INTERIM RESULTS

The board of directors (the "Board" or "Directors") of Foundation Group Limited (the "Company") presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2005 (the "Period") together with comparative figures for the corresponding period in 2004 as set out below.

These condensed consolidated financial statements have not been audited nor reviewed by the Company's auditors, RSM Nelson Wheeler, but have been reviewed by the audit committee of the Company, which comprises the three independent non-executive Directors of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2005

	Notes	Unaudited six months ended 30 September 2005 HK$'000	2004 HK$'000 (Restated)
Turnover	4	**47,780**	85,957
Cost of sales		**(28,477)**	(65,875)
Gross profit		**19,303**	20,082
Other revenue		**474**	1,901
Selling and distribution costs		**(17,687)**	(18,098)
Administrative expenses		**(11,328)**	(10,908)
Other operating expenses		**(7)**	(8)
Provision for loan receivables		**(100)**	(459)
Amortisation of goodwill arising on acquisition of subsidiaries		**–**	(921)
Impairment loss recognised in relation to goodwill arising on acquisition of subsidiaries	12	**(3,118)**	–
Loss from operations	5	**(12,463)**	(8,411)
Gain on disposal of subsidiaries		**10**	–
Finance costs	6	**(1,099)**	(663)
Share of results of associates		**–**	(1)
Impairment loss recognised in relation to goodwill arising on acquisition of associates		**–**	(1,635)
Loss before taxation		**(13,552)**	(10,710)
Taxation	7	**–**	–
Loss from continuing operations		**(13,552)**	(10,710)
Discontinued operations	8		
Profit from discontinued operations		**–**	21,434
(Loss)/Profit for the period		**(13,552)**	10,724
Attributable To:			
Equity holders of the parent		**(13,552)**	10,689
Minority interest		**–**	35
		(13,552)	10,724
(Loss)/Earnings per share	9		
Basic			
– Continuing operations		**(3.10) cents**	(2.94) cents
– Discontinued operations		**N/A**	5.87 cents
		(3.10) cents	2.93 cents
Diluted		**N/A**	N/A
Dividend per share	10	**Nil**	Nil

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2005

	Notes	**Unaudited At 30 September 2005 HK$'000**	Audited At 31 March 2005 HK$'000
Non-current assets			
Property, plant and equipment	11	**1,363**	1,430
Goodwill	12	**3,315**	6,433
Interest in an unconsolidated subsidiary	13	**1,159**	1,159
Interest in associates		**–**	–
Available-for-sale investments	14	**8,579**	–
		14,416	9,022
Current assets			
Inventories	15	**39,245**	40,728
Trade and other debtors, deposits and prepayments	16	**19,378**	12,070
Loan receivables		**619**	1,139
Held-for-trading investments		**286**	–
Other investments		**–**	1,134
Pledged bank deposits		**5,012**	2,725
Bank and cash balances		**6,991**	19,252
		71,531	77,048
Current liabilities			
Trade and other creditors	17	**20,684**	17,313
Short term loan	18	**33,584**	16,434
		54,268	33,747
Net current assets		**17,263**	43,301
Total assets less current liabilities		**31,679**	52,323
Non-current liabilities			
Amount due to an unconsolidated subsidiary	13	**1,159**	1,159
Provision for long service payments		**959**	959
		2,118	2,118
NET ASSETS		**29,561**	50,205
Capital and reserves			
Share capital	19	**437**	437
Reserves	20	**29,124**	49,768
TOTAL EQUITY		**29,561**	50,205

