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1. I have before me a large number of interlocutory applications. By my order, I have directed that the first part of the 10-day hearing fixed for these interlocutory applications should be devoted to the question of jurisdiction. This is my judgment on the question of jurisdiction which had been argued before me over the last five days.

2. The case came about as a result of the plaintiff pursuing the claim against Mr Chau (the 1<sup>st</sup> defendant) in this action for money of the company alleged to have been misappropriated by Mr Chau. Mr Chau was an entrepreneur from Shanghai. He and his wife came to Hong Kong from Shanghai in the late 1990s and he was soon well established in Hong Kong. He lived in Hong Kong at No.81 Perkins Road. He had soon acquired companies, properties and other assets in Hong Kong.

3. Shanghai Land was a public company which Mr Chau, through the vehicle of New Nongkai with the assistance of Bank of China, managed to acquire 75% shares in that public company. The relationship between Mr Chau and the Bank of China was close. The reason that the company was so valuable to Mr Chau is because the company was cash rich. I will describe a little bit later as to the intricate way that the cash was used by Mr Chau and by the Bank of China for the acquisition of the plaintiff.

4. The good fortune, however, of Mr Chau did not last too long because in late May 2003, while he was on the trip to Shanghai, he was arrested and was subsequently tried and jailed, and my understanding is that his jail sentence would come to an end in mid 2006.

5. What has led to this piece of litigation was that in early May 2003, some US\$39 million of the plaintiff's money sitting in the bank account with the Bank of China on deposit was taken out at the request of Mr Chau, and through various routes, eventually they ended up, or at least US\$34 odd million of it, in Shanghai in the bank account of a sub-sub-subsidiary of the plaintiff, Shanghai Hongxin Real Estate

Development Company Limited (“Hongxin”). That money which went to Hongxin soon afterwards towards the end of May went to two different entities, one is Fuyou Securities Brokerage Co. Ltd (“Fuyou”) and the other is Shanghai Mechanics International Trading Limited (“Shanghai Mechanics”). It is the loss of the plaintiff’s money in these circumstances that has caused the plaintiff to make the present claim. The plaintiff makes the present claim through its receivers because upon the arrest of Mr Chau in Shanghai, the directors of the company found that the company was rudderless and without direction. So application was made to the court for the appointment of receivers. Receivers were appointed by the order of Mr Justice Sahkrani in June 2003 and this was very soon after the arrest of Mr Chau.

6. The question that had to be decided on this jurisdiction dispute arose out of the fact that Mr Chau is now in Shanghai and not in Hong Kong, and there is the question of the necessity for service out under Order 11. A number of issues arise under that jurisdiction rubric. It may be convenient as a starting point, first, to refer to the *White Book* as to the general consideration under Order 11.

7. It is well established that in a case of an Order 11 situation, there must be shown under each of the sub-rules (I think in this case we are talking about sub-rules (1)(a), (d), (e) and (p)) relied upon by the plaintiff, a good arguable case which is the appropriate standard of proof. A good arguable case is as laid down by the principle of the *Korner* case and explained in the *White Book* at page 99 thus:

“What this means was discussed in *The Brabo*[1949] A.C.326; [1949] 1 All E.R. 294 and *Vitkoviche Horni v. Korner* (above), followed in *Natarajan Subramaniam v. Lincoln Financial*,

unreported, HCA No. 3150 of 2002, December 10, 2002. It indicates that though the court will not at this stage require proof to its satisfaction, it will require something better than a mere *prima facie* case. The practice, where questions of fact are concerned, is to look primarily at the plaintiff's case and not to attempt to try disputes of fact on affidavit; it is of course open to the defendant to show that the evidence of the plaintiff is incomplete or plainly wrong. On questions of law, however, the court may go fully into the issues and will refuse leave if it considers that the plaintiff's case is bound to fail."

That is the standard of proof in relation to a good arguable case under each of the sub-rules. That is the first issue I have to decide. The second issue is the consideration of the general discretion of the court, and the exercise of the discretion includes questions of whether there is a serious question to be tried (applying a slightly less stringent standard of proof) and the question of *forum conveniens*. The third issue that I will have to consider is the question of submission to jurisdiction. I will take each of these issues in turn. I will start first with the consideration of the good arguable case under each of the sub-rules. But before I do that, perhaps I should start with the nature of the relationship that has led to the money being taken out of the company.

