

Notes to the Financial Statements

For the period from 14th August, 2001 (date of incorporation) to 31st December, 2002

1. GENERAL

The Company was incorporated in the Cayman Islands on 14th August, 2001 as an exempted company under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 28th February, 2002.

The Group is principally engaged in investment holding and securities trading.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investments in securities.

The financial statements have been prepared in accordance with the accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the period 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 between group companies are eliminated on consolidation.

Revenue recognition

Sales proceeds of investments in securities are recognised on a trade date basis.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rates applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Borrowing costs

All borrowing costs are recognised as expenses in the period in which they are incurred.

Retirement benefit schemes

The retirement benefit costs charged to the income statement represent the Group's contributions payable in respect of the current period to the retirement funds scheme.

Notes to the Financial Statements

For the period from 14th August, 2001 (date of incorporation) to 31st December, 2002

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Taxation

The charge for taxation is based on the results for the period as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual values, using the straight line method, at the following rates:

Leasehold improvement	20%
Furniture and fixture	20%
Office equipment	20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

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.

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 as no impairment loss had been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Notes to the Financial Statements

For the period from 14th August, 2001 (date of incorporation) to 31st December, 2002

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

All investment other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For non-trading securities, unrealised gains and losses are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net profit or loss for the period.

3. TURNOVER

The Group is principally engaged in the investment holding and security trading. An analysis of turnover is as follows:

	THE GROUP HK\$
Proceeds from sale of investments in listed securities	34,542,445
Dividend income from investments in listed securities	<u>1,885,164</u>
	<u>36,427,609</u>

4. OTHER OPERATING INCOME

Included in other operating income are as follows:

	THE GROUP HK\$
Interest on bank deposits	179,462
Interest from brokerage firms	11,077
Others	<u>3</u>
	<u>190,542</u>

5. SEGMENT INFORMATION

The Group is principally engaged in investment holding and listed securities trading solely in Hong Kong for the period and hence no segment information is presented.

Notes to the Financial Statements

For the period from 14th August, 2001 (date of incorporation) to 31st December, 2002

6. LOSS FROM OPERATIONS

	THE GROUP HK\$
Loss from operations has been arrived at after charging:	
Auditors' remuneration	165,100
Depreciation of property, plant and equipment	15,599
Operating lease rentals in respect of rented premises	337,860
Staff costs	
Wages and salaries	1,775,991
Pension costs	112,307
	<u>112,307</u>

7. FINANCE COSTS

	THE GROUP HK\$
Interest on other borrowings wholly repayable within five years	<u>148,216</u>

8. DIRECTORS' EMOLUMENTS

	THE GROUP HK\$
Fees	
Executive directors	—
Independent non-executive directors	254,942
Other emoluments of executive directors	
Management remuneration	824,275
Contributions to pension schemes	29,081
	<u>1,108,298</u>

The aggregate emoluments of each of the directors during the period were within the emoluments band ranging from HK\$ nil to HK\$1,000,000.

During the period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office and no director waived any emoluments during the period.

Notes to the Financial Statements

For the period from 14th August, 2001 (date of incorporation) to 31st December, 2002

9. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two were directors of the Company whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining three individuals were as follows:

	THE GROUP HK\$
Basic salaries and other benefits	750,000
Contributions to pension schemes	<u>30,000</u>
Total emoluments	<u>780,000</u>

The aggregate emoluments of each of the employees during the period were within the emoluments band ranging from HK\$ nil to HK\$1,000,000.

10. TAXATION

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit for the period.

A deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

The major components of the net deferred tax assets (liabilities) unprovided for the period and at the balance sheet date were as follows:

	THE GROUP 2002 HK\$	THE COMPANY 2002 HK\$
Tax effect of timing difference because of:		
Unrealised loss of holding trading securities	5,699,000	–
Excess of tax allowances over depreciation	(8,000)	(8,000)
Taxation losses	<u>1,010,000</u>	<u>57,000</u>
	<u>6,701,000</u>	<u>49,000</u>

Notes to the Financial Statements

For the period from 14th August, 2001 (date of incorporation) to 31st December, 2002

11. DIVIDEND

The Board does not recommend the payment of a final dividend for the period.

12. BASIC LOSS PER SHARE

The calculation of basic loss per share for the period is based on the loss for the period of HK\$39,815,622 and on the weighted average number of 624,887,103 shares in issue during the period.