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2005

	Unaudited Six months ended 30 September 2005 HK$'000	2004 HK'000 (Restated)
TOTAL EQUITY		
At 1 April, as previously reported as equity	**50,205**	59,471
At 1 April, as previously reported separately as minority interest	**–**	(5,683)
At 1 April, as restated	**50,205**	53,788
Changes in equity during the period		
Fair value changes on available-for-sale investments	**(7,074)**	–
Exchange differences on translation foreign operations	**(9)**	–
Net loss recognised directly in equity	**(7,083)**	–
Reserves realised upon disposal of subsidiaries	**–**	(20,630)
Minority interest released upon disposal of subsidiaries	**–**	5,648
Reserve realised upon disposal of associates	**(9)**	–
(Loss)/Profit for the period	**(13,552)**	10,724
Total recognised income and expense for the period	**(20,644)**	(4,258)
At 30 September	**29,561**	49,530
Total recognised income and expense for the period attributable to:		
Equity holders of the parent	**(20,644)**	(4,293)
Minority interest	**–**	35
	(20,644)	(4,258)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2005

	Unaudited Six months ended 30 September 2005 HK$'000	2004 HK$'000
NET CASH USED IN OPERATING ACTIVITIES	**(11,852)**	(17,322)
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	**(15,251)**	31,090
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	**17,150**	(23,372)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(9,953)**	(9,604)
CASH AND CASH EQUIVALENTS AT 1 APRIL	**21,977**	18,338
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(21)**	–
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	**12,003**	8,734
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**6,991**	8,734
Bank deposits with original maturity of less than three months when acquired, pledged as security for banking facilities	**5,012**	–
	12,003	8,734

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments, which are measured at fair value.

The accounting policies and methods of computation used in the preparation of the unaudited condensed consolidated financial statements are consistent with those used in the Group's annual financial statements for the year ended 31 March 2005, except as described below.

In the Period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (the "HKFRS"), Hong Kong Accounting Standards (the "HKAS") and Interpretations (hereinafter collectively referred to as the "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and statement of changes in equity. In particular, the presentation of minority interests and share of tax of associates have been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies or presentation of elements of the financial statements in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented:

2. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(a) *Earnings per Share*

HKAS 33 "Earnings per Share" prescribes principles for the determination and presentation of earnings per share. It requires separate disclosure of basic and diluted earnings per share from continuing operations on the face of the income statement. The adoption of the HKAS 33 has resulted in changes in the presentation of the Group's earnings per share on the face of the income statement.

(b) *Financial Instruments*

In prior periods, the Group classified and measured its debt and equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 "Accounting for Investments in Securities" (the "SSAP 24"). Under the SSAP 24, investments in debt or equity securities are classified as investment securities, other investments or held-to-maturity investments as appropriate. Investment securities are carried at cost less impairment losses (if any) whereas other investments are measured at fair value, with unrealised gains or losses included in the income statement. Held-to-maturity investments are carried at amortised cost less impairment losses (if any).

In the Period, the Group has applied the HKAS 32 "Financial Instruments: Disclosure and Presentation" and the HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Financial Instruments (Continued)

The Group has applied the relevant transitional provisions in the HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of the HKAS 39. From 1 April 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with the HKAS 39. Under the HKAS 39, financial assets are classified as financial assets at fair value through profit or loss, available-for-sale financial assets, loans and receivables, or held-to-maturity financial assets. The classification depends on the purpose for which the assets are acquired. Financial assets at fair value through profit or loss and available-for-sale financial assets are carried at fair value, with changes in fair value recognised in the income statement and equity respectively. Available-for-sale financial assets of which the fair value cannot be measured reliably are stated at cost less impairment. Loans and receivables and held-to-maturity financial assets are measured at amortised cost using the effective interest method.

On 1 April 2005, the Company classified and measured its debt and equity securities in accordance with the requirements of the HKAS 39. Other investments with carrying amount of approximately HK$1,134,000 were reclassified to held-for-trading investments (at fair value through profit or loss) on 1 April 2005.

(c) Business Combinations and Impairment of Assets

In prior periods, goodwill/negative goodwill arising on acquisition prior to 1 April 2001 was held in reserves and was not recognised in the income statement until disposal or impairment of the relevant subsidiary or associate.

2. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(c) *Business Combinations and Impairment of Assets (Continued)*

Goodwill arising on acquisition after 1 April 2001 was recognised as an asset and amortised on a straight line basis over its estimated useful life and was subject to impairment testing when there was any indication of impairment. Negative goodwill arising on acquisition after 1 April 2001 was carried in the balance sheet and was released to income based on an analysis of the circumstances from which the balance resulted.

Upon the adoption of the HKFRS 3 "Business Combinations" and the HKAS 36 "Impairment of Assets", goodwill arising on acquisition is no longer amortised but subject to an annual impairment review (including in the year of its initial recognition), or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates, after reassessment, is recognised immediately in the income statement.

In accordance with the transitional provisions of the HKFRS 3, the Group:

(i) ceased to amortise goodwill from 1 April 2005 onwards and eliminated at 1 April 2005 the carrying amounts of accumulated amortisation of approximately HK$2,782,000 with a corresponding entry to the cost of goodwill. The effect of the changes is a decrease in amortisation of goodwill of approximately HK$921,000 for the Period; and

(ii) derecognised the existing negative goodwill reserve, which amounted to approximately HK$26,986,000 by way of an adjustment to the accumulated losses at 1 April 2005.

2. **PRINCIPAL ACCOUNTING POLICIES** *(Continued)*

(c) *Business Combinations and Impairment of Assets (Continued)*

In accordance with the transitional provisions of the HKFRS 3, comparative amounts have not been restated.

In addition, the excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of a subsidiary acquired by the Group during the Period over the cost of acquisition in an amount of approximately HK$36,000 was fully recognised as income for the Period.

(d) *Discontinued Operations*

HKFRS 5 "Non-current Assets Held-for-Sale and Discontinued Operations" requires an operation to be classified as discontinued when the criteria to be classified as held-for-sale have been met or the entity has disposed of the operation. The adoption of the HKFRS 5 has resulted in changes in the presentation of the Group's income statement and has had no effect on both the profit attributable to equity holders of the parent for the period ended 30 September 2004 and equity attributable to equity holders of the parent at 31 March 2005.

Save as disclosed above, other new HKFRSs adopted have no material impact on the unaudited condensed consolidated financial statements.

3. POTENTIAL IMPACT OF NEW STANDARDS NOT YET APPLIED

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

HKAS 1 (Amendment)	Capital Disclosures
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 (Amendment)	Cash Flow Hedge Accounting for Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC) – Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC) – Int 6	Liabilities arising from Participating in a Specific Market, Waste Electrical and Electronic Equipment

The Group has already commenced an assessment of the potential impact of these new standards or interpretations but is not yet in a position to determine whether these new standards or interpretations would have a significant impact on its results of operations and financial position.

4. SEGMENT INFORMATION

Business segment

The Group was principally engaged in the business of apparel trading, securities trading and strategic investments. The details are as follows:

	Continuing operations				Discontinued operations		
	Apparel trading HK$'000	Securities trading HK$'000	Strategic investments and others HK$'000	Sub-total HK$'000	Operation of container depots and logistics management services HK$'000	Freight forwarding and vessel operating common carrier services HK$'000	Consolidated HK$'000
For the six months ended 30 September 2005							
Turnover	43,224	4,556	-	47,780	-	-	47,780
Segment results	(7,265)	149	-	(7,116)	-	-	(7,116)
Interest income				8			8
Group overheads				(2,137)			(2,137)
Provision for loan receivables	-	-	(100)	(100)	-	-	(100)
Impairment loss recognised in relation to goodwill arising on acquisition of subsidiaries	(3,118)	-	-	(3,118)	-	-	(3,118)
Loss from operations				(12,463)			(12,463)
Gain on disposal of subsidiaries	1	-	9	10	-	-	10
Finance costs				(1,099)			(1,099)
Loss before taxation				(13,552)			(13,552)
Taxation				-			-
Loss from continuing operations				(13,552)			
Loss for the Period							(13,552)