8. The nature of relationship between the plaintiff, Mr Chau and the Bank is that there was a large loan made by the Bank in 2002 to New Nongkai. The loan had to be secured with some kind of protection and what was put in place by the Bank was firstly the shares of the public company of the plaintiff acquired were pledged to the Bank. There were other safety measures taken. The attraction of the acquisition of the plaintiff was because it was cash rich and it had large sums of cash on deposit with the Bank. The arrangement made between Mr Chau and the Bank was that the plaintiff's cash deposit sitting at the Bank was not to be taken out without the Bank's consent.

8. The Bank also took further step to ensure that the Bank's appointed directors would sit on the board and these would be in the form of Mr Koo and Ms Fan who were solicitors well trusted by the Bank. The Bank also required an Executive Committee to govern the affairs of the plaintiff and those members of the executive committee were Mr Chau, Ms Gong, Mr Koo and Mr Lee. The Bank required also that the operating account of the plaintiff with Dao Heng Bank be protected so that in terms of large transfers of sums over \$10 million, a joint signature by the Bank's side of the signatories would be required. The control of the Bank in the function of the plaintiff was to enable supervision by the Bank of the plaintiff's activities and dealings so as to protect the Bank's interest in relation to its large loan to New Nongkai. Mr Chau, of course, was the controlling owner of New Nongkai.

10. In late 2002, Mr Chau put forward to the Bank the proposal that the plaintiff would undertake a new project in Shanghai by way of a proposed development of a piece of land in Wuzhong Road, involving the usual steps of buying the land, getting the occupants to vacate the land, developing the land by putting up suitable attractive units on it, selling the units and then taking the profit arising out of this development. Letters in January 2003 as well as the application in January 2003 which had been shown to the court all point to this project and there was, in fact, in the January 2003 documentation which the court had seen, talk of a projected profit of about RMB200 million odd arising out of a possible sale price of \$900 odd million and acquisition costs of something like \$700 million which, of course, included the acquisition of the land.

11. On 4 February 2003, the Creditor Committee of the Bank of China met and approved the idea of the asset injection, namely of the Wuzhong Road Project, into the plaintiff. The land was in fact acquired and some HK\$350 million was paid for the acquisition of the land on 11 February 2003. A month later, that land was pledged to SRRC for RMB300 million for development. On 22 April, there was a critical letter signed by Mr Chau addressed to the Bank requesting for payment out of the plaintiff's bank account with the Bank of the sum of US\$39 million. On 30 April, at the Creditors Committee Meeting of the Bank, that request for the payment of the US\$39 million was considered and was approved. Nothing was said in the Minutes of that Meeting about the US\$39 million being required for the specific purpose of development costs to be paid soon or at all. The flow of the fund after the US\$39 million was paid out by the Bank from the plaintiff's bank account was helpfully described in Report A of the Receivers dated 22 September 2004 and was fairly summarised in the multi-colour Fund Flow Chart\* which was presented to the court, which I attach to this judgment. On that Fund Flow Chart, the various steps, numbered 1 to 9, were marked and these steps formed the subject matter of the presentation to the court.

12. What it amounts to, from the Fund Flow Chart, is that out of the total US\$39 million which had left the company's account with the Bank of China, of the US\$34.2 million which eventually ended up in Shanghai, RMB44.5 million went to Fuyou and RMB222.9 million went to Shanghai Mechanics. The land in question was in fact not developed and no building work has been done. The occupants are still there. As far as the Receivers are concerned, no documents were found by them which could support a case that the US\$39 million were paid out or could be said

intended to be used for development of the land. The money that had gone to those two entities in Shanghai, i.e. Fuyou and Shanghai Mechanics, were unlikely to be recovered as the Receivers had made attempts to seek repayment with no success. It is in these circumstances that the Receivers contend before this court that there were both breaches of contract of employment by Mr Chau as well as the incurring of liability by the defendant, Mr Chau, as constructive trustee.

