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.

Pursuant to a special resolution passed at an extraordinary general meeting held on 19 March 2004, the name of the Company has been changed from FRIEDMANN PACIFIC GREATER CHINA INVESTMENTS LIMITED to GARRON INTERNATIONAL LIMITED.

The Group is principally engaged in investing in listed and unlisted companies in the People's Republic of China (the "PRC"), 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 ("HKSA") 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.

In the current year, the Group adopted the revised Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 12 – Income Taxes issued by HKSA which is effective for accounting periods commencing on or after 1 January 2003.

The principal effect of the implementation of SSAP 12 (revised) is in relation to deferred tax. In previous period partial provision was made for deferred tax using income statement liability method, that is, a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. The revised statement requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements, the new accounting policy has been adopted retrospectively, but the adoption of SSAP 12 (revised) has not had any material effect on the results for the current year or prior accounting period.

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 subsidiary made up to 31 March. A subsidiary is an entity 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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(a) Consolidation (Continued)

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.

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

In the Company's balance sheet, the investment in a subsidiary is stated at cost less provision for impairment losses. The results of subsidiary 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.

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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.

(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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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.

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.

(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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(k) Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowable. Hong Kong profits tax is provided at the rate prevailing for the year based on the assessable profit for the year less allowable losses, if any, brought forward.

Deferred taxation is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted at the balance sheet date are used to determine deferred taxation. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

(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.

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 follow:

	Year ended 31.3.2004 HK$	Period from 26.4.2002 to 31.3.2003 HK$
Turnover		
Proceeds from sale of trading securities	**1,777,062**	2,288,600
Other revenue		
Interest income	**11,439**	79,232
Dividend income from trading securities	**6,160**	10,400
Sundry income	**–**	5
	17,599	89,637
Total revenue	**1,794,661**	2,378,237

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 year.

7. REALISED LOSS ON SALE OF NON-TRADING SECURITIES

The amount represents 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 during the year.

8. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations for the year/period is stated after charging the following:

	Year ended 31.3.2004 HK$	Period from 26.4.2002 to 31.3.2003 HK$
Auditors' remuneration	**120,000**	100,000
Staff costs (including Directors' remuneration)	**814,895**	174,619
Contributions to retirement benefits scheme (already included in staff costs) *(note 22)*	**7,167**	2,499

9. TAXATION

(a) The amount of taxation in the consolidated income statement represents:

	Year ended 31.3.2004 HK$	Period from 26.4.2002 to 31.3.2003 HK$
Deferred taxation	**–**	200,000

No provision for Hong Kong profits tax is required since the Group has no assessable profit for the year (2003: Nil).

(b) The taxation on the Group's (loss)/profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Group as follows:

	Year ended 31.3.2004 HK$	Period from 26.4.2002 to 31.3.2003 HK$
(Loss)/profit before taxation	**(738,606)**	2,107,288
Tax at the domestic income tax rate of 17.5% (2003: 16%)	**(129,256)**	337,166
Tax effect of income that is not taxable in determining taxable profit	**(3,080)**	(14,341)
Tax effect of expenses that are not deductible in determining taxable profit	**33,176**	960
Increase in opening deferred tax liability resulting from an increase in tax rate	**30,355**	–
Tax effect of temporary differences not recognised	**68,805**	(123,785)
Taxation charge	**–**	200,000

9. TAXATION *(Continued)*

(c) Deferred taxation

The major deferred tax liabilities (assets) recognised by the Group and the Company are as follows:

	Group and Company	
	2004	2003
	HK$	*HK$*
Unrealised gain on trading securities	**1,193,303**	449,006
Tax losses	**(993,303)**	(249,006)
	200,000	200,000

At the balance sheet date the Group has unused tax losses of approximately HK$5,361,850 (2003: HK$1,556,286) available for offset against future profits. Tax losses, which are subject to agreement with the Hong Kong Inland Revenue Department, will be carried forward indefinitely.

10. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The (loss)/profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of a loss of HK$744,606 (2003: profit of HK$1,913,288).

