1. GENERAL

The Company is a company incorporated in 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 (the "PRC"), Hong Kong and Taiwan.

2. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards which are effective for accounting periods beginning on or after 1 January 2005 ("new HKFRSs").

The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investments in securities. The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted 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, has controls.

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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(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 trading 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

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case the impairment loss is treated as revaluation decrease under that accounting standard.

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 under another accounting standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that accounting standard.

(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.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(d) Investments in securities *(Continued)*

(i) Non-trading securities (Continued)

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 contributions charged to the income statement represent 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. Gains and losses resulting from this translation policy are dealt with 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 scheme 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.

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

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition other than in a business combination of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(l) Operating lease

Leases where substantially all the risks and rewards of ownership of assets remain with the leassors are accounted for as operating leases.

Payments made under operating leases are recognised on straight-line basis over the relevant lease term.

(m) 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. TURNOVER AND OTHER REVENUE

An analysis of turnover and other revenue is as follow:

	2005	2004
	HK$	*HK$*
Turnover		
Proceeds from sale of trading securities	**2,490,391**	1,777,062
Other revenue		
Interest income	**1,175**	11,439
Dividend income from trading securities	**3,875**	6,160
	5,050	17,599

5. SEGMENT INFORMATION

No segment information is presented as all of the revenue, 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 (LOSS)/GAIN ON TRADING SECURITIES

The amount represents net unrealised (loss)/gain arising from changes in fair values of trading securities during the year.

7. REALISED GAIN/(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 FROM OPERATIONS

Loss from operations for the year is stated after charging the following:

	2005	2004
	HK$	*HK$*
Directors' remuneration:		
Fees	**–**	192,690
Other remunerations	**450,556**	392,871
Staff costs		
Salaries	**914,991**	172,668
Provident fund contributions	**23,333**	7,167
Other benefits	**6,780**	49,499
Total staff costs (excluding directors' remuneration)	**945,104**	229,334
Auditors' remuneration	**78,000**	120,000
Operating lease rental of land and buildings	**117,600**	183,174

9. TAXATION

No provision for Hong Kong profits tax is required since the Group has no assessable profit for the year (2004: Nil).

The charge for the year can be reconciled to the loss per income statement as follows:

	2005	2004
	HK$	*HK$*
Loss before taxation	**(21,126,160)**	(738,606)
Tax at the domestic income tax rate of 17.5%	**(3,697,078)**	(129,256)
Tax effect of (income)/expenses that are not (taxable)/deductible in determining taxable profit, net	**55,593**	30,096
Increase in opening deferred tax liability resulting from an increase in tax rate	**–**	30,355
Tax effect of temporary differences not recognised	**3,641,485**	68,805
Taxation charge	**–**	–

Deferred taxation

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

	2005	2004
	HK$	*HK$*
Unrealised gain on trading securities	**200,000**	1,193,303
Tax losses	**–**	(993,303)
	200,000	200,000

At the balance sheet date the Group and the Company has unused tax losses of approximately HK$17,488,312 (2004: HK$5,676,017) 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.

A deferred tax asset of approximately HK$3,641,314 (2004: Nil) comprising unrealised loss on trading securities of HK$580,860 (2004: Nil) and tax losses of HK$3,060,454 (2004: Nil) has not been recognised in the financial statements of the Group and the Company in respect of tax losses available to offset future profits as it is not probable that the tax losses will be utilised in the foreseeable future.

10. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of a loss of HK$21,121,480 (2004: HK$744,606).

11. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to shareholders for the year of HK$21,126,160 (2004: HK$738,606) and the weighted average of 80,200,000 (2004: 80,200,000) ordinary shares in issue during the year.

Diluted loss per share for the year was not disclosed as there were no dilutive potential ordinary shares. Diluted loss per share for the year ended 31 March 2004 was not disclosed as the potential ordinary shares were anti-dilutive.