13. The above recital sets the background against which I have to decide on the first issue on jurisdiction, namely whether it falls within any of the four sub-rules. I will first take sub-rule (a). The words of sub-rule (a) is “relief is sought against a person ordinarily resident within the jurisdiction”. “Ordinarily resident” I believe both sides have agreed is to be given its ordinary and natural meaning. I am fortunate in that we have the judgment of Lord Sumner which could said to be the fons and origo of subsequent judgments on the meaning of “ordinary resident”.

14. In the case of *Inland Revenue Commissioner v. Levene* [1928] AC 217 at page 243, Lord Sumner said this :

“.... the word ‘ordinarily’ may be taken first. The Act on the one hand does not say ‘usually’ or ‘most of the time’ or ‘exclusively’ or ‘principally’ nor does it say on the other hand ‘occasionally’ or ‘exceptionally’ or ‘now and then’, though in various sections it applies to the word ‘resident’, with a full sense of choice, adverbs like ‘temporarily’ and ‘actually’. I think the converse to ‘ordinarily’ is ‘extraordinarily’ and that part of the regular order of a man’s life adopted voluntarily and for settled purposes, is not ‘extraordinary’.”

That passage was relied upon by Madam Justice Kwan in the case of *In Re Kok Hui Pan, ex parte Wing Lung Bank Ltd* [2002] 3 HKLRD 20 as well as by the very full judgment of Mr Justice Cheung in an unreported

judgment of *Lau San Ching v. Liu* on 19 January 2005 in the case of HCMP3215/1994. What I perhaps should emphasize by a reading of Lord Sumner's judgment as well as what Madam Justice Kwan and Mr Justice Cheung had said in their separate judgments is that the emphasis is not only on resident, but on the other word ordinarily. My emphasis is particularly on these key words : "regular order of a man's life", "adopted", "voluntarily", "for settled purposes". It is by reference to those criteria that we therefore must look to see whether having regard to the evidence before this court, Mr Chau, was ordinarily resident. I think it made very little difference whether the applicable time for the test of ordinary resident in Hong Kong is at the time of the writ or now.

15. The 18<sup>th</sup> affidavit of Mr Stephen Liu shows the extensive reliance by the plaintiff on the various facts pointing to the ordinary residence of Mr Chau being in Hong Kong. I start first with his home, No.81 Perkins Road. That is not only the home, that is also the residence of Chau given in numerous documents by him as his residence, not least of which is of course the employment contract, as well as all the statutory documents, filed with the Companies Registry. Secondly, one can see, No.81 Perkins Road, is also where his wife lives, namely the address also given as the residence of his wife. The fact, therefore, that this is the wife's residence as well as his residence, makes it therefore his home and this strongly points to Hong Kong being his residence. Thirdly, one can look at where he works. He works in an office of the plaintiff's company in Hong Kong, and that is the location where decisions are made, dealings are made with local banks, and where the executive committee meets. If one then turns to companies owned or controlled by him, again, these are all residents in Hong Kong or connected with Hong Kong, and of course

he controls, as I understand it, quite a number of companies in Hong Kong. Then there is also the reference in Mr Liu's affidavit to properties in Hong Kong, to cars in Hong Kong including Bentley and Lamborghini, bank accounts in Hong Kong and for what it is worth also his Hong Kong Identity Card. The overwhelming evidence, therefore, all point to Hong Kong being the place of the ordinary residence of Mr Chau. Is there a competing "ordinary residence" candidate? No. Because I have not seen a single document where there is a residential address of Mr Chau being outside Hong Kong, let alone in Shanghai. I can understand, of course, that he came from Shanghai but the fact that he came from Shanghai does not mean that his ordinary residence is in Shanghai. I think at the end of the day, Mr Smith, counsel for the 1<sup>st</sup> defendant, was driven to rely on the imprisonment in Shanghai of Mr Chau as in some way taking away from the Hong Kong, the ordinary residence that had been so overwhelmingly demonstrated by the plaintiff. But that residence (an uncomfortable residence) in Shanghai prison was not adopted, was not voluntary, was not the settled intention, and was imposed upon Mr Chau. If I may say so, it was an extraordinary residence. So, the fact that there was the imprisonment in Shanghai cannot in anyway convert what is otherwise an ordinary residence of Mr Chau in Hong Kong into a non-ordinary residence. I am satisfied, therefore (on whatever may be the standard of proof required because the evidence is all one way) that a good arguable case has been made out under Order 11(1)(a).