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement HK\$	Furniture and fixtures HK\$	Office equipment HK\$	Total HK\$
THE GROUP AND THE COMPANY				
COST				
Additions in the period	32,990	12,240	48,000	93,230
At 31st December, 2002	32,990	12,240	48,000	93,230
DEPRECIATION AND IMPAIRMENT				
Charge for the period	7,148	2,856	5,595	15,599
At 31st December, 2002	7,148	2,856	5,595	15,599
NET BOOK VALUE				
At 31st December, 2002	25,842	9,384	42,405	77,631

Notes to the Financial Statements

For the period from 14th August, 2001 (date of incorporation) to 31st December, 2002

14. INTERESTS IN SUBSIDIARIES

	THE COMPANY HK\$
Overseas unlisted shares, at cost	31
Due from subsidiaries	<u>183,527,996</u>
	183,528,027
Less: impairment loss	<u>(39,687,977)</u>
	<u>143,840,050</u>

Details of the subsidiary are set out as follows:

Name of subsidiary	Place of incorporation	Paid up issued/ registered ordinary share capital US\$	Proportion of nominal value of issued capital Direct %	Principal activities and place of operation
Winning Horsee Limited	British Virgin Islands	1	100	Security Trading in Hong Kong
Fortuneway Limited	British Virgin Islands	1	100	Dormant
Sunluck Investments Limited	British Virgin Islands	1	100	Dormant
Wellsmart Limited	British Virgin Islands	1	100	Dormant

15. INVESTMENTS IN LISTED SECURITIES

	THE GROUP HK\$
Equity securities listed in Hong Kong, at cost	179,220,724
Net unrealised holding loss	<u>(35,616,574)</u>
	143,604,150
Market value as at 31st December, 2002	<u>143,604,150</u>

Notes to the Financial Statements

For the period from 14th August, 2001 (date of incorporation) to 31st December, 2002

15. INVESTMENTS IN LISTED SECURITIES (continued)

All of the Group's investments in securities are equity securities listed on the Stock Exchange, particulars of the 10 largest investments as at 31st December, 2002 are as follows:

Name of investee company	Number of shares held	Proportion of investee's capital owned	Cost	Market value	Unrealised holding gain/(loss) arising on revaluation	Dividend received/receivable during the period
			HK\$	HK\$	HK\$	HK\$
(a) 139 Holdings Limited	600,000,000	6.96%	33,115,500	6,000,000	(27,115,500)	–
(b) Asia Standard Hotel Group Limited	102,500,000	2.03%	20,571,860	28,700,000	8,128,140	–
(c) Asia Standard International Group Limited	14,850,000	0.36%	3,722,753	4,158,000	435,247	–
(d) Heritage International Holdings Limited	134,630,000	8.65%	13,596,501	28,272,300	14,675,799	–
(e) Qualipak International Holdings Limited	68,000,000	2.86%	34,120,360	19,040,000	(15,080,360)	204,000
(f) The Cross-Harbour (Holdings) Limited	3,280,772	1.58%	9,775,725	10,744,528	968,803	1,419,982
(g) Wonson International Holdings Limited	480,000,000	7.02%	28,901,750	21,600,000	(7,301,750)	–
(h) Yugang International Limited	194,500,000	2.30%	5,831,033	4,668,000	(1,163,033)	–
(i) China Strategic Holdings Limited	43,000,000	5.18%	4,315,050	4,300,000	(15,050)	–
(j) China Sci-Tech Holdings Limited	220,000,000	3.79%	8,830,800	7,260,000	(1,570,800)	–

A brief description of the business and financial information of the listed investee companies which represents a significant proportion of the Group's assets, based on their latest published annual reports, is as follows:

- (a) 139 Holdings Limited ("139 Holdings") was incorporated in Bermuda and principally engaged in (i) investment holding and (ii) manufacture and trading of car audio products.

For the year ended 31st March, 2002, the audited consolidated net loss from ordinary activities attributable to shareholders of 139 Holdings was HK\$48,265,000 and the basic loss per share was HK0.62 cents. As at 31st March, 2002, its audited consolidated net asset value was approximately HK\$263,570,000.

- (b) Asia Standard Hotel Group Limited ("Asia Standard Hotel") was incorporated in Bermuda and principally engaged in hotel, catering services and travel agency operations.

For the year ended 31st March, 2002, the audited consolidated profit attributable to shareholders of Asia Standard Hotel was HK\$17,986,000 and the basic earnings per share was HK0.36 cents. As at 31st March, 2002, its audited consolidated net asset value was HK\$2,107,774,000.

