

NOTES TO THE FINANCIAL STATEMENTS

*For the period from 26 April 2002 (Date of Incorporation)
to 31 March 2003*

1. GENERAL

The Company is an investment company incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 26 April 2002. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 19 September 2002.

The Group is principally engaged in investing in listed and unlisted companies in the People's Republic of China, Hong Kong and Taiwan.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except that, as disclosed in the principal accounting policies below, certain investments in securities are stated at fair value.

3. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the Board of Directors; or to cast majority of votes at the meetings of the Board of Directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 26 April 2002 (Date of Incorporation)
to 31 March 2003

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(a) Consolidation (Continued)

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(b) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) Proceeds from the disposal of securities are recognised on the trade date when a sale and purchase contract is entered into;
- (ii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable; and
- (iii) Dividend income is recognised when the right to receive payment is established.

(c) Impairment of assets

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the income statement except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 26 April 2002 (Date of Incorporation)
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3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Impairment of assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(d) Investments in securities

Securities transactions are accounted for on a trade date basis and gains and losses on securities are calculated on a first in, first out basis.

(i) Non-trading securities

Non-trading securities are investments in securities not intended to be held for trading purposes.

Investments which are held for non-trading purposes are stated at fair value at the balance sheet date. Changes in the fair value of individual securities are credited or debited to the investment revaluation reserve until the security is sold, or is determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, is dealt with in the income statement.

Where there is objective evidence that individual investments are impaired the cumulative loss recorded in the revaluation reserve is taken into the income statement.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 26 April 2002 (Date of Incorporation)
to 31 March 2003

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Investments in securities (Continued)

(ii) Trading securities

Trading securities are investments in securities held for trading purposes.

Trading securities are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities are recognised in the income statement. Profits or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the income statement as they arise.

(e) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash on hand, demand deposits and, short term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value, and have a short maturity of generally within three months when acquired. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(f) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(g) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long-service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 26 April 2002 (Date of Incorporation)
to 31 March 2003

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(g) Employee benefits (Continued)

(i) Employee leave entitlements (Continued)

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to a defined contribution retirement scheme which is available to all employees. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefits scheme cost charged to the income statement represents contributions payable by the Group to the fund.

(h) Foreign currency translation

Transactions in foreign currencies are translated into Hong Kong dollars at the approximate rates of exchange ruling on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the income statement.

(i) Share option schemes

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants for their contribution and support to the Group. The financial impact of share options granted under the share option schemes is not recorded in the Company's and the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which have lapsed, are deleted from the register of outstanding options and have no impact on the income statement or balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 26 April 2002 (Date of Incorporation)
to 31 March 2003

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(j) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

(k) Taxation

The charge for taxation is based on the results for the period as adjusted for items which are non-assessable or disallowable. Hong Kong profits tax has been provided at the rate prevailing for the period based on the assessable profit for the period.

Deferred taxation is provided using the liability method on all material timing differences, other than those which are not expected to crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

(l) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 26 April 2002 (Date of Incorporation)
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3. PRINCIPAL ACCOUNTING POLICIES (Continued)

(I) Contingent liabilities and contingent assets (Continued)

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

4. REVENUE AND TURNOVER

An analysis of turnover and other revenue is as follows:

	<i>HK\$</i>
Turnover	
Proceeds from sale of trading securities	2,288,600
Other revenue	
Interest income	79,232
Dividend income from trading securities	10,400
Sundry income	5
	<u>89,637</u>
Total revenue	<u><u>2,378,237</u></u>

5. SEGMENT INFORMATION

No segment information is presented as all of the turnover, contribution to operating results, assets and liabilities of the Group are attributable to investment activities which are carried out or originated principally in Hong Kong.

6. NET UNREALISED GAIN ON TRADING SECURITIES

The amount represents net unrealised gain arising from changes in fair values of trading securities during the period.

NOTES TO THE FINANCIAL STATEMENTS

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7. PROFIT FROM OPERATIONS

Profit from operations for the period is stated after charging the following:

	HK\$
Auditors' remuneration	100,000
Staff costs (including directors' remuneration)	174,619
Contributions to retirement benefits scheme (already included in staff costs) (note 21)	2,499
	<u>2,499</u>

8. TAXATION

(a) No provision for Hong Kong profits tax has been made in the financial statements as the Group has no assessable profit for the period.

(b) Deferred taxation

Group and Company
HK\$

Deferred taxation for Hong Kong profits tax	200,000
	<u>200,000</u>

Deferred taxation is calculated on material timing differences under the liability method.