16. Strictly speaking, having come to that conclusion, it is really not necessary for me to go on to deal with the other three sub-rules because both the claims in contract as well as in constructive trust would then be all be covered by sub-rule (a). Out of courtesy to the submissions made to

A		A
B	me, I would say, just very briefly, a few words about the other three sub-rules.	B
C		C
D	17. In relation to sub-rule (d), the words of the rule are that :	D
E	“the claim brought to enforce, rescind, dissolve, annul or otherwise affect a contract, or to recover damages or to obtain other relief in respect of the breach of contract being (in either case) a contract which—	E
F		F
G	(i) was made within the jurisdiction, or	G
H	(ii) ...	H
I	(iii) is by its terms, or by implication, governed by Hong Kong law, or	I
J	(iv) contains a term to the effect that the Court of First Instance shall have jurisdiction to hear and determine any action in respect of the contract.”	J
K		K
L	18. The contract in question is of course the employment contract.	L
M	I think there is no argument to the contrary that the contract was made in Hong Kong, therefore it satisfied (i); it was governed by Hong Kong law, it satisfied (iii); and that Hong Kong court is to have jurisdiction, therefore it satisfied (iv). The dispute is possibly as to whether there might have been a breach under that contract.	M
N		N
O		O
P	19. The question under sub-rule (e) is :	P
Q	“the claim is brought in respect of a breach committed within the jurisdiction of a contract made within or out of the jurisdiction.”	Q
R		R
S	20. The claim under sub-rule (p) is “	S
T	“the claim is brought for money had and received or for an account or other relief against the defendant as constructive	T
U		U
V		V

trustee and the defendant's alleged liability arises out of acts committed, whether by him or otherwise, within the jurisdiction."

21. It seems to me two questions called for consideration :

(1) Whether there was a good arguable case made out for a breach.

(2) Whether there was a good arguable case made out that the breach took place within the jurisdiction or the act was committed within the jurisdiction, that is, under sub-rules (e) and (p).

22. In considering the above questions, I must give proper regard to the recital of the aforesaid facts and to the totality of the material before me and, more importantly, to the general principle that, primarily, one looks at the plaintiff's evidence to see whether a good arguable case being made out unless the defendants' evidence is such as to show that the plaintiff's evidence plainly cannot be credibly relied upon. I have looked carefully at the Fund Flow Chart, and I have done so, in combination with three other Charts : the first chart, which I would call the Connected Persons Chart\* (at page B181) which shows the relation between Mr Chau and the various people who had dealings with the various entities; the second chart is in relation to the Fuyou Chart\* (at page B236) which shows the connection of Fuyou with the various persons connected to Chau; and the last chart is the Shanghai Mechanics Chart\* (at page B234) which shows Shanghai Mechanics' connection with the various persons connected to Chau. All of these charts I adopt as part of the annexure to this judgment.

23. The combination of the four Charts, that is, Fund Flow Chart, Connected Persons Chart, Shanghai Mechanics Chart and Fuyou Chart, paint a very powerful picture that the flow of the money on 7 May out of the plaintiff's Bank of China account must have been part of a premeditated scheme to deprive the plaintiff of its money for a purpose not sanctioned by the company (because there were no company board minutes to sanction that) and not for the purpose of Wuzhong Road Project because there is no evidence that the usual steps that one would expect to be taken of contracts, tenders, viability studies, stage payments, so on and so forth, exist in this case. The money had been taken out not for the proper purpose of the company but as misappropriation by Mr Chau for improper purposes.

24. It seems to me that there are five factors which are critical in the court coming to a view that there is a good arguable case. There was first, no proper authorization by the Board; secondly, there were no documents to support that the money was for development or how much money was required for the development; thirdly, it was the manner of the money obtained and that included, of course, the various ways it had been shown in the Fund Flow Chart; fourthly, the receipt of the money by the two recipient companies which are all closely connected to Mr Chau as can be seen from the Connected Persons Chart, the Fuyou Chart and the Shanghai Mechanics Chart; and fifthly, the lack of repayment or the loss of the money to the plaintiff.

