external auditors, the audit fees, and any questions of resignation or dismissal of the external auditors of the Group;
2. To discuss with the external auditors the nature and scope of the audit;
3. To review the interim and annual financial statements before submission to the Board of Directors;
4. To discuss problems and reservations arising from the interim review and final audit, and any matters the auditors may wish to discuss;
5. To review the external auditors' management letters and management's response;
6. To review the Group's internal control systems;
7. To consider the major findings of internal investigations and management's response.

The audit committee had held four meetings during the year with the attendance of each member is as follows:–

Audit committee member	Number of meetings attended	Attendance rate
Mr. Chu Kar Wing	4/4	100%
Dr. Chow King Wai	4/4	100%
Mr. Tang Yiu Wing	2/4	50%

CORPORATE GOVERNANCE REPORT

The audit committee has performed the following works during the year:

1. Reviewed the financial reports for the year ended 31 March, 2005 and for the six months ended 30 September, 2005;
2. Discussed with the external auditors and reviewed the audit plan for the financial years ended 31 March, 2004 and 2005; and
3. Discussed and reviewed with the auditors on the impact to the Group of the amendments to the accounting principles.

COMMUNICATION WITH SHAREHOLDERS

Ongoing dialogue with shareholders are maintained by convening annual general meeting and another general meeting of the Company. During the year, the Company had convened a general meeting on 25 November, 2005 in addition to the annual general meeting held on 21 September, 2005.

The Chairman has attended each of the aforesaid annual general meeting and general meeting of the Company and he explained at the commencement of the meetings the rights and procedures to demand voting by poll by the shareholders, which were also disclosed in the relevant circulars dispatched to the shareholders of the Company. Proxy forms, notices of meetings and relevant circulars were dispatched to the shareholders of the Company to encourage them to attend the meetings.

AUDITORS' REMUNERATION

During the year, the remuneration paid to the Company's auditors, CCIF CPA Limited, is set out as follows:-

	Fee paid/payable <i>HK\$'000</i>
Audit services	450
Non-audit services	-
	<hr/>
	450
	<hr/> <hr/>

AUDITORS' REPORT



CCIF

CCIF CPA LIMITED

37/F Hennessy Centre
500 Hennessy Road
Causeway Bay Hong Kong
www.ccifcpa.com.hk

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
FOUNDATION GROUP LIMITED**

(INCORPORATED IN BERMUDA WITH LIMITED LIABILITY)

We have audited the financial statements on pages 20 to 83 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

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

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

AUDITORS' REPORT

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2006 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited

Certified Public Accountants

Hong Kong, 14 July, 2006

Betty P.C. Tse

Practising Certificate Number P03024

CONSOLIDATED INCOME STATEMENT For the year ended 31 March 2006

	<i>Notes</i>	2006 HK\$'000	2005 HK\$'000 (Restated)
CONTINUING OPERATION			
TURNOVER	<i>6</i>	91,891	151,939
Cost of sales		(46,658)	(109,586)
Gross profit		45,233	42,353
Other revenue	<i>8</i>	666	5,169
Selling and distribution costs		(38,780)	(37,783)
Administrative expenses		(24,071)	(21,780)
Other operating expenses	<i>9</i>	(84)	(245)
Write back/(Provision) for loan receivables		211	(21)
Amortisation of goodwill arising on acquisition of subsidiaries		–	(1,843)
Impairment loss of goodwill arising on acquisition of subsidiaries		(6,433)	–
Loss from operations	<i>10</i>	(23,258)	(14,150)
Gain on disposal of subsidiaries		2,400	–
Finance costs	<i>11</i>	(1,929)	(1,242)
Share of results of associates		–	14
Amortisation of goodwill arising on acquisition of associates		–	(192)
Impairment loss of goodwill arising on acquisition of associates		–	(1,231)
LOSS BEFORE TAXATION		(22,787)	(16,801)
Taxation	<i>14</i>	–	–
LOSS FROM CONTINUING OPERATIONS		(22,787)	(16,801)
DISCONTINUED OPERATIONS			
Profit from discontinued operations	<i>15</i>	–	21,434
(LOSS)/PROFIT FOR THE YEAR		(22,787)	4,633
Attributable to:			
Equity holders of the parent		(22,787)	4,598
Minority interests		–	35
		(22,787)	4,633
(LOSS)/EARNINGS PER SHARE			
Basic	<i>16</i>		
– Continuing operation		(2.70) cents	(4.35) cents
– Discontinued operation		–	5.55 cents
		(2.70) cents	1.20 cents
Diluted		N/A	N/A

The notes on pages 26 to 83 form part of these financial statements.

CONSOLIDATED BALANCE SHEET As at 31 March 2006

	Notes	2006 HK\$'000	2005 HK\$'000
Non-current assets			
Property, plant and equipment	17	2,534	1,430
Goodwill	18	–	6,433
Interest in an unconsolidated subsidiary	20	–	1,159
Interests in associates	21	–	–
Available-for-sale financial assets	22	2,807	–
		5,341	9,022
Current assets			
Inventories	23	38,073	40,728
Trade and other receivables, deposits and prepayments	24	13,535	12,070
Loan receivables		–	1,139
Other investments	25	–	1,134
Held-for-trading investments	26	44	–
Pledged bank deposits		1,736	2,725
Bank and cash balances	27	14,621	19,252
		68,009	77,048
Current liabilities			
Trade and other payables, accruals and deposits received	28	19,029	17,313
Short term loan	29	9,443	16,434
		28,472	33,747
Net current assets		39,537	43,301
Total assets less current liabilities		44,878	52,323
Non-current liabilities			
Amount due to an unconsolidated subsidiary	20	–	1,159
Provision for long service payments	31	959	959
		959	2,118
NET ASSETS		43,919	50,205
Capital and reserves			
Share capital	32	1,748	437
Reserves	34	42,171	49,768
TOTAL EQUITY		43,919	50,205

Wong Ching Ping, Alex
Director

Lim Direk
Director

The notes on pages 26 to 83 form part of these financial statements.

BALANCE SHEET As at 31 March 2006

	<i>Notes</i>	2006 HK\$'000	2005 <i>HK\$'000</i>
Non-current assets			
Interests in subsidiaries	19	–	44,790
Current assets			
Other receivables, deposits and prepayments		98	100
Bank balances		32	21
		130	121
Current liabilities			
Other payables		1,436	686
Net current liabilities		(1,306)	(565)
(Excess of current liabilities over total assets)/			
Total assets less current liabilities		(1,306)	44,225
Amount due to a subsidiary	19	–	2,500
NET (LIABILITIES)/ASSETS		(1,306)	41,725
Capital and reserves			
Share capital	32	1,748	437
Reserves	34	(3,054)	41,288
TOTAL EQUITY		(1,306)	41,725

Wong Ching Ping, Alex
Director

Lim Direk
Director

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CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY For the year ended 31 March 2006

	2006 HK\$'000	2005 HK\$'000
TOTAL EQUITY		
As at 1 April	50,205	59,471
Change in fair value of available-for-sales financial assets	(12,845)	–
Reserves realised upon disposal of subsidiaries	(9)	–
Reserves realised upon disposal of subsidiaries attributable to discontinued operations	–	(20,631)
Placing of new shares, net of expenses	–	6,767
Open offer, net of expenses	29,355	–
(Loss)/Profit for the year	(22,787)	4,598
As at 31 March	<u>43,919</u>	<u>50,205</u>

The notes on pages 26 to 83 form part of these financial statements.