12. 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:

	2005	2004
	HK$	*HK$*
Fees		
Executive directors	**–**	–
Non-executive directors	**–**	76,000
Independent non-executive directors	**–**	116,690
	–	192,690
Other emoluments		
Basic salaries and other benefits	**450,556**	392,871
	450,556	585,561

The emoluments of each of the nine (2004: eight) 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 Group or as compensation for loss of office during the year (2004: Nil).

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2004: 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:

	2005	2004
	HK$	*HK$*
Basic salaries and other benefits	**1,266,367**	647,371
Contributions to retirement benefits scheme	**23,333**	6,500
	1,289,700	653,871

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 (2004: Nil).

13. INVESTMENT IN A SUBSIDIARY

	Company	
	2005	2004
	HK$	*HK$*
Unlisted shares, at cost	**780**	–

Details of the subsidiary at 31 March 2005 are as follows:

Name of subsidiary	**Place of incorporation**	**Particulars of issued share capital**	**Direct interest held**		**Principal activities**
			2005	2004	
			HK$	*HK$*	
Friedmann Pacific Greater China Holdings Limited	The British Virgin Islands	US$100	–	100%	Deregistered on 1 May 2004
Novel Epoch Investments Limited	The British Virgin Islands	US$100	100%	–	Investment holding

14. NON-TRADING SECURITIES

	Group and Company	
	2005	2004
	HK$	*HK$*
Equity securities, at market value		
– Listed in Hong Kong	**–**	1,587,640

Non-trading securities held as at 31 March 2004 were equities securities in CEC International Holdings Limited which were sold during the year.

15. TRADING SECURITIES

	Group and Company	
	2005	2004
	HK$	*HK$*
Equity securities, at market value		
– Listed in Hong Kong	**9,457,524**	27,783,618

Details of the trading securities at 31 March 2005 are as follows:

Name of investee company	Place of incorporation	Number of shares held	Percentage of interest held	Cost	Accumulated unrealised gain/(loss)	Market value	Net assets attributable to the Group
				HK$	*HK$*	*HK$*	*HK$*
Hua Lien International (Holding) Company Limited ("Hua Lien") *(note a)*	The Cayman Islands	19,210,000 ordinary shares of HK$0.1 each	2.80%	6,896,390	(2,862,290)	4,034,100	19,484,856
Value Convergence Holding Limited ("Value Convergence") *(note b)*	Hong Kong	7,634,400 ordinary shares of HK$0.1 each	3.20%	3,934,916	1,103,788	5,038,704	5,007,534
Fast Systems Technology (Holdings) Limited ("Fast Systems") *(note c)*	The Cayman Islands	4,220,000 ordinary shares of HK$0.1 each	0.70%	517,560	(407,840)	109,720	152,828
Denway Motors Limited ("Denway Motors") *(note d)*	Hong Kong	100,000 ordinary shares of HK$0.1 each	Less than 0.01%	285,000	(10,000)	275,000	94
				11,633,866	(2,176,342)	9,457,524	

15. 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	Percentage of interest held	Cost	Accumulated unrealised gain/(loss)	Market value	Net assets attributable to the Group
				HK$	*HK$*	*HK$*	*HK$*
Angels Technology Company Limited ("Angels Technology") *(note e)*	The Cayman Islands	1,964,000 ordinary shares of HK$0.1 each	0.96%	572,380	(91,200)	481,180	55,430
Hua Lien International (Holding) Company Limited *(note a)*	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
Value Convergence Holding Limited *(note b)*	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
Co-winner Enterprise Limited ("Co-winner") *(note f)*	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
Fast Systems Technology (Holdings) Limited *(note c)*	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	

Notes:

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

(a) 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 2004 was approximately HK$19,768,000 (2004: HK$7,141,000). At 31 December 2004, the audited consolidated net asset value of Hua Lien was approximately HK$696,221,000 (2004: HK$676,453,000). No dividend was received during the year (2004: Nil).