25. Mr Bleach, for the plaintiff, says that the payment out, long before the arrest of Mr Chau, was already in breach of Mr Chau's obligation. He has a secondary case that if the breach was later, it was

also sufficient for the purpose of the plaintiff. I agree. It is not necessary for me to go into the details of how the breach or the act could be categorized as taken place at any particular point of time. I am satisfied that there is a good arguable case under sub-rules (d), (e) and (p). It seems to me that in these circumstances that the first requirement of the jurisdiction dispute has been satisfied.

26. I go on now to consider the next issue of discretion, which includes *forum conveniens* as well as the matter of the serious question for trial. Having come to the view that the high burden of the good arguable case had been made out, there is no question that there is a serious question to be tried. The only question is whether Mr Smith has made any dent to Mr Bleach's case by way of *forum conveniens*. Again, here, the evidence is all one way. Everything points to Hong Kong being the proper forum : the contract was made here; the accounts were kept here; monies were taken out here; and the acts were done here. Here was the controlling mind and here was the place where all the relevant players are located — whether the Bank of China or Mr Koo or Ms Fan or Ms Gong or Mr Chau when he returns after his imprisonment. There was simply no issue defined by Mr Smith to this court, by reference to which he could point to some issue where the trial would be more appropriate in Shanghai. There was not even in the evidence a particular reference to Shanghai being the more appropriate forum. There was of course a reference to Mr Li Wen Bui. I have not forgotten Mr Li or about what he said was the part he took after the arrest of Mr Chau. It was quite rightly said by Mr Bleach that there was considerable doubt as to the credibility of what Li said. One needs to scrutinize the hearsay evidence of Ms Clara Leung on what Li said and it must not be given too much weight. If Mr Li is going to be

A a witness, so be it, but that does not thereby make Shanghai the appropriate  
B forum. The overwhelming case of *forum conveniens* has to be trial in  
C Hong Kong. So, I do not think the *forum conveniens* would detract the  
D court from coming to the view that a proper case for service out has been  
E made.

F 27. Before I deal with the final point, I must go back, however, to  
G the question of contract under sub-rules (d) and (e) because I neglected to  
H refer to one point mentioned by Mr Smith, namely that the High Court  
I does not have jurisdiction to deal with this claim by reason of the fact that  
J the Labour Tribunal has exclusive jurisdiction under the Ordinance in  
K relation to a dispute over employment.

L 28. In my view, Mr Smith is wrong. When a defendant is  
M outside the jurisdiction in relation to employment contract claim, the  
N Labour Tribunal has no jurisdiction to issue and sanction a service out of  
O proceedings. That right of ordering service out of jurisdiction is given  
P only to the High Court. The High Court therefore is the appropriate  
Q jurisdiction to deal with employment dispute where the defendant is  
R outside the jurisdiction. Section 10 of the Labour Tribunal Ordinance  
S expressly provides : (1) that the Labour Tribunal can decline jurisdiction;  
T and (2) can transfer the dispute to the High Court. I have been told that  
U the appropriate claim has been lodged with the Labour Tribunal, but the  
V Labour Tribunal however is not able immediately to deal with it and it  
would only deal with it next week. I expect the Labour Tribunal to  
recognize its lack of jurisdiction to give remedy to the plaintiff because of  
the fact that the defendant is physically outside the jurisdiction, and  
because of the Tribunal's inability to order service out. The Labour

Tribunal therefore is obliged to transfer the claim to the High Court. If it does not, then it would be wrong in law and this court will correct such error. So, the employment contract point on the lack of jurisdiction of the High Court to deal with this claim is a non-point. In my view the High Court plainly has jurisdiction, and for the reasons which I have given earlier, plainly the court is satisfied that there is a good arguable case under sub-rules (d) and (e).