11. DIVIDENDS

	Year ended 31.3.2004	Period from 26.4.2002 to 31.3.2003
	HK$	*HK$*
HK$Nil (2003: interim of HK$0.05 per ordinary share)	–	4,010,000

12. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss/earnings per share is based on the Group's loss attributable to shareholders for the year of HK$738,606 (2003: profit of HK$1,907,288) and the weighted average of 80,200,000 (2003: 51,252,118) ordinary shares in issue during the year/period.

Diluted (loss)/earnings per share for the year/period were not disclosed as there were no dilutive potential ordinary shares.

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors

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

	Year ended 31.3.2004 ***HK$***	Period from 26.4.2002 to 31.3.2003 *HK$*
Fees	**192,690**	16,000
Other emoluments		
Basic salaries and other benefits	**392,871**	107,120
	585,561	123,120

Directors' fees of HK$116,690 (2003: HK$16,000) disclosed above were payable to the Independent Non-Executive Directors.

The emoluments of each of the eight (2003: seven) 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 year (2003: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2003: four) Directors whose emoluments are reflected in the analysis presented above.

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

	Year ended 31.3.2004 ***HK$***	Period from 26.4.2002 to 31.3.2003 *HK$*
Basic salaries and other benefits	**647,371**	150,000
Contributions to retirement benefits scheme	**6,500**	2,499
	653,871	152,499

13. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS *(Continued)*

(b) Five highest paid individuals (Continued)

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 year (2003: Nil).

14. INVESTMENT IN A SUBSIDIARY

	Company	
	2004	2003
	HK$	*HK$*
Unlisted shares, at cost	–	780
Amount due from a subsidiary	–	5,220
	–	6,000

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

Details of the subsidiary at 31 March 2004 are as follows:

Name of subsidiary	**Place of incorporation**	**Particulars of issued share capital**	**Interest held**		**Principal activities**
			2004	2003	
Friedmann Pacific Greater China Holdings Limited	The British Virgin Islands	US$100	**100%**	100%	Deregistered on 1 May 2004

15. NON-TRADING SECURITIES

	Group and Company	
	2004	2003
	HK$	*HK$*
Equity securities, at market value		
– Listed in Hong Kong	**1,587,640**	3,300,000

15. NON-TRADING SECURITIES *(Continued)*

Details of the non-trading securities at 31 March 2004 are as follows:

Name of investee company	Place of incorporation	Number of shares held	Proportion of investee company's capital owned	Cost	Unrealised gain	Market value	Net assets attributable to the Group
				HK$	*HK$*	*HK$*	*HK$*
CEC International Holdings Limited ("CEC International")	Bermuda	8,356,000 ordinary shares of HK$0.1 each	1.21%	1,206,452	381,188	1,587,640	3,733,140

CEC International is principally engaged in design, development, manufacture and sale of a wide range of coils, capacitors and other electronic components and provision of information technology services. The unaudited consolidated profit attributable to shareholders of CEC International for the nine months ended 31 January 2004 was approximately HK$10,206,000. At 31 January 2004, the unaudited consolidated net asset value of CEC International was approximately HK$308,524,000.

16. TRADING SECURITIES

	Group and Company	
	2004	2003
	HK$	*HK$*
Equity securities, at market value		
– Listed in Hong Kong	**27,783,618**	21,420,100

16. TRADING SECURITIES *(Continued)*

Details of the trading securities at 31 March 2004 are as follows:

Name of investee company	Place of incorporation	Number of shares held	Proportion of investee company's capital owned	Cost	Unrealised gain/(loss)	Market value	Net assets attributable to the Group
				HK$	*HK$*	*HK$*	*HK$*
(a) Angels Technology Company Limited ("Angels Technology")	The Cayman Islands	1,964,000 ordinary shares of HK$0.1 each	0.96%	572,380	(91,200)	481,180	55,430
(b) Hua Lien International (Holding) Company Limited ("Hua Lien")	The Cayman Islands	20,000,000 ordinary shares of HK$0.1 each	2.91%	7,180,000	10,620,000	17,800,000	19,684,782
(c) Value Convergence Holdings Limited ("Value Convergence")	Hong Kong	6,002,400 ordinary shares of HK$0.1 each	2.52%	2,988,356	853,180	3,841,536	3,111,898
(d) Grandmass Enterprise Solution Limited ("Grandmass Enterprise")	Bermuda	553,430,238 ordinary shares of HK$0.01 each	25.62%	9,705,477	(4,171,175)	5,534,302	3,923,191
(e) Fast Systems Technology (Holdings) Limited ("Fast Systems")	The Cayman Islands	4,220,000 ordinary shares of HK$0.1 each	0.70%	517,560	(390,960)	126,600	421,169
				20,963,773	6,819,845	27,783,618	

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

(a) Angels Technology is principally engaged in provision of transportation technology solutions in the PRC. The audited consolidated loss attributable to shareholders of Angels Technology for the year ended 31 December 2003 was approximately HK$10,006,000. At 31 December 2003, the audited consolidated net asset value of Angels Technology was approximately HK$5,774,000.

16. TRADING SECURITIES *(Continued)*

(b) 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 2003 was approximately HK$7,141,000. At 31 December 2003, the audited consolidated net asset value of Hua Lien was approximately HK$676,453,000.

(c) Value Convergence is principally engaged in sale of technology solution systems and related services and provision of investment banking and financial services in Asia. The audited consolidated loss attributable to shareholders of Value Convergence for the year ended 31 December 2003 was approximately HK$31,936,000. At 31 December 2003, the audited consolidated net asset value of Value Convergence was approximately HK$123,488,000.

(d) Grandmass Enterprise is principally engaged in provision of manufacturing decision support system and computerisation consultation services and licensing of accounting and data application systems to manufacturers and traders in Hong Kong and the PRC, and provision of information technology consultancy services, customised software development services, computer system integration, system deployment support services and investment holding. The audited consolidated loss attributable to shareholders of Grandmass Enterprise for the year ended 31 December 2003 was approximately HK$9,840,000. At 31 December 2003, the audited consolidated net asset value of Grandmass Enterprise was approximately HK$15,313,000.

(e) Fast Systems is principally engaged in manufacture and sale of synthetic sapphire watch crystals and optoelectronic products and watches distribution.

Trading in the shares of Fast Systems on the Growth Enterprise Market of the Stock Exchange has been suspended since 5 January 2004. The market value of investment in shares of Fast Systems is calculated based on the closing price as of 2 January 2004.

Based on the latest published interim financial statements of Fast Systems, the unaudited consolidated profit attributable to shareholders for the six months ended 30 June 2003 was approximately HK$526,000 and the unaudited consolidated net asset value as at 30 June 2003 was approximately HK$60,167,000.

17. 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 and 2004	2,000,000,000	20,000,000

	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 and 2004	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.

18. 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 employees, directors, advisers, consultants, agents 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 of the Company for the time being must not, in aggregate, exceed 8,020,000 shares unless an approval by the shareholders at general meeting has been obtained.

(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.

Notes to the Financial Statements

For the year ended 31 March 2004

18. SHARE OPTIONS *(Continued)*

(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 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 the date of listing of the shares of the Company on the Stock Exchange and up to 19 September 2004. A nominal consideration at HK$1 was paid by the grantees for each lot of share options granted. No further options can be granted under the Pre-IPO Share Option Scheme after 19 September 2002.

Movements in the number of share options outstanding during the year are as follows:

	Number of options	
	Year ended 31.3.2004	Period from 26.4.2002 to 31.3.2003
At the beginning of the year/period	**3,200,000**	–
Granted	**–**	3,200,000
Lapsed**	**(2,000,000)**	–
At the end of the year/period	**1,200,000**	3,200,000

** *Options lapsed upon the termination of services of the grantees.*

Share options outstanding at the end of the year have the following terms:

Date of share options granted	**Exercise price per share** *HK$*	**Number of outstanding options**	**Exercisable period (both days inclusive)**
31 August 2002	0.60	1,200,000	19 March 2003 to 19 September 2004

No share options were exercised or cancelled during the year ended 31 March 2004 (2003: Nil).