There were no significant potential deferred tax liabilities for which provision has not been made.

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders dealt with in the financial statements of the Company amounted to HK\$1,913,288.

NOTES TO THE FINANCIAL STATEMENTS

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10. DIVIDENDS

	<i>HK\$</i>
Interim, paid, of HK\$0.05 per ordinary share	<u>4,010,000</u>

An interim dividend was declared by the Board of Directors of the Company on 3 January 2003. The interim dividend was paid partly out of unrealised profits (HK\$1,864,235) and partly out of the share premium account (HK\$2,145,765) of the Company on 21 January 2003.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders for the period of HK\$1,907,288 and the weighted average of 51,252,118 ordinary shares in issue during the period.

The share options outstanding as set out in note 17 did not have a material dilutive effect on the basic earnings per share.

12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors

The aggregate amounts of emoluments payable to Directors of the Company during the period are as follows:

	<i>HK\$</i>
Fees	16,000
Other emoluments	
Basic salaries and other benefits	107,120
Contributions to retirement benefits scheme	<u>—</u>
	<u>123,120</u>

Directors' fees of HK\$16,000 disclosed above were payable to two Independent Non-Executive Directors.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 26 April 2002 (Date of Incorporation)
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12. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS (Continued)

(a) Directors (Continued)

The emoluments of each of the Directors fell within the remuneration band of HK\$Nil to HK\$1,000,000.

No Directors waived any emoluments and no emoluments were paid to the Directors as inducement to join or upon joining the Company or as compensation for loss of office during the period.

(b) Five highest paid individuals

The aggregate amounts of emoluments payable to the five highest paid individuals of the Group during the period are as follows:

	<i>HK\$</i>
Basic salaries and other benefits	150,000
Contributions to retirement benefits scheme	2,499
	<hr/>
	152,499
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The emoluments of each of the individuals fell within the remuneration band of HK\$Nil to HK\$1,000,000.

No emoluments were paid to these individuals as inducement to join or upon joining the Group or as compensation for loss of office during the period.

13. INVESTMENT IN A SUBSIDIARY

	Company <i>HK\$</i>
Unlisted shares, at cost	780
Amount due from a subsidiary	5,220
	<hr/>
	6,000
	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the period from 26 April 2002 (Date of Incorporation)
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13. INVESTMENT IN A SUBSIDIARY (Continued)

The amount due from a subsidiary is unsecured, interest free and has no fixed terms of repayment.

Details of the subsidiary at 31 March 2003 are as follows:

Name of subsidiary	Place of incorporation	Issued and fully paid-up capital	Percentage of equity attributable to the Group	Principal activities
Friedmann Pacific Greater China Holdings Limited	British Virgin Islands	100 ordinary shares of US\$1 each	100%	Dormant

14. NON-TRADING SECURITIES

	Group and Company HK\$
Equity securities, at fair value	
— Listed in Hong Kong	<u>3,300,000</u>
Market value of listed equity securities	<u>3,300,000</u>

Details of the non-trading securities are as follows:

Name of investee company	Place of incorporation	Number of shares held	Proportion of investee company's capital owned	Cost HK\$	Unrealised loss HK\$	Market value HK\$	Net assets attributable to the Group HK\$
CEC International Holdings Limited ("CEC International")	Bermuda	30,000,000 ordinary shares of HK\$0.1 each	4.33%	5,333,490	(2,033,490)	3,300,000	13,393,772

CEC International is principally engaged in design, development, manufacture and sale of a wide range of coils, capacitors and other electronic components. The unaudited consolidated profit attributable to shareholders of CEC International for the nine months ended 31 January 2003 was approximately HK\$5,310,000. At 31 January 2003, the unaudited consolidated net asset value of CEC International was approximately HK\$309,325,000.

NOTES TO THE FINANCIAL STATEMENTS

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15. TRADING SECURITIES

	Group and Company HK\$
Equity securities, at fair value	
— Listed in Hong Kong	<u><u>21,420,100</u></u>
Market value of listed equity securities	<u><u>21,420,100</u></u>

Details of the trading securities are as follows:

Name of investee company	Place of incorporation	Number of shares held	Proportion of investee company's capital owned	Cost HK\$	Unrealised gain/(loss) HK\$	Market value HK\$	Net assets attributable to the Group HK\$
(a) Sun Hung Kai Properties Limited ("Sun Hung Kai") *	Hong Kong	6,000 ordinary shares of HK\$0.5 each	0.00025%	243,100	(18,700)	224,400	320,450
(b) Cathay Pacific Airways Limited ("Cathay Pacific")	Hong Kong	22,000 ordinary shares of HK\$0.2 each	0.00066%	234,500	(25,500)	209,000	211,959
(c) CEC International	Bermuda	6,470,000 ordinary shares of HK\$0.1 each	0.93%	1,294,000	(582,300)	711,700	2,876,722
(d) Hua Lien International (Holding) Company Limited ("Hua Lien")	Cayman Islands	20,000,000 ordinary shares of HK\$0.1 each	2.91%	7,180,000	8,220,000	15,400,000	18,868,440
(e) Value Convergence Holdings Limited ("Value Convergence")	Hong Kong	14,000,000 ordinary shares of HK\$0.1 each	0.59%	918,000	(64,000)	854,000	766,339
(f) Grandmass Enterprise Solution Limited ("Grandmass Enterprise")	Bermuda	263,100,000 ordinary shares of HK\$0.01 each	18.27%	7,453,000	(3,769,600)	3,683,400	3,691,453
(g) Fast Systems Technology (Holdings) Limited ("Fast Systems")	Cayman Islands	4,220,000 ordinary shares of HK\$0.1 each	0.70%	517,560	(179,960)	337,600	417,487
				<u>17,840,160</u>	<u>3,579,940</u>	<u>21,420,100</u>	

* Dividend received from Sun Hung Kai for the period ended 31 March 2003 amounted to HK\$8,400.

NOTES TO THE FINANCIAL STATEMENTS

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15. TRADING SECURITIES (Continued)

A brief description of the business and financial information of the listed investee companies, based on their latest published quarterly, interim or annual reports, at the balance sheet date is as follows:

- (a) Sun Hung Kai is principal engaged in development of and investment in properties for sale and rental purposes. The unaudited consolidated profit attributable to shareholders of Sun Hung Kai for the six months ended 31 December 2002 was approximately HK\$3,740 million. At 31 December 2002, the unaudited consolidated net asset value of Sun Hung Kai was approximately HK\$128,180 million.
- (b) Cathay Pacific is principally engaged in operating scheduled airline services, airline catering, aircraft handling and engineering. The audited consolidated profit attributable to shareholders of Cathay Pacific for the year ended 31 December 2002 was approximately HK\$3,983 million. At 31 December 2002, the audited consolidated net asset value of Cathay Pacific was approximately HK\$32,115 million.
- (c) CEC International is principally engaged in design, development, manufacture and sale of a wide range of coils, capacitors and other electronic components. The unaudited consolidated profit attributable to shareholders of CEC International for the nine months ended 31 January 2003 was approximately HK\$5,310,000. At 31 January 2003, the unaudited consolidated net asset value of CEC International was approximately HK\$309,325,000.
- (d) Hua Lien is principally engaged in manufacture and sale of leather. The audited consolidated profit attributable to shareholders of Hua Lien for the year ended 31 December 2002 was approximately HK\$30,052,000. At 31 December 2002, the audited consolidated net asset value of Hua Lien was approximately HK\$648,400,000.
- (e) Value Convergence is principally engaged in provision of securities brokerage, commodities trading and corporate finance business together with comprehensive online trading and related systems to financial institutions and intermediaries in Asia. The unaudited consolidated loss attributable to shareholders of Value Convergence for the six months ended 31 March 2003 was approximately HK\$24,705,000. At 31 March 2003, the unaudited consolidated net asset value of Value Convergence was approximately HK\$129,888,000.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 26 April 2002 (Date of Incorporation)
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15. TRADING SECURITIES (Continued)

- (f) Grandmass Enterprise is principally engaged in the sale of proprietary ERP software package, accounting and data application systems, provision of services including information technology consultancy, customised software development, computer system integration and system deployment support. The audited consolidated loss attributable to shareholders of Grandmass Enterprise for the year ended 31 December 2002 was approximately HK\$22,837,000. At 31 December 2002, the audited consolidated net asset value of Grandmass Enterprise was approximately HK\$20,205,000.
- (g) Fast Systems is principally engaged in manufacture and sale of customised synthetic sapphire watch crystals used in the watch manufacturing industry. The audited consolidated loss attributable to shareholders of Fast Systems for the year ended 31 December 2002 was approximately HK\$3,272,000. At 31 December 2002, the audited consolidated net asset value of Fast Systems was approximately HK\$59,641,000.