Notes to the Financial Statements

For the period from 14th August, 2001 (date of incorporation) to 31st December, 2002

15. INVESTMENTS IN LISTED SECURITIES *(continued)*

- (c) Asia Standard International Group Limited ("Asia Standard") was incorporated in Bermuda and principally engaged in hotel, development and investment in properties.

For the year ended 31st March, 2002, the audited consolidated loss attributable to shareholders of Asia Standard was HK\$481,365,000 and its basic loss per share was HK11.7 cents. As at 31st March, 2002, its audited consolidated net asset value was HK\$4,143,738,000.

- (d) Heritage International Holdings Limited ("Heritage") (formerly known as B-Tech (Holdings) Limited) was incorporated in Bermuda and principally engaged in (i) property related investments; (ii) investment in securities and (iii) money-lending business.

For the year ended 31st March, 2002, the audited consolidated loss from ordinary activities attributable to shareholders of Heritage was HK\$238,073,000 and the basic loss per share was HK\$3.02. As at 31st March, 2002, its audited consolidated net asset value was HK\$26,876,000.

- (e) Qualipak International Holdings Limited ("Qualipak") was incorporated in Bermuda and principally engaged in manufacturing and trading of packaging products.

For the year ended 31st December, 2002, the audited consolidated profit attributable to shareholders of Qualipak was HK\$24,811,000 and the basic earnings per share was HK1.10 cents. As at 31st December, 2002, its audited consolidated net asset value was HK\$354,405,000

- (f) The Cross-Harbour (Holdings) Limited ("Cross-Harbour (Holdings)") was incorporated in Hong Kong and principally engaged in (i) tunnel management, (ii) operation of motoring schools and (iii) electronic toll collection system.

For the year ended 31st December, 2002, the audited consolidated profit attributable to shareholders of Cross-Harbour (Holdings) was HK\$67,438,000 and the basic earnings per share was HK\$0.33. As at 31st December, 2002, its audited consolidated net asset value was HK\$1,321,407,000.

- (g) Wonson International Holdings Limited ("Wonson") was incorporated in Bermuda and principally engaged in (i) investment holding; (ii) developing and trading of communication equipment; (iii) metals trading; (iv) provision of marketing consultancy services; and (v) securities investment.

For the year ended 31st December, 2001, the audited consolidated loss attributable to shareholders of Wonson was HK\$28,452,000 and the basic loss per share was HK0.5 cents. As at 31st December, 2001, its audited consolidated net asset value was HK\$374,574,000.

Notes to the Financial Statements

For the period from 14th August, 2001 (date of incorporation) to 31st December, 2002

15. INVESTMENTS IN LISTED SECURITIES *(continued)*

- (h) Yugang International Limited ("Yugang") was incorporated in Bermuda and principally engaged in (i) packaging business; and (ii) property investment business.

For the year ended 31st December, 2002, the audited consolidated loss from ordinary activities attributable to shareholders of Yugang was HK\$151,420,000 and the basic loss per share was HK1.79 cents. As at 31st December, 2002, its audited consolidated net asset value was HK\$1,718,905,000.

- (i) China Strategic Holdings Limited ("China Strategic") was incorporated in Hong Kong and principally engaged in (i) investment holding; (ii) manufacture of cement; (iii) hotel operation; (iv) property development; (v) manufacture of tires; (vi) production of flour, monosodium glutamate and related food products; (vii) construction and operation of toll highway; (viii) development, holding and trading of properties and (ix) manufacture and trading of Chinese and western pharmaceutical products.

For the year ended 31st December, 2001, the audited consolidated loss attributable to shareholders of China Strategic was HK\$598,730,000 and the basic loss per share was HK\$1.3. As at 31st December, 2001, its audited consolidated net asset value was HK\$2,220,790,000.

- (j) China Sci-Tech Holding Limited ("China Sci-Tech") was incorporated in the Cayman Islands and principally engaged in investment holding and provision of secretarial services.

For the year ended 31st March, 2002, the audited consolidated loss attributable to shareholders of China Sci-Tech was HK\$347,920,000 and the basic loss per share was HK5.99 cents. As at 31st March, 2002, its audited consolidated net asset value was HK\$150,131,000.

