

1. GENERAL

The Company is a company incorporated in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

2. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted the following Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Society of Accountants ("HKSA") for the first time, the term of HKFRSs is inclusive of Statements of Standard Accounting Practice ("SSAPs") and Interpretations approved by the HKSA:

SSAP 12 (Revised) Income taxes

Income Taxes

SSAP 12 (Revised) 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 in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of this revised SSAP has had no significant impact for these financial statements on the amount recorded for income taxes. However, the related note disclosures of deferred tax assets and liabilities are now more extensive than previously required. These disclosures are presented in note 11 to the financial statements and include a reconciliation between the accounting and tax loss for the year.

3. 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 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 between group companies are eliminated on consolidation.

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

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 in securities is recognised when the Group's rights to receive payment have been established.

Borrowing costs

All borrowing costs are recognised as expenses in the year 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 year to the retirement funds scheme.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or 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 recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that is probable the taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized 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 taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, 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.

3. PRINCIPAL ACCOUNTING POLICIES (continued)**Taxation** (continued)

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 the 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 year when the liability is settled or the asset realized. 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.

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 accumulated depreciation and any recognized 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 fixtures	20%
Office equipment	20%
Motor vehicle	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 had no impairment loss had been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. PRINCIPAL ACCOUNTING POLICIES (continued)

Investments in debt securities/securities

Investments in debt and equity securities held for an identified long-term or strategic purpose are stated at cost less provision for impairment in value. Results of investments are accounted for to the extent of dividend and interest income.

Investments in debt securities/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 year. 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 the net profit or loss for the year.

4. TURNOVER

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

	THE GROUP	
	01/01/2003 to 31/12/2003	14/08/2001 to 31/12/2002
	<i>HK\$</i>	<i>HK\$</i>
Proceeds from sale of investments in securities	53,820,898	34,542,445
Dividend income from investments in securities	1,087,068	1,885,164
	<u>54,907,966</u>	<u>36,427,609</u>

5. OTHER OPERATING INCOME

Included in other operating income are as follows:

	THE GROUP	
	01/01/2003 to 31/12/2003	14/08/2001 to 31/12/2002
	<i>HK\$</i>	<i>HK\$</i>
Interest on bank deposits	–	179,462
Interest from brokerage firms	–	11,077
Other interest income	550,603	3
	550,603	190,542

6. SEGMENT INFORMATION

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

7. LOSS FROM OPERATIONS

	THE GROUP	
	01/01/2003 to 31/12/2003	14/08/2001 to 31/12/2002
	<i>HK\$</i>	<i>HK\$</i>
Loss from operations has been arrived at after charging:		
Auditors' remuneration	125,000	165,100
Depreciation of property, plant and equipment	98,891	15,599
Operating lease rentals in respect of rented premises	326,598	337,860
Staff costs		
Wages and salaries	1,753,100	1,829,216
Pension costs	57,490	59,082

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2003

8. FINANCE COSTS

	THE GROUP	
	01/01/2003 to 31/12/2003	14/08/2001 to 31/12/2002
	<i>HK\$</i>	<i>HK\$</i>
Interest on borrowings wholly repayable within five years	130,468	148,216

9. DIRECTORS' EMOLUMENTS

	THE GROUP	
	01/01/2003 to 31/12/2003	14/08/2001 to 31/12/2002
	<i>HK\$</i>	<i>HK\$</i>
Fees		
Executive directors	–	–
Independent non-executive directors	240,000	254,942
Other emoluments of executive directors		
Management remuneration	684,100	824,275
Contributions to pension schemes	23,800	29,081
Total emoluments	947,900	1,108,298

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

During the Year, 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 had waived any emoluments during the Year.

10. 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 9 above. The emoluments of the remaining three individuals were as follows:

	THE GROUP	
	01/01/2003 to	14/08/2001 to
	31/12/2003	31/12/2002
	HK\$	HK\$
Basic salaries and other benefits	772,190	750,000
Contributions to pension schemes	33,010	30,000
	<hr/>	<hr/>
Total emoluments	805,200	780,000
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The aggregate emoluments of each of the employees during the Year were within the emoluments band ranging from HK\$ nil to HK\$1,000,000.

11. TAXATION

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

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 taxation for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2003	2002
	HK\$	HK\$
Loss before taxation	(1,386,612)	(39,815,622)
Tax at applicable rate	(242,657)	(6,370,500)
Tax effect of non-deductible expenses	(231)	6,890,500
Tax effect of non-taxable revenues	(2,333,514)	(1,224,812)
Tax effect on temporary differences not recognised	(33,923)	186
Tax effect of tax losses not recognised	2,610,325	704,626
	<u> </u>	<u> </u>
Tax credit for the year	<u> </u> -	<u> </u> -

At the balance sheet date, the Group has unused estimated tax losses of HK\$19,320,000 (2002: HK\$4,400,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams.

12. DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2002: nil).

13. BASIC LOSS PER SHARE

The calculation of basic loss per share for the Year is based on the loss for the Year of HK\$1,386,612 (2002: HK\$39,815,622) and on the weighted average number of 1,018,862,137 (2002: 624,887,103) shares in issue during the Year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2003

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement <i>HK\$</i>	Furniture and fixtures <i>HK\$</i>	Office equipment <i>HK\$</i>	Motor Vehicle <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP AND THE COMPANY					
COST					
At 1st January 2003	32,990	12,240	48,000	–	93,230
Additions	–	–	12,472	392,914	405,386
At 31st December 2003	32,990	12,240	60,472	392,914	498,616
DEPRECIATION AND IMPAIRMENT					
At 1st January 2003	7,148	2,856	5,595	–	15,599
Charge for the year	6,598	2,448	11,263	78,582	98,891
At 31st December 2003	13,746	5,304	16,858	78,582	114,490
NET BOOK VALUE					
At 31st December 2003	19,244	6,936	43,614	314,332	384,126
At 31st December 2002	25,842	9,384	42,405	–	77,631

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2003

15. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2003 HK\$	2002 HK\$
Overseas unlisted shares, at cost	31	31
Due from subsidiaries	175,699,738	183,527,996
	175,699,769	183,528,027
Less: Impairment loss	(34,957,137)	(39,687,977)
	140,742,632	143,840,050

Details of the subsidiaries are set out as follows:

Name of subsidiary	Place of incorporation	Paid up issued/ registered ordinary share capital US\$	Percentage of equity attributable to the Company %	Principal activities and place of operation
Winning Horse 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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2003

16. INVESTMENTS IN DEBT SECURITIES/SECURITIES

	THE GROUP	
	2003	2002
	<i>HK\$</i>	<i>HK\$</i>
Long term investment		
Unlisted held-to-maturity debt securities, at cost	15,000,000	–
Provision for impairment	–	–
	<u>15,000,000</u>	<u>–</u>
Short term investment		
Unlisted convertible redeemable notes, at cost	4,017,640	–
Equity securities listed in Hong Kong, at cost	135,253,126	179,220,724
Net unrealised holding loss	(8,474,135)	(35,616,574)
	<u>130,796,631</u>	<u>143,604,150</u>
Market value of listed securities as at 31st December	<u>126,778,991</u>	<u>143,604,150</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2003

16. INVESTMENTS IN DEBT SECURITIES/SECURITIES (continued)

Part 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 2003 are as follows:

Name of investee company	Number of shares held	Proportion of investee's capital owned	Cost HK\$	Market value HK\$	Unrealised	Dividend
					holding gain/(loss) arising on revaluation HK\$	received/receivable during the year HK\$
(a) Asia Standard Hotel Group Limited	101,430,000	2.01%	20,357,110	22,314,600	1,957,490	-
(b) Yugang International Limited	181,296,000	2.14%	5,436,593	17,404,416	11,967,823	-
(c) China United International Holdings Limited	14,790,000	3.98%	9,949,928	14,346,300	4,396,371	-
(d) The Cross-Harbour (Holdings) Limited	3,031,331	1.21%	9,652,265	12,428,457	2,776,192	470,114
(e) Truly International Holdings Limited	1,464,000	0.33%	4,536,240	11,565,600	7,029,360	269,500
(f) Heritage International Holdings Limited	79,630,000	3.55%	8,107,832	10,431,530	2,323,698	-
(g) China Strategic Holdings Limited	41,350,000	4.83%	4,149,473	6,946,800	2,797,328	-
(h) 139 Holdings Limited	429,000,000	4.98%	23,677,583	6,864,000	(16,813,583)	-
(i) Wonson International Holdings Limited	341,000,000	4.99%	20,532,285	6,138,000	(14,394,285)	-
(j) Y.T. Realty Group Limited	9,556,000	1.20%	4,315,429	4,778,000	462,571	143,340

16. INVESTMENTS IN DEBT SECURITIES/SECURITIES *(continued)*

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) 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 2003, the audited consolidated profit attributable to shareholders of Asia Standard Hotel was HK\$11,948,000 and the basic earnings per share was HK0.24 cents. As at 31st March 2003, its audited consolidated net asset value was HK\$1,896,273,000.