16. SHARE CAPITAL

	Authorised ordinary shares of HK\$0.01 each	
	Number of shares	HK\$
On 26 April 2002	39,000,000	390,000
Increase in authorised ordinary share capital	1,961,000,000	19,610,000
At 31 March 2003	2,000,000,000	20,000,000

NOTES TO THE FINANCIAL STATEMENTS

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to 31 March 2003

16. SHARE CAPITAL (Continued)

	Issued and fully paid ordinary shares of HK\$0.01 each	
	Number of shares	HK\$
Allotted and issued on incorporation	1	—
Issue of shares to the then shareholders of the Company	23,999,999	240,000
Issue of shares through placing and public offer	56,200,000	562,000
At 31 March 2003	80,200,000	802,000

On incorporation, the authorised share capital of the Company was HK\$390,000 divided into 39,000,000 ordinary shares of HK\$0.01 each. One subscriber share was issued at HK\$0.01 for cash.

On 31 August 2002, the authorised ordinary share capital of the Company was increased from HK\$390,000 to HK\$20,000,000 by the creation of 1,961,000,000 shares of HK\$0.01 each. These shares rank pari passu in all respects with the then existing shares.

On 31 August 2002, 23,999,999 ordinary shares of HK\$0.01 each were issued and fully paid at HK\$0.50 each. The excess over the par value of the shares issued was credited to the share premium account.

Pursuant to the prospectus dated 10 September 2002 issued by the Company and by means of placing and public offer, the Company issued a total of 56,200,000 ordinary shares of HK\$0.01 each at a price of HK\$0.50 per share. The excess over the par value of the shares issued was credited to the share premium account.

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*For the period from 26 April 2002 (Date of Incorporation)
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17. SHARE OPTIONS

(a) Share Option Scheme

The Share Option Scheme was conditionally approved by an ordinary resolution of the then shareholder on 31 August 2002. The major terms of the Scheme are summarised as follows:

- (i) The Share Option Scheme enables the Company to grant options to selected participants as incentives and/or rewards for their contribution and support to the Group.
- (ii) The participants of the Share Option Scheme include any employee, director, adviser, consultant, agent or business affiliates who, at the sole determination of the board of directors, as incentives for their contribution to the Group.
- (iii) HK\$1 is payable by the grantee to the Company on acceptance of the option offer. The option offer will be offered for acceptance for a period of 28 days from the date on which the offer is granted.
- (iv) The subscription price for shares under the Share Option Scheme shall be a price notified by the Directors to a participant and shall be at least the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the offer date which must be a business day; and (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the offer date provided that the subscription price shall not be lower than the nominal value of the shares.
- (v) The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the relevant class of securities of the Company in issue from time to time.
- (vi) The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes for the time being of the Company must not, in aggregate, exceed 8,020,000 shares unless an approval by the shareholders at general meeting has been obtained.

NOTES TO THE FINANCIAL STATEMENTS

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17. SHARE OPTIONS (Continued)

(a) Share Option Scheme (Continued)

- (vii) An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the tenth anniversary of the Share Option Scheme.
- (viii) The Share Option Scheme will remain valid for a period of 10 years commencing from 31 August 2002 saved as early terminated in accordance with the Share Option Scheme.

No option has been granted under the Share Option Scheme since its adoption on 31 August 2002.

(b) Pre-initial Public Offering Share Option Scheme (“Pre-IPO Share Option Scheme”)

The Pre-IPO Share Option Scheme was adopted by written resolutions of the then sole shareholder of the Company on 31 August 2002, and options granted thereunder are subject to substantially the same terms and conditions as those of the Share Option Scheme, except that the subscription price for the shares a grantee is entitled to subscribe under an option granted under the Pre-IPO Share Option Scheme is different. The subscription price for the shares under the Pre-IPO Share Option Scheme is HK\$0.60 per share. The grantees are permitted to exercise options granted under the Pre-IPO Share Option Scheme during the period commencing from the expiry of six months from 19 September 2003 and up to 19 September 2004.

At the balance sheet date, options to subscribe for a total of 3,200,000 shares have been granted to three Executive Directors and two Non-Executive Directors under the Pre-IPO Share Option Scheme for a consideration of HK\$1 from each of them. No further options can be granted under the Pre-IPO Share Option Scheme after 19 September 2002.