4. SEGMENT INFORMATION *(Continued)*

Business segment (Continued)

	Continuing operations				Discontinued operations		
	Apparel trading *HK$'000*	Securities trading *HK$'000*	Strategic investments and others *HK$'000*	Sub-total *HK$'000*	Operation of container depots and logistics management services *HK$'000*	Freight forwarding and vessel operating common carrier services *HK$'000*	Consolidated *HK$'000*
For the six months ended 30 September 2004 (Restated)							
Turnover	46,839	39,118	-	85,957	482	1,531	87,970
Segment results	(4,278)	(6)	(22)	(4,306)	88	(228)	(4,446)
Interest income				44			44
Group overheads				(2,769)			(2,769)
Provision for loan receivables	-	-	(459)	(459)	-	-	(459)
Amortisation of goodwill arising on acquisition of subsidiaries	(921)	-	-	(921)	-	-	(921)
Loss from operations				(8,411)			(8,551)
Gain/(loss) on disposal of subsidiaries attributable to discontinued operations	-	-	-	-	22,063	(489)	21,574
Finance costs				(663)			(663)
Share of results of associates	-	-	(1)	(1)	-	-	(1)
Impairment loss recognised in relation to goodwill arising on acquisition of associates	-	-	(1,635)	(1,635)	-	-	(1,635)
(Loss)/Profit before taxation				(10,710)			10,724
Taxation				-			-
Loss from continuing operations				(10,710)			
Profit for the period							10,724

5. LOSS FROM OPERATIONS

	Six months ended 30 September	
	2005	2004
	HK$'000	*HK$'000*
		(Restated)
Loss from operations has been arrived at after charging/(crediting):		
Cost of goods sold	**28,477**	65,875
Depreciation	**658**	532
Loss on write-off of property, plant and equipment	**39**	29
Rental income	**–**	(600)
Royalty income	**(205)**	(888)

6. FINANCE COSTS

	Six months ended 30 September	
	2005	2004
	HK$'000	*HK$'000*
Interest on short term loan wholly repayable within five years	**1,099**	663

7. TAXATION

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profits for both periods.

Pursuant to a notice dated 7 March 2005 issued by Shanghai Local Tax Bureau Xu Hui Branch, 上海歐裝貿易有限公司, a subsidiary of the Group, is exempted from The People's Republic of China (the "PRC") enterprise income tax (the "EIT") for the period from 1 May 2004 to 31 December 2006. No provision for the EIT has been made for other subsidiaries operating in the PRC as they did not generate any assessable profits for both periods.

8. DISCONTINUED OPERATIONS

In March 2004, the Group entered into two sale and purchase agreements to dispose of United Asia Terminal Holdings Limited and its subsidiaries ("United Asia Group") and Jungjin Logistics Development Limited and its subsidiaries ("Jungjin Logistics Group"). United Asia Group and Jungjin Logistics Group were principally engaged in container depots and logistics management services operations; and freight forwarding and vessel operating common carrier services operations, respectively. The disposals were completed in April 2004 and details of the profit from discontinued operations were as follows:

	Six months ended 30 September 2004 *HK$'000*
Turnover	2,013
Loss for the period	(140)
Gain on disposal of subsidiaries attributable to discontinued operations	21,574
	21,434

9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to equity holders of the parent for the Period of approximately HK$13,552,000 (30 September 2004: profit of approximately HK$10,689,000) and on the weighted average number of approximately 437,108,000 ordinary shares (30 September 2004: weighted average number of approximately 364,308,000 ordinary shares) in issue during the Period.

No disclosure of diluted (loss)/earnings per share has been presented as there were no dilutive potential shares in issue during both periods.

10. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the Period (2004: Nil).