15. TRADING SECURITIES *(Continued)*

Notes: (Continued)

(b) 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 profit attributable to shareholders of Value Convergence for the year ended 31 December 2004 was approximately HK$34,255,000 (2004: loss of HK$31,936,000). At 31 December 2004 the audited consolidated net asset value of Value Convergence was approximately HK$156,249,000 (2004: HK$123,488,000). No dividend was received during the year (2004: Nil).

(c) Fast Systems is principally engaged in manufacture and sale of synthetic sapphire watch crystals and optelectronic products and watches distribution. The unaudited consolidated profit attributable to shareholders for the six months ended 30 June 2004 was approximately HK$338,000 and the unaudited consolidated net asset value as at 30 June 2004 was approximately HK$21,734,000. No dividend was received during the year (2004: Nil).

Trading in shares of Fast Systems on the Growth Enterprise Market of the Stock Exchange had been suspended for a period from 5 January 2004 to 17 September 2004. The market value of investment in shares of Fast Systems as at 31 March 2004 was calculated based on the closing price as of 2 January 2004. 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.

(d) Denway Motors is one of the 33 constituent stocks of Hang Seng Index and is principally engaged in the manufacturing, assembly and trading of motor vehicles, the manufacturing and trading of automotive equipment and parts and audio equipment. The audited consolidated profit attributable to shareholders of Denway Motors for the year ended 31 December 2004 was approximately HK$2,062,447,000. At 31 December 2004, the audited consolidated net asset value of Denway Motors was approximately HK$6,970,367,000. Dividend of HK$3,875 was received during the year (2004: Nil).

(e) 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. No dividend was received for the year ended 31 March 2004.

(f) Co-winner (formerly known as Grandmass Enterprise Solution Limited) 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 Co-winner for the year ended 31 December 2003 was approximately HK$9,840,000. At 31 December 2003, the audited consolidated net asset value of Co-winner was approximately HK$15,313,000. No dividend was received for the year ended 31 March 2004.

16. AMOUNT DUE FROM A SUBSIDIARY

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

17. SHARE CAPITAL

	Authorised ordinary share of HK$0.01 each	
	Number of shares	*HK$*
At 31 March 2004 and 2005	**2,000,000,000**	20,000,000

	Issued and fully paid ordinary share of HK$0.01 each	
	Number of shares	*HK$*
At 31 March 2004 and 2005	**80,200,000**	802,000

18. SHARE OPTIONS

(a) Share Option Scheme

The Share Option Scheme was adopted by an ordinary resolution of the then sole shareholder of the Company on 31 August 2002. The major terms of the Share Option 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.

18. SHARE OPTIONS *(Continued)*

(a) Share Option Scheme *(Continued)*

(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 sheet 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 10% of the shares in issue 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.

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

The Pre-IPO Share Option Scheme was adopted by a written resolution of the then sole shareholder of the Company on 31 August 2002, and options granted thereunder were 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 was 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 was HK$0.60 share. The grantees were 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 could be granted under the Pre-IPO Share Option Scheme after 19 September 2002.

18. SHARE OPTIONS *(Continued)*

(b) Pre-initial Public Offering Share Option Scheme ("Pre-IPO Share Option Scheme") *(Continued)*

Movements in the number of share options under the Pre-IPO Share Option Scheme outstanding during the year are as follows:

	Number of options	
	2005	2004
At the beginning of the year	**1,200,000**	3,200,000
Lapsed upon termination of services of the grantees	**–**	(2,000,000)
Lapsed upon expiry	**(1,200,000)**	–
At the end of the year	**–**	1,200,000

No share options were granted nor exercised during the year ended 31 March 2005 (2004: Nil).