- (b) 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.

- (c) China United International Holdings Limited ("China United") was incorporated in Hong Kong and principally engaged in (i) property related investments; (ii) investment in securities; and (iii) provision of brokerage and financial services.

For the year ended 31st December 2002, the audited consolidated loss from ordinary activities attributable to shareholders of China United was HK\$199,369,000 and the basic loss per share was HK6.50 cents. As at 31st December 2002, its audited consolidated net asset value was HK\$345,510,000.

- (d) 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 HK33 cents. As at 31st December 2002, its audited consolidated net asset value was HK\$1,321,407,000.

- (e) Truly International Holdings Limited ("Truly") was incorporated in the Cayman Islands and principally engaged in (i) investment holding; and (ii) manufacture and sale of liquid crystal display products and electronic consumer products.

For the year ended 31st December 2002, the audited consolidated profit from ordinary activities attributable to shareholders of Truly was HK\$98,213,000 and the basic earning per share was HK22.1 cents. As at 31st December 2002, its audited consolidated net asset value was HK\$882,301,000.

16. INVESTMENTS IN DEBT SECURITIES/SECURITIES *(continued)*

- (f) 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 2003, the audited consolidated loss from ordinary activities attributable to shareholders of Heritage was HK\$29,287,000 and the basic loss per share was HK2 cents. As at 31st March 2003, its audited consolidated net asset value was HK\$115,982,000.

- (g) 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 2002, the audited consolidated loss attributable to shareholders of China Strategic was HK\$477,107,000 and the basic loss per share was HK77 cents. As at 31st December 2002, its audited consolidated net asset value was HK\$1,727,000,000.

- (h) 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 2003, the audited consolidated net loss from ordinary activities attributable to shareholders of 139 Holdings was HK\$61,898,000 and the basic loss per share was HK0.72 cents. As at 31st March 2003, its audited consolidated net asset value was approximately HK\$207,437,000.

- (i) 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 2002, the audited consolidated loss attributable to shareholders of Wonson was HK\$128,211,000 and the basic loss per share was HK1.9 cents. As at 31st December 2002, its audited consolidated net asset value was HK\$237,877,000.

- (j) Y.T. Realty Group Limited (“Y.T. Realty”) was incorporated in Bermuda and principally engaged in (i) property investment; and (ii) property trading and investment holding.

For the year ended 31st December 2002, the audited consolidated profit from ordinary activities attributable to shareholders of Y.T. Realty was HK2.8 cents. As at 31st December 2002, its audited consolidated net asset value was HK\$1,802,865,000.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December 2003

17. SHARE CAPITAL

	2003 <i>HK\$</i>	2002 <i>HK\$</i>
Authorised share capital: 5,000,000,000 shares of HK\$0.02 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid:		
	Number of shares of HK\$0.02 each	<i>HK\$</i>
Issue of shares to Hennabun at par	1	–
Issue of shares to Mr. Wong	99,999	2,000
Issue of shares to Hennabun and Mr. Wong	297,900,000	5,958,000
Issue of shares by placing and public offer	702,000,000	14,040,000
Issue of shares by exercising the share options	<u>20,000,000</u>	<u>400,000</u>
At 31st December 2002 and 1st January 2003	1,020,000,000	20,400,000
Repurchase of shares	<u>(8,440,000)</u>	<u>(168,800)</u>
At 31st December 2003	<u>1,011,560,000</u>	<u>20,231,200</u>

17. SHARE CAPITAL (continued)

During the year, the Company repurchased its own shares through the Stock Exchange of Hong Kong Limited as follows:

Date of repurchase	No. of shares	Price per share		Aggregate consideration paid (before expenses) HK\$
		Highest HK\$	Lowest HK\$	
7th November 2003	2,040,000	0.196	–	399,840
14th November 2003	6,060,000	0.154	0.151	927,180
26th November 2003	340,000	0.078	–	26,520
	<u>8,440,000</u>			<u>1,353,540</u>

On 12th May 2003, the resolution was passed and the Company was authorized to repurchase its own shares pursuant to the approval and shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company within the relevant period.

18. RESERVES
The Group and the Company

	Share premium HK\$	Capital redemption reserves 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)
At 31st December 2002 and 1st January 2003	162,931,990	–	(39,815,622)	123,116,368
Repurchase of shares during November 2003	(1,358,577)	168,800	–	(1,189,777)
Loss for the year	–	–	(1,386,612)	(1,386,612)
At 31st December 2003	<u>161,573,413</u>	<u>168,800</u>	<u>(41,202,234)</u>	<u>120,539,979</u>

At 31st December 2003, the Company's reserves available for cash distribution amounted to HK\$120,539,979 (2002: 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.