11. PROPERTY, PLANT AND EQUIPMENT

	HK$'000
Net book value at 31 March 2005	1,430
Exchange alignment	12
Additions	618
Written off	(39)
Depreciation	(658)
Net book value at 30 September 2005	1,363

12. GOODWILL

	HK$'000
At 1 April 2005	6,433
Impairment loss	(3,118)
At 30 September 2005	3,315

For the purposes of impairment reviews, the recoverable amount of goodwill, based on value in use calculation, is determined by the discounted cash flow projections based on the financial budget approved by the management. There are judgements, a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget. Key assumptions include the expected growth in revenues, timing of capital expenditures and selection of discount rate to reflect the risks involved, ranging from 3% to 7%.

13. INTEREST IN AN UNCONSOLIDATED SUBSIDIARY AND AMOUNT DUE TO AN UNCONSOLIDATED SUBSIDIARY

	At 30 September 2005	At 31 March 2005
	HK$'000	*HK$'000*
Interest stated at carrying value	**3,519**	3,519
Less: Impairment losses	**(2,360)**	(2,360)
	1,159	1,159
Amount due to an unconsolidated subsidiary	**(1,159)**	(1,159)

13. INTEREST IN AN UNCONSOLIDATED SUBSIDIARY AND AMOUNT DUE TO AN UNCONSOLIDATED SUBSIDIARY *(Continued)*

Particulars of the unconsolidated subsidiary held by the Group at 30 September 2005 are as follows:

Name	Place of registration and operations	Percentage of equity attributable to the Group Indirect
Shanghai Fuda Jewellery Company Limited ("Fuda")	the PRC	57%

The Group has been unable to exercise its rights as a major shareholder of Fuda throughout the Period. Accordingly, the Group has been unable either to control the assets and operations or to exercise significant influence over the financial and operating policy decisions of Fuda. In view of the above, the financial statements of Fuda have not been consolidated. Based on the latest information available to the Directors, the principal activity of Fuda is jewellery subcontracting.

The Directors, to their best knowledge, are satisfied that the Group has no material obligations or commitments in respect of Fuda that require either adjustment to or disclosure in the unaudited condensed consolidated financial statements.

The Group has not been able to obtain the financial information since the date of acquisition of Fuda.

14. AVAILABLE-FOR-SALE INVESTMENTS

	At 30 September 2005 HK$'000	At 31 March 2005 HK$'000
Equity Securities listed in Hong Kong at fair value	**8,579**	–

Deficits on fair value of the available-for-sale investments of approximately HK$7,074,000 were recognised in the investment revaluation reserve during the Period.

15. INVENTORIES

	At 30 September 2005 HK$'000	At 31 March 2005 HK$'000
Merchandise goods for sales – Apparel	**39,245**	40,728

16. TRADE AND OTHER DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows a credit period normally ranging from cash on delivery to 120 days to its trade customers.

At 30 September 2005, the balance of trade and other debtors, deposits and prepayments included trade debtors of approximately HK$12,455,000 (31 March 2005: HK$6,088,000). An aged analysis of trade debtors, net of provision for bad and doubtful debts at the reporting dates is as follows:

	At 30 September 2005 *HK$'000*	At 31 March 2005 *HK$'000*
0 – 60 days	**8,402**	3,603
61 – 90 days	**509**	694
91 – 180 days	**3,544**	1,073
181 – 365 days	**–**	718
	12,455	6,088

17. TRADE AND OTHER CREDITORS

At 30 September 2005, the balance of trade and other creditors included trade creditors of approximately HK$5,617,000 (31 March 2005: HK$4,115,000). An aged analysis of the trade creditors at the reporting dates are as follows:

	At 30 September 2005 *HK$'000*	At 31 March 2005 *HK$'000*
0 – 60 days	**4,364**	3,439
61 – 90 days	**–**	578
91 – 180 days	**–**	98
181 – 365 days	**1,253**	–
	5,617	4,115

18. SHORT TERM LOAN

At 30 September 2005, the short term loan was extended by an independent third party which is interest bearing at 1% per annum over bank's best lending rate and due on 30 September 2006. The loan is secured by a pledge of all issued share capital in and the shareholder loan to Full Ahead Limited ("Full Ahead"), a wholly-owned subsidiary of the Group. Full Ahead is the holding company of the subsidiaries which are mainly engaged in apparel trading.