29. I now go back to the final issue, namely submission to jurisdiction. I would deal with it very shortly. Order 12 rule 8 is a code dealing with the position when a defendant is contesting jurisdiction. The contesting of a jurisdiction is done at the stage before judgment is entered, when of course such steps such as acknowledgement of service could possibly amount to submission. Order 12 rule 8 by its terms referred to these various considerations pre-judgments. If one goes to Order 12 rule 8, the words are :

“(1) A defendant who wishes to dispute the jurisdiction of the court in the proceedings by reason of any such irregularity as is mentioned in rule 7 or on any other ground shall give notice of intention to defend the proceedings and shall, within the time limited for service of a defence, apply to the Court for-

- (a) an order setting aside the writ or service of the writ on him, or
- (b) an order declaring that the writ has not been duly served on him, or
- (c) the discharge of any order giving leave to serve the writ on him out of the jurisdiction, or
- (d) the discharge of any order extending the validity of the writ for the purpose of service, or
- (e) the protection or release of any property of the defendant seized or threatened with seizure in the proceedings, or

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- (f) the discharge of any order made to prevent any dealing with any property of the defendant, or
- (g) a declaration that in the circumstances of the case the court has no jurisdiction over the defendant in respect of the subject-matter of the claim or the relief or remedy sought in the action, or
- (h) such other relief as may be appropriate.”

30. It is to be observed that the setting aside of the judgment was not included in any of those sub-paragraphs from (a) to (h), at least not expressly. The setting aside of the default judgment is of course, as everyone well knows clearly set out in Order 13 rule 9. In my view (I say that with considerable deference and without the benefit of full argument or research on the matter by anyone, either the lawyers or by the court) Order 12 rule 8 is dealing with the situation prejudgment, so that a party, after service or even after an order sanctioning service had been made, can seek to challenge the jurisdiction of the court to prevent a judgment being entered. But once a judgment had been entered, the applicable rule is different. The applicable rule is Order 13 rule 9 and you first have to get rid of that wrongly entered judgment before you come to deal with Order 12 rule 8. In my view that is the proper way it should be looked at.

31. I know that there is a judgment of Mr Justice Cheung in the case of *Lee Fai v. Chan Kui* [1997] 3 HKC 228 where *per curium* in my view Mr Justice Cheung seemed to have taken the view that Order 12 rule 8 might possibly apply to a situation of default judgment. With respect I believe that is not a correct view. The fact of the case of *Lee Fai* is very unusual and part of the reason which led Mr Justice Geoffrey as the other member of the Court of Appeal to the view of submission is because the defendant had participated in the assessment of damages in such a way as

A to be totally inconsistent with a non-waiver of the jurisdiction. I think in  
B this case we cannot say anything of that kind. Although the defendant  
C had taken out a summons under Order 13 rule 9, he had not, other than  
D issued the summons, taken steps which can be said to be totally in  
E consistent with non-waiver. I am therefore of the view that there had  
been no submission to the jurisdiction.

F 32. It seems to me that the plaintiff, although the default judgment  
G had been set aside, must be given the chance to have the proceedings  
H properly brought against Mr Chau even though he is now outside the  
I jurisdiction. Therefore Mr Bleach is successful in this application on  
jurisdiction.

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M ( William Waung )  
Judge of the Court of First Instance,  
N High Court  
O

P Mr John Bleach, SC and Mr Michael Liu, instructed by  
Messrs Simmons & Simmons, for the Plaintiff

Q Mr Clifford Smith, SC and Mr Jose-Antonio Maurellet, instructed by  
R Messrs Haldanes, for the 1<sup>st</sup> Defendant