Notes to the Financial Statements

For the period from 14th August, 2001 (date of incorporation) to 31st December, 2002

16. SHARE CAPITAL

		HK\$
Authorised share capital:		
5,000,000,000 shares of HK\$0.02 each		<u>100,000,000</u>
Issued and fully paid:		
	Number of shares of HK\$0.02 each	HK\$
Issue of shares to Hennabun at par	(a) 1	–
Issue of shares to Mr. Wong	(b) 99,999	2,000
Issue of shares to Hennabun and Mr. Wong	(c) 297,900,000	5,958,000
Issue of shares by placing and public offer	(d) 702,000,000	14,040,000
Issue of shares by exercising the share options	(e) 20,000,000	400,000
	<u>1,020,000,000</u>	<u>20,400,000</u>
At 31st December, 2002		

During the period, the movements in the Company's share capital are as follows:

- (a) On incorporation, the authorised share capital of the Company was HK\$100,000,000 divided into 5,000,000,000 shares of HK\$0.02 each, of which one subscriber share was issued at par. On 24th August, 2001, the one subscriber share was transferred to Hennabun for cash at par.
- (b) On 24th August, 2001, each of Hennabun and Mr. Wong subscribed for 9,999 shares and 90,000 shares for cash at HK\$0.18 each respectively.
- (c) On 11th February, 2002, the Company entered into subscription agreements whereby Hennabun and Mr. Wong respectively subscribed for 289,990,000 shares and 7,910,000 shares at the price of HK\$0.18 each.
- (d) On 28th February, 2002, the Company issued 702,000,000 new shares at HK\$0.18 each, by placing and public offer, which were then listed on the Stock Exchange.
- (e) On 21st June, 2002, 20,000,000 shares were issued to two employees equally at HK\$0.53 each by exercising the share options.

Notes to the Financial Statements

For the period from 14th August, 2001 (date of incorporation) to 31st December, 2002

17. RESERVES

THE GROUP AND THE COMPANY

	Share premium HK\$	Accumulated losses HK\$	Total HK\$
Issue of shares to Mr. Wong	16,000	–	16,000
Issue of shares to Hennabun and Mr. Wong	47,664,000	–	47,664,000
Issue of shares by placing and public offer	112,320,000	–	112,320,000
Issue of share by exercising the share options	10,200,000	–	10,200,000
Share issue expenses	(7,268,010)	–	(7,268,010)
Loss for the period	–	(39,815,622)	(39,815,622)
	<u>162,931,990</u>	<u>(39,815,622)</u>	<u>123,116,368</u>
At 31st December, 2002			

At 31st December, 2002, the Company's reserves available for cash distribution amounted to HK\$123,116,368. Under the Companies Law (2000 Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which any dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

18. COMMITMENTS

- (i) At the balance sheet date, the Group and the Company had outstanding minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP AND THE COMPANY HK\$
Within one year	<u>337,860</u>

Operating leases are negotiated and payment are fixed for an average of 2 years.

- (ii) At the balance sheet date, the Group and the Company had the following capital commitments:

	THE GROUP AND THE COMPANY HK\$
Contracted but not provided for Acquisition of property, plant and equipment	<u>139,914</u>

18. COMMITMENTS (continued)

- (iii) Pursuant to the investment management agreement dated 19th August, 2002 made between Sinox Fund Management Limited (the "Investment Manager"), CU Investment Management Limited (the "Research Consultant") and the Company, the Company will pay to the Investment Manager and the Research Consultant an investment management fee for the three years payable monthly in HK Dollars in advance at 2.5% per annum of the net asset value of the Company as at the day immediately preceding the last dealing day of the Stock Exchange in each calendar month or such other dealing day as considered appropriate by the Board for the purpose of calculating the net asset value of the Company, on the basis of the actual number of days in the relevant calendar month over a year of 365 days. The investment management fee is payable on or before the fifth day in each calendar month. The investment management fee shall be shared by the Investment Manager and Research Consultant in equal portion.

19. SHARE OPTION SCHEME

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 7th February, 2002 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 7th February, 2012 (the "Option Period"). Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 31st December, 2002, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was nil. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in excess 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 per option. Options may be exercised at any time during the Option Period. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Notes to the Financial Statements

For the period from 14th August, 2001 (date of incorporation) to 31st December, 2002

19. SHARE OPTION SCHEME (continued)

The following table discloses details of the Company's share options held by employees and movements in such holdings during the period:

	Number of shares of HK\$0.02 each
Granted on 29th April, 2002	20,000,000
Exercised on 21st June, 2002 at HK\$0.53 each	<u>(20,000,000)</u>
Outstanding at 31st December, 2002	<u>—</u>

Total consideration received during the period from employees for taking up the options granted is amounted to HK\$2.

No charge is recognised in the income statement in respect of the value of options granted in the period.

20. PLEDGE OF ASSETS

At the balance sheet date, the Group's investments in securities with an aggregate net book value of HK\$123,421,650 were pledged to related parties to secure margin financing provided to the Company. Further details are set out in note 22.

21. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

22. RELATED PARTY TRANSACTIONS

(i) The Group had the following related party transactions during the period which were carried out in the normal course of the Group's business:

Name of related party	Nature of transaction	HK\$
Chung Nam Securities Limited (Note a)	Net interest expenses	136,349
Chung Nam Securities Limited (Note a)	Brokerage fee	604,660
Kam Kwong Company Limited (Note a)	Interest expenses	790
Kam Kwong Company Limited (Note a)	Brokerage fee	4,099
CU Corporate Finance Limited (Note b)	Sponsor fee	200,000
CU Corporate Finance Limited (Note b)	Investment advisory fee	280,000
CU Investment (Holdings) Limited (Note c)	Administrator expenses	1,402,000
CU Investment Management Limited (Note d)	Research consultant fee	445,740
Pacific Kingdom Investments Limited (Note e)	Rental expenses	<u>337,860</u>

Notes to the Financial Statements

For the period from 14th August, 2001 (date of incorporation) to 31st December, 2002

22. RELATED PARTY TRANSACTIONS (continued)

(ii) As at balance sheet date, the amounts due to related companies are as follows:

Name of related party	HK\$
Chung Nam Securities Limited (Note a)	208,306
Kam Kwong Company Limited (Note a)	<u>18,229</u>

- (a) The Group had utilised the services of each of Chung Nam Securities Limited (“Chung Nam”) and Kam Kwong Company Limited (“Kam Kwong”) through the opening of margin trading accounts with Chung Nam and Kam Kwong to deal in securities of listed companies in accordance with the investment objective and policies of the Group. The Group had entered into margin financing facilities arrangement with Chung Nam and Kam Kwong to finance investments in accordance with the investment objective and policies of the Group. As a result of the aforesaid transactions, during the period the Group paid to Chung Nam and Kam Kwong brokerage fees totalling HK\$604,660 and HK\$4,099 respectively and to Chung Nam and Kam Kwong margin facilities interests, net of interest income, amounted to HK\$136,349 and HK\$790 respectively in respect of the margin trading accounts.

As at the balance sheet date, listed securities of the Group with aggregate net book values of HK\$94,801,350 and HK\$28,620,300 were pledged to Chung Nam and Kam Kwong respectively for the margin financing facilities granted.

- (b) Sponsor fee and investment advisory fee were paid to CU Corporate Finance Limited for being the sponsor of the listing of the Company’s share on the Stock Exchange and providing advisory services on compliance with the Rules Governing the Listing of Securities on the Stock Exchange to the Group respectively.
- (c) Pursuant to the administrative services agreement made between CU Investment (Holdings) Limited (“the Service Company”) and the Company on 11th February, 2002, the Service Company agreed to provide general administrative services including accounting, secretarial, personnel and administrative services to the Company for a term from 28th February, 2002 to and including 31st December, 2004 at an initial monthly fee of HK\$140,200.
- (d) Research consultant fee is paid monthly to CU Investment Management Limited for providing research reports to the Company and the Company’s Investment Manager on investment opportunities.
- (e) On 11th February, 2002, the Company entered into a tenancy agreement with Pacific Kingdom Investments Limited (“Pacific Kingdom”) for a term of two years from 1st January, 2002 at a monthly rent of HK\$28,155.

Notes to the Financial Statements

For the period from 14th August, 2001 (date of incorporation) to 31st December, 2002

22. RELATED PARTY TRANSACTIONS *(continued)*

(ii) *(continued)*

- (f) Pacific Kingdom is an indirectly wholly-owned subsidiary of China United International Holdings Limited ("CUIHL") which is listed on the Stock Exchange, the controlling shareholder interested in 93.04% of the issued share capital of Hennabun, which is a substantial shareholder of the Company. Besides, Radford Developments Limited is the substantial shareholder of CUIHL holding about 27.41% of its issued share capital and is controlled by a trust with the son of Mr. Chuang Yueheng, Henry, an ex-director resigned during the period, currently named as the beneficiary.

Chung Nam, Kam Kwong, CU Corporate Finance Limited, CU Investment (Holdings) Limited and CU Investment Management Limited are the wholly owned subsidiaries of Hennabun, the substantial shareholder of the Company and the issued share capital of Hennabun is beneficially owned as to 93.04% by CUIHL. Radford Developments Limited is the substantial shareholder of CUIHL holding about 27.41% of its issued share capital and is controlled by a trust with the son of Mr. Chuang Yueheng, Henry, an ex-director resigned during the period, currently named as the beneficiary.