19. SHARE CAPITAL

	Number of shares	*HK$'000*
Authorised:		
At 31 March 2005 and 30 September 2005:		
Ordinary shares of HK$0.001 each	300,000,000,000	300,000
Issued and fully paid:		
At 1 April 2004:		
Ordinary shares of HK$0.001 each	364,308,262	364
Placing of new shares	72,800,000	73
At 31 March 2005 and 30 September 2005:		
Ordinary shares of HK$0.001 each	437,108,262	437

On 15 December 2004, 72,800,000 ordinary shares of HK$0.001 each were issued at HK$0.095 per share through a private placing to independent third parties.

20. RESERVES

	Share premium HK$'000	Translation reserve HK$'000	Negative goodwill reserve HK$'000	Capital redemption reserve HK$'000	Investment revaluation reserve HK$'000	Reserve funds HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2005, as previously reported	681,589	9	26,986	1,190	-	135	(660,141)	49,768
Opening adjustment in respect of adoption of HKFRS 3 (Note 2(a)(ii))	-	-	(26,986)	-	-	-	26,986	-
At 1 April 2005, as restated	681,589	9	-	1,190	-	135	(633,155)	49,768
Fair value changes on available-for-sale investments	-	-	-	-	(7,074)	-	-	(7,074)
Exchange differences on translation of foreign operations	-	(9)	-	-	-	-	-	(9)
Reserve realised upon disposal of associates	-	(9)	-	-	-	-	-	(9)
Loss for the Period	-	-	-	-	-	-	(13,552)	(13,552)
At 30 September 2005	681,589	(9)	-	1,190	(7,074)	135	(646,707)	29,124

21. CONTINGENCIES AND COMMITMENTS

(a) Litigation

On 13 March 2003, Total Resources Limited ("Total Resources") issued a Writ of Summons at the District Court against the Company for HK$304,000 being fees allegedly due to Total Resources for secondment services in relation to provision of company secretary under a service agreement dated 1 August 2001 (the "Service Agreement"). On 2 May 2003, Total Resources amended its Statement of Claim and then increased its claim to HK$1,064,000 being damages for repudiation of the Service Agreement. On 20 May 2003, an Order was granted by the District Court for the above action to be transferred to the High Court.

The sum of approximately HK$343,000 representing outstanding services fees together with interest was paid to the High Court on 21 April 2004 in satisfaction of Total Resources' claims. Based on the legal advice obtained, the Directors strongly believed that the Group had reasonable good chances of successfully defending the remaining part of the claims. Hence, no further provision has been made in the unaudited condensed consolidated financial statements.

(b) Capital commitments

	At 30 September 2005 *HK$'000*	At 31 March 2005 *HK$'000*
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
Acquisition of properties in Malaysia	**105,281**	105,281
Acquisition of plant and equipment	**975**	–
	106,256	105,281

22. RELATED PARTY TRANSACTIONS

(i) Key management compensations:

During the Period, the Group had incurred the short-term employee and post-employment benefits for the key management personnel with amounts of approximately HK$682,000 and HK$6,000 respectively (30 September 2004: HK$276,000 and HK$Nil).

(ii) Save as disclosed above and in the condensed consolidated balance sheet, the Group did not have any significant related party transactions during both periods.

23. BUSINESS COMBINATION

On 30 June 2005, the Group acquired 100% of the share capital of French Trade Marketing Limited, a contract signing agent on behalf of the Group operating in Hong Kong. The acquiree had no significant contribution to the Group's turnover and results for the period from 1 July 2005 to 30 September 2005.

The excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition in the amount of approximately HK$36,000 was fully recognised as income for the Period and the details were as follows:

	HK$'000
Purchase consideration:	
– Cash paid	(2)
Assignment of amount due from the subsidiary	28,868
Fair value of net liabilities acquired – shown as below	(28,830)
	36

23. BUSINESS COMBINATION *(Continued)*

The assets and liabilities arising from the acquisition were as follows:

	Acquiree's carrying amount/Fair value
	HK$'000
Bank and cash balances	574
Receivables	16
Payables	(552)
Amount due to an immediate holding company	(28,868)
Net liabilities acquired	(28,830)
Purchase consideration settled in cash	(2)
Cash and cash equivalents in the subsidiary acquired	574
Cash inflow on acquisition	572

24. EVENTS AFTER THE BALANCE SHEET DATE

The Company announced on 18 October 2005 a proposal to raise approximately HK$30 million before expenses by an open offer of 1,311,324,786 shares at a subscription price of HK$0.023 per share (the "Open Offer"), which was approved by the shareholders at a special general meeting held on 25 November 2005. After completion of the Open Offer on 15 December 2005, the number of issued shares of the Company increased from 437,108,262 to 1,748,433,048.

MANAGEMENT DISCUSSION AND ANALYSIS

For the Period, the Group recorded a consolidated turnover of approximately HK$47.8 million, representing a decrease of approximately 44.4% from HK$86.0 million in the last corresponding period. Loss from operations increased from approximately HK$8.4 million in the last corresponding period to approximately HK$12.5 million for the Period. The Group recorded a consolidated loss of approximately HK$13.6 million for the Period, against a consolidated profit of approximately HK$10.7 million in the last corresponding period which was mainly due to a gain of approximately HK$21.6 million from disposing of subsidiaries.

REVIEW OF OPERATIONS

Apparel Trading and Retailing

For the Period, the segment recorded a turnover of HK$43.2 million, slightly decreased from HK$46.8 million in the last corresponding period. It resulted in a loss of HK$7.3 million, compared with a loss of HK$4.3 million previously.

The management had continued its efforts to uplift its brand image, merchandise and store image amid its business rejuvenation. The first flagship store in Maison Mode Departmental Store in Shanghai, the PRC was opened in July 2005. During the Period, the operation also succeeded its efforts in clearance of aging stocks and would continue to do so in the future.

The apparel collection is currently available in over 25 mainland cities with a distribution network of over 60 sales outlets.

REVIEW OF OPERATIONS *(Continued)*

Securities Trading and Financial Services

The segment saw a decrease in turnover from approximately HK$39.1 million in the last corresponding period to approximately HK$4.6 million for the Period. The decrease in turnover is mainly due to a more prudent investment approach combined with a slight change of its portfolio composition to include longer term investment. As a result, the segment saw a turnaround from a loss of approximately HK$6,000 in the last corresponding period to a profit of approximately HK$149,000 for the Period.

Long Distance and Continuing Education

There was no contribution from this segment as the Company hoped to keep a cautious approach in the potential but competitive market. It faced fierce competition from domestic institutions as well as overseas schools such as Hong Kong universities which had established their presence in major cities in the PRC. The management realized it had to put more efforts to find its edges in the market.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2005, the Group employed 176 permanent employees, including 87 employees in Hong Kong and 89 in the PRC. The Group continued to review the remuneration packages of employees with reference to the level and composition of pay, general market conditions 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 30 September 2005 were approximately HK$14.4 million and approximately HK$71.5 million which were financed by non-current liabilities, current liabilities and shareholders' equity of approximately HK$2.1 million, HK$54.3 million and HK$29.5 million respectively.

The gearing ratio (calculated by short term loan as a percentage to the net assets value of the Group) of the Group was increased from 32.7% as at 31 March 2005 to 113.6% as at 30 September 2005.