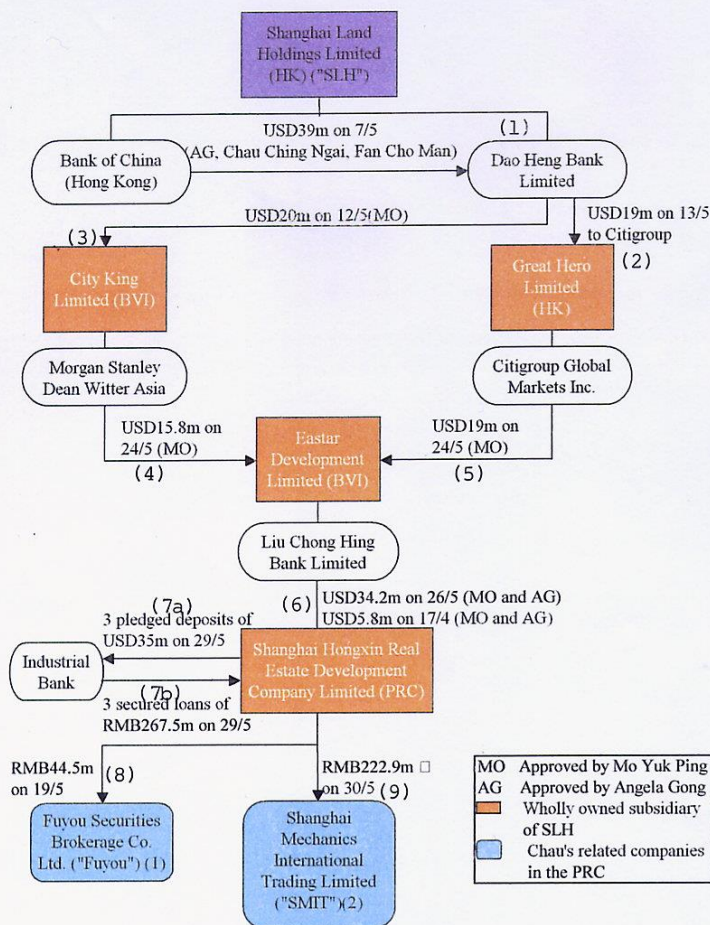
S Mr Ronny Wong, SC instructed by Messrs S.Y. Wong & Co.,  
for the Intended Intervener  
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C	Attachments :	C
D	(1) Fund Flow Chart	D
E	(2) Connected Persons Chart	E
F	(3) Fuyou Chart	F
G	(4) Shanghai Mechanics Chart	G
H		H
I		I
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Attachment : Fund Flow Chart

**Fund flows of Shanghai Land Holdings Limited (Receivers Appointed)**



**Notes:**

(1) 19.96% of the shareholding of Fuyou is and was at all material times held by Shanghai Universities Technological (Group) Company Limited, which was in turn owned and controlled by Shanghai Nongkai Development Group Company Limited ("SHNK") prior to 2 December 2002 ( a company owned and controlled by Chau prior to 15 February 2002 in that 47% of the shares of SHNK was owned by Chau and 29% of the shares of SHNK is and was indirectly owned and controlled by Chau through a company called Shanghai Zhengyi Indoors Ornament Company Limited. It is to be noted that the name of "Zhengyi" in "Shanghai Zhengyi Indoors Ornament Company Limited" is the same as the mandarin transliteration of the Chinese name of Chau in Putonghua "Zhou Zhengyi")

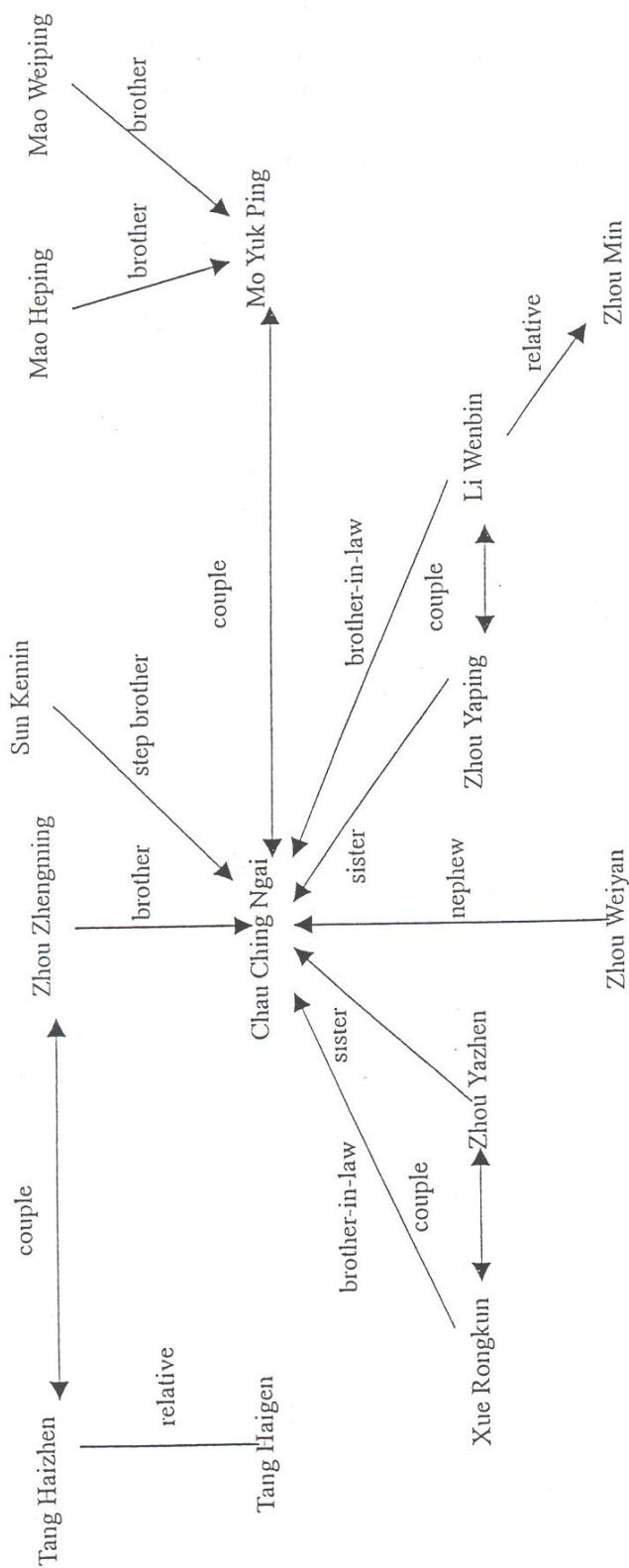
(2) 88.9% of the shareholding of SMIT is and was at all material times held by Huaxin Investment Group Company Limited, which was in turn owned and controlled by SHNK prior to 5 December 2002. Please refer to Note (1) above for shareholdings of SHNK.