19. 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:

	2003	2002
	HK\$	HK\$
Within one year	270,288	337,860
In the second to fifth years inclusive	495,528	–
	<u>765,816</u>	<u>337,860</u>

Operating leases are negotiated and payment are fixed for an average of 3 years. The Company had no operating lease commitment at the balance sheet date (2002: HK\$139,914).

- (ii) Pursuant to the investment management agreement dated 3rd November 2003 made between CU Investment Management Limited (the "Investment Manager") and the Company, the Company will pay to the Investment Manager an investment management fee for the three years payable monthly in HK Dollars in advance at 1% 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 of Directors, and 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.

20. PLEDGE OF ASSETS

At the balance sheet date, the Group's investments in securities with an aggregate net book value of HK\$121,508,631 (2002: 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 Year which were carried out in the normal course of the Group's business:

Name of related party	Nature of transaction	1/1/2003 to	14/8/2001 to
		31/12/2003	31/12/2002
		HK\$	HK\$
Chung Nam Securities Limited (Note a)	Interest expenses	123,147	136,349
	Brokerage fee	230,076	604,660
Radland International Limited (formerly known as Kam Kwong Company Limited) (Note a)	Interest expenses	2,061	790
CU Corporate Finance Limited (Note b)	Investment advisory fee	120,000	280,000
CU Investment (Holdings) Limited (Note c)	Administrator expenses	841,200	1,402,000
CU Investment Management Limited (Note d)	Investment management fee	223,019	–
	Research consultant fee	1,348,897	445,740
Pacific Kingdom Investments Limited (Note e)	Rental expenses	281,500	337,860

22. RELATED PARTY TRANSACTIONS *(continued)*

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

Name of related party	2003 HK\$	2002 HK\$
Chung Nam Securities Limited <i>(Note a)</i>	<u>5,283,562</u>	<u>208,306</u>
Radland International Limited <i>(Note a)</i>	<u>85,137</u>	<u>18,229</u>

(a) The Group had utilised the services of each of Chung Nam Securities Limited ("CNSL") and Radland International Limited ("Radland") through the opening of margin trading accounts with CNSL and Radland 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 CNSL and Radland to finance investments in accordance with the investment objective and policies of the Group. As a result of the aforesaid transactions, during the year the Group paid to CNSL and Radland brokerage fees totalling HK\$230,076 (2002: HK\$604,660) and HK\$nil (2002: HK\$4,099) respectively and to CNSL and Radland margin facilities interests, net of interest income, amounted to HK\$123,147 (2002: HK\$136,349) and HK\$2,061 (2002: HK\$790) respectively in respect of the margin trading accounts.

As at the balance sheet date, securities of the Group with aggregate net book values of HK\$109,047,101 (2002: HK\$94,801,350) and HK\$12,461,530 (2002: HK\$28,620,300) were pledged to CNSL and Radland respectively for the margin financing facilities granted.

(b) Investment advisory fee were paid to CU Corporate Finance Limited for preparation of announcements and providing advisory services on compliance with the Listing Rules to the Group respectively.

(c) Pursuant to the administrative services agreement made between CU Investment (Holdings) Limited ("the Service Limited") and the Company on 11th February 2002, the Service Limited 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. In July 2003, this administrative services agreement was terminated.

22. RELATED PARTY TRANSACTIONS *(continued)*

- (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. This research consultant agreement was terminated on 2nd November 2003.
- (e) On 11th February 2002, the Group 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, this tenancy agreement was terminated on October 2003. The Group renewed a tenancy agreement with Pacific Kingdom for a term of two years from 1st November 2003 at a monthly rent of HK\$22,524.

Pacific Kingdom was an indirectly wholly-owned subsidiary of China United International Holdings Limited ("CUIHL") which is listed on the Stock Exchange, the controlling shareholder interested in 47.60% of the entire issued share capital of Hennabun, which is a substantial shareholder of the Company and constitutes a connected transaction under the Listing Rules. CUIHL sold Pacific Kingdom on October 2003, which ceased to be the indirectly wholly-owned subsidiary of CUIHL.

- (f) CNSL, Radland, 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 47.60% by CUIHL.

23. POST BALANCE SHEET EVENT

On 21st January 2004, the Company granted an offer of 80,000,000 share options with exercise price of HK\$0.05 to directors, employees and employees of an investee company under the Share Option Scheme of the Company adopted on 7th February 2002.