19. RESERVES

	Group			
	Share premium *HK$*	**Investment revaluation reserve** *HK$*	**Accumulated profits/(losses)** *HK$*	**Total** *HK$*
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
Surplus on revaluation of non-trading securities	–	668,480	–	668,480
Reserve transferred to income statement upon sale of non-trading securities	–	1,746,198	–	1,746,198
Loss for the year	–	–	(738,606)	(738,606)
At 31 March 2004	33,413,149	381,188	(695,553)	33,098,784

	Company			
	Share premium *HK$*	**Investment revaluation reserve** *HK$*	**Accumulated profits/(losses)** *HK$*	**Total** *HK$*
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	–	–	1,913,288	1,913,288
Interim dividend paid	(2,145,765)	–	(1,864,235)	(4,010,000)
At 31 March 2003	33,413,149	(2,033,490)	49,053	31,428,712
Surplus on revaluation of non-trading securities	–	668,480	–	668,480
Reserve transferred to income statement upon sale of non-trading securities	–	1,746,198	–	1,746,198
Loss for the year	–	–	(744,606)	(744,606)
At 31 March 2004	33,413,149	381,188	(695,553)	33,098,784

19. RESERVES *(Continued)*

At the balance sheet date, the surplus in the investment revaluation reserve represents the net unrealised gain 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 2004 was HK$32,717,596 (2003: HK$33,462,202).

20. 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 2004 of HK$33,900,784 (2003: HK$32,224,712) and 80,200,000 (2003: 80,200,000) ordinary shares in issue at that date.

21. RELATED PARTY TRANSACTIONS

During the year ended 31 March 2004, 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:

	Year ended 31.3.2004 *HK$*	Period from 26.4.2002 to 31.3.2003 *HK$*
Friedmann Pacific Asset Management Limited (formerly known as Friedmann Pacific Investment Consultants Limited) *(note a)*		
Rental and utility charges *(note b)*	**191,854**	84,677
Management fee *(note c)*	**730,221**	450,130
Incentive fee *(note c)*	**187,082**	–

Notes:

(a) Mr Jerry CHIOU is a common director of Friedmann Pacific Asset Management Limited ("FPAML") and the Company.

The ex-directors, Mr LEUNG Koon Sing (resigned on 29 February 2004) and Mr. SUEN Hoi Wan, Steven (resigned on 28 July 2003), have beneficial interests in FPAML at the balance sheet date.

(b) The rental and utility charges were based on a mutually agreed rate in respect of the provision of the principal place of business of the Company.

21. RELATED PARTY TRANSACTIONS *(Continued)*

Notes: (Continued)

(c) The Company entered into an Investment Management Agreement with FPAML, 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. FPAML was entitled to receive an investment management fee on a quarterly basis at a rate of 2% per annum of the net asset value of the Company as at the valuation date as defined in the agreement. FPAML was also entitled to receive an incentive fee at a rate of 10% of the surplus net asset value of the Company as at the last valuation date in a financial year as defined in the agreement.

The Company entered into a termination agreement with FPAML on 3 March 2004, the Company and FPAML mutually agreed to waive the termination notice requirement of the Investment Management Agreement and to terminate the Investment Management Agreement with effect from the close of business on 31 March 2004 with no penalty nor compensation payable to FPAML.

22. 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$7,167 (2003: HK$2,499) represents contributions payable to the Scheme by the Group in respect of the year ended 31 March 2004.

23. EVENTS AFTER THE BALANCE SHEET DATE

On 3 March 2004, the Company appointed AVANTA Investment (International) Limited to be its investment manager for a term of three years commencing from 1 April 2004 and shall continue for successive periods of one year each unless terminated, at any time, by either party serving on the other party not less than three months' prior notice in writing.

24. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 23 July 2004.