19. RESERVES

	Group			
	Share premium	**Investment revaluation reserve**	**Retained profits/ (accumulated losses)**	**Total**
	HK$	*HK$*	*HK$*	*HK$*
At 1 April 2003	33,413,149	(2,033,490)	43,053	31,422,712
Surplus on revaluation of non-trading securities	–	668,480	–	668,480
Transfer 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
Transfer to income statement upon sale of non-trading securities	–	(381,188)	–	(381,188)
Loss for the year	–	–	(21,126,160)	(21,126,160)
At 31 March 2005	33,413,149	–	(21,821,713)	11,591,436

19. RESERVES *(Continued)*

	Company			
	Share premium *HK$*	**Investment revaluation reserve** *HK$*	**Retained profits/ (accumulated losses)** *HK$*	**Total** *HK$*
At 1 April 2003	33,413,149	(2,033,490)	49,053	31,428,712
Surplus on revaluation of non-trading securities	–	668,480	–	668,480
Transfer 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
Transfer to income statement upon sale of non-trading securities	–	(381,188)	–	(381,188)
Loss for the year	–	–	(21,121,480)	(21,121,480)
At 31 March 2005	33,413,149	–	(21,817,033)	11,596,116

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 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.

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 2005 of HK$12,393,436 (2004: HK$33,900,784) and 80,200,000 (2004: 80,200,000) ordinary shares in issue at that date.

21. RELATED PARTY TRANSACTIONS

During the year ended 31 March 2005, 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 the ordinary course of the Group's business:

	2005	2004
	HK$	*HK$*
Friedmann Pacific Asset Management Limited (formerly known as Friedmann Pacific Investment Consultants Limited) *(note a)* to which the following expenses were paid:		
Rental and utility charges *(note b)*	**–**	191,854
Management fee *(note c)*	**–**	730,221
Incentive fee *(note c)*	**–**	187,082
Friedmann Pacific Financial Services Limited *(note d)* to which the following expenses were paid:		
Rental and building management fee *(note e)*	**144,000**	–

Notes:

(a) During the year ended 31 March 2004, Mr. Jerry CHIOU is a common director of FPAML and the Company. Another director of FPAML, Mr. POON Ho-man, later became a director of the Company on 22 December 2004.

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 31 March 2004.

(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.

(c) The Company entered into an Investment Management Agreement with FPAML 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.

(d) During the year under review, Mr. POON Ho-man became a common director of Friedmann Pacific Financial Services Limited ("FPFSL") and the Company after being appointed as an executive director of the Company on 22 December 2004.

Executive director, Mr. POON Ho-man, have beneficial interests in FPFSL at the balance sheet date.

(e) The Company entered into a Licence Agreement with FPFSL commencing from 1 April 2004 and will continue until the earlier of either the twenty months to 30 November 2005 or the date that the Principal Agreement being terminated. The Principal Agreement is the tenancy agreement made between FPFSL and the landlord dated 24 November 2003. The Licence Agreement can also be terminated at any time by either party serving not less than three months' prior notice in writing. Pursuant to the Licence Agreement, FPFSL is entitled to receive monthly licence fee of HK$12,000 for granting the Company the use of an office premises.

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. Under the Scheme, each of the Group (the employer) and its employees makes monthly contributions to the Scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund Schemes Ordinance. The contributions from each of the employer and employees are subject to a maximum contribution of HK$1,000 per month and thereafter contributions are voluntary. No forfeited contribution is available to reduce the contributions payable in future years.

The total contributions charged to the consolidated income statement of HK$23,333 (2004: HK$7,167) represent contributions payable to the Scheme by the Group in respect of the year ended 31 March 2005.

23. POST BALANCE SHEET EVENT

On 14 June 2005, the Company entered into a termination agreement with AVANTA to terminate the Investment Management Agreement dated 3 March 2004 entered into between the Company and AVANTA. The Company and AVANTA mutually agreed to waive the termination notice requirement and to terminate the Investment Management Agreement with effect from the close of business on 15 June 2005 with no penalty nor compensation being payable to AVANTA. On 14 June 2005, the Company entered into a New Investment Management Agreement to appoint FPAML as its investment manager for a term of one year commencing from 16 June 2005.

24. COMPARATIVE FIGURES

Certain comparative figures have been reclassified for better presentation.