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

The total number of issued shares of the Company throughout the Period was 437,108,262 shares. Subsequently, the Company announced on 18 October 2005 a proposal to raise approximately HK$30 million before expenses by an Open Offer of 1,311,324,786 shares at a subscription price of HK$0.023 per share which was approved by the shareholders at a special general meeting held on 25 November 2005. After completion of the Open Offer on 15 December 2005, the number of issued shares of the Company increased to 1,748,433,048.

CHARGES ON ASSETS

Short term loan was secured by the Group's equity interest in a subsidiary and a charge on loan due by this subsidiary. It was repayable within one year. Apart from the above, pledged bank deposits of approximately HK$5.0 million were used to secure general banking facilities granted to the Group.

PROSPECTS

The management will continue its efforts to expand the distributing and retail networks of the apparel operation in the PRC. It is also looking for other potential European brands that would be a compliment to the Group's portfolio.

With the recent completion of the Open Offer, the Group will be having a more healthy balance sheet as well as better financial resources which allows it to develop its existing business and at the same time to seek new investment opportunities.

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

As at 30 September 2005, the interests and short positions of the Directors and chief executives of the Company 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 ("SFO")) which were required, pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") of the Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

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 ("Mr. Alex Wong")	Interest of a controlled corporation	84,042,650	19.23%

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES *(Continued)*

Long position in shares of the Company *(Continued)*

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 30 September 2005, none of the Directors or chief executives of the Company had any interests or short positions 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 SFO) which were required, pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code of the Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2005, so far as known to any Director or chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or had any option in respect of such capital:

Long position in shares of the Company

Name of shareholder	Nature of interest	Number of ordinary shares held	Percentage of shareholding
Expert Rich *(Notes 1 & 3)*	Interest of a controlled corporation	84,042,650	19.23%
Gomes Maria Da Silva Rubi Angela *(Notes 2 & 3)*	Family	84,042,650	19.23%

Note:

1. The shares were registered in the name of Leopard Vision. The entire issued share capital of Leopard Vision was held by Byford which in turn was held by Expert Rich. Expert Rich was wholly owned by Mr. Alex Wong, a Director of the Company.

2. By virture of the aforesaid interest of Mr. Alex Wong, Ms. Gomes Maria Da Silva Rubi Angela, spouse of Mr. Alex Wong, was also deemed to be interested in the above 84,042,650 shares held by Leopard Vision.

3. The above shares were the same shares as set out under paragraph above headed "Directors' and Chief Executives' Interests and Short Positions in Securities".

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Save as disclosed above, as at 30 September 2005, so far as is known to the Directors or chief executives of the Company, no other person (not being a Director or chief executive of the Company) had any interests or short positions in shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange, under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or held any option in respect of such capital.

CORPORATE GOVERNANCE

The Company had complied throughout the Period with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules except with the following deviation:–

Code A.2.1

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

The Chairman of the Board, Mr. Wong Ching Ping, Alex, provides leadership as well as supervisory role in the management to the Board. The Company does not have a chief executive officer and the day-to-day management of the Company's business operations is shared among the executive Directors. The Company will at all times ensure that there is a clear division of these responsibilities at the board level to maintain a balance of power and authority.

CORPORATE GOVERNANCE *(Continued)*

Code A.4.1

This Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election.

None of the existing non-executive Directors of the Company is appointed for a specific term. However, in accordance with the Bye-laws of the Company, one-third of the Directors for the time being shall retire by rotation (provided that every Director shall be subject to retirement at least once every three years) and be eligible for re-election at the annual general meeting of the Company. As such, even though each non-executive Director is not appointed for a specific term, his term of office is the period up to his retirement by rotation in accordance with the Bye-laws of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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 Period.

By Order of the Board
Wong Ching Ping, Alex
Chairman

Hong Kong, 19 December 2005

Executive Directors:
Wong Ching Ping, Alex *(Chairman)*
Lim Direk

Non-executive Director:
Wan Choi Ha

Independent Non-executive Directors:
Chu Kar Wing
Chow King Wai
Tang Yiu Wing