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For the period from 26 April 2002 (Date of Incorporation)
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17. SHARE OPTIONS (Continued)

(b) Pre-initial Public Offering Share Option Scheme (“Pre-IPO Share Option Scheme”) (Continued)

The following share options were outstanding under the Pre-IPO Share Option Scheme during the period ended 31 March 2003:

Date of share options granted	Exercise price per share HK\$	Number of outstanding options	Exercisable period (both days inclusive)
31 August 2002	0.60	3,200,000	19 March 2003 to 19 September 2004

No options were exercised, cancelled or lapsed during the period ended 31 March 2003.

18. RESERVES

	Share premium HK\$	Investment revaluation reserve HK\$	Accumulated profits HK\$	Group Total HK\$
Deficit on revaluation of non-trading securities	—	(2,033,490)	—	(2,033,490)
Premium arising from issue of shares	39,298,000	—	—	39,298,000
Share issue expenses	(3,739,086)	—	—	(3,739,086)
Profit for the period	—	—	1,907,288	1,907,288
Interim dividend paid	(2,145,765)	—	(1,864,235)	(4,010,000)
At 31 March 2003	33,413,149	(2,033,490)	43,053	31,422,712

NOTES TO THE FINANCIAL STATEMENTS

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18. RESERVES (Continued)

	Company			
	Share premium	Investment revaluation reserve	Accumulated profits	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Deficit on revaluation of non-trading securities	—	(2,033,490)	—	(2,033,490)
Premium arising from issue of shares	39,298,000	—	—	39,298,000
Share issue expenses	(3,739,086)	—	—	(3,739,086)
Profit for the period	—	—	1,913,288	1,913,288
Interim dividend paid	(2,145,765)	—	(1,864,235)	(4,010,000)
	<u>33,413,149</u>	<u>(2,033,490)</u>	<u>49,053</u>	<u>31,428,712</u>
At 31 March 2003	33,413,149	(2,033,490)	49,053	31,428,712

At the balance sheet date, the deficit in the investment revaluation reserve represents the net unrealised losses arising from the changes in fair value of non-trading securities.

Under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, share premium of the Company is distributable to the shareholders of the Company subject to the provisions of the Memorandum and Articles of Association and a statutory solvency test. The Articles of Association provide that an ordinary resolution passed by the shareholders of the Company is required for any distribution out of the share premium account.

The Company's reserves available for distribution comprise the share premium and accumulated profits. In the opinion of the Directors, the Company's reserves available for distribution to the shareholders at 31 March 2003 was HK\$33,462,202.

19. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share is based on the net asset value of the Group as at 31 March 2003 of HK\$32,224,712 and 80,200,000 ordinary shares in issue at that date.

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20. RELATED PARTY TRANSACTIONS

During the period ended 31 March 2003, the Group had entered into the following significant related party transactions which, in the opinion of the Directors, were carried out on normal commercial terms and in ordinary course of the Group's business:

	Name of related party	Nature of transactions and balances	HK\$
(a)	Friedmann Pacific Investment Consultants Limited	Accrued rental and utilities charges (notes i and ii)	84,677
(b)	Friedmann Pacific Investment Consultants Limited	Management fee (notes i and iii)	450,130

Note:

- (i) Mr. SUEN Hoi Wan, Steven is a common Director of Friedmann Pacific Investment Consultants Limited ("FPICL") and the Company.

The Director, Mr. LEUNG Koon Sing, and the Ex-Director, Mr. YUEN Man Yiu, both have beneficial interests in FPICL at the balance sheet date (being 10% and 0.0005% respectively).

- (ii) The rental and utilities charges were based on a mutually agreed rate in respect of the provision of the principal place of business of the Company.
- (iii) The Company has entered into an Investment Management Agreement with FPICL, the Investment Manager, for a period commencing from 19 September 2002 and expiring on the third anniversary thereof and shall continue for successive period of three years unless terminated in accordance with the terms thereof. FPICL is entitled to receive an investment management fee on a quarterly basis at a rate of 2% per annum of the net asset value as at the valuation date as defined in the agreement.

NOTES TO THE FINANCIAL STATEMENTS

*For the period from 26 April 2002 (Date of Incorporation)
to 31 March 2003*

21. RETIREMENT BENEFITS SCHEME

The Group has participated in a defined contribution Mandatory Provident Fund Scheme (the “Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all eligible employees in Hong Kong. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustee. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees. No forfeited contribution is available to reduce the contributions payable in future years.

The total cost charged to the consolidated income statement of HK\$2,499 represents contributions payable to the Scheme by the Group in respect of the period ended 31 March 2003.

22. COMPARATIVE FIGURES

This is the first set of financial statements prepared by the Group and, accordingly, there are no comparative figures.

23. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 23 July 2003.