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Attachment : Connected Persons Chart

Relationship chart among various individuals  
(Subject to verification)

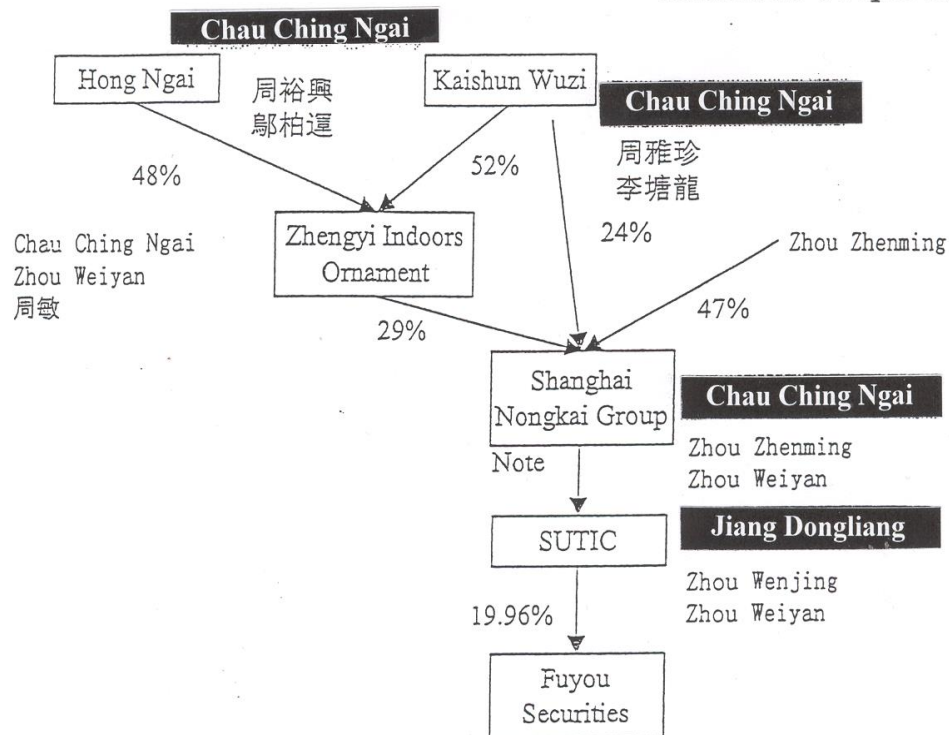


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PRC Companies Structure Chart in relation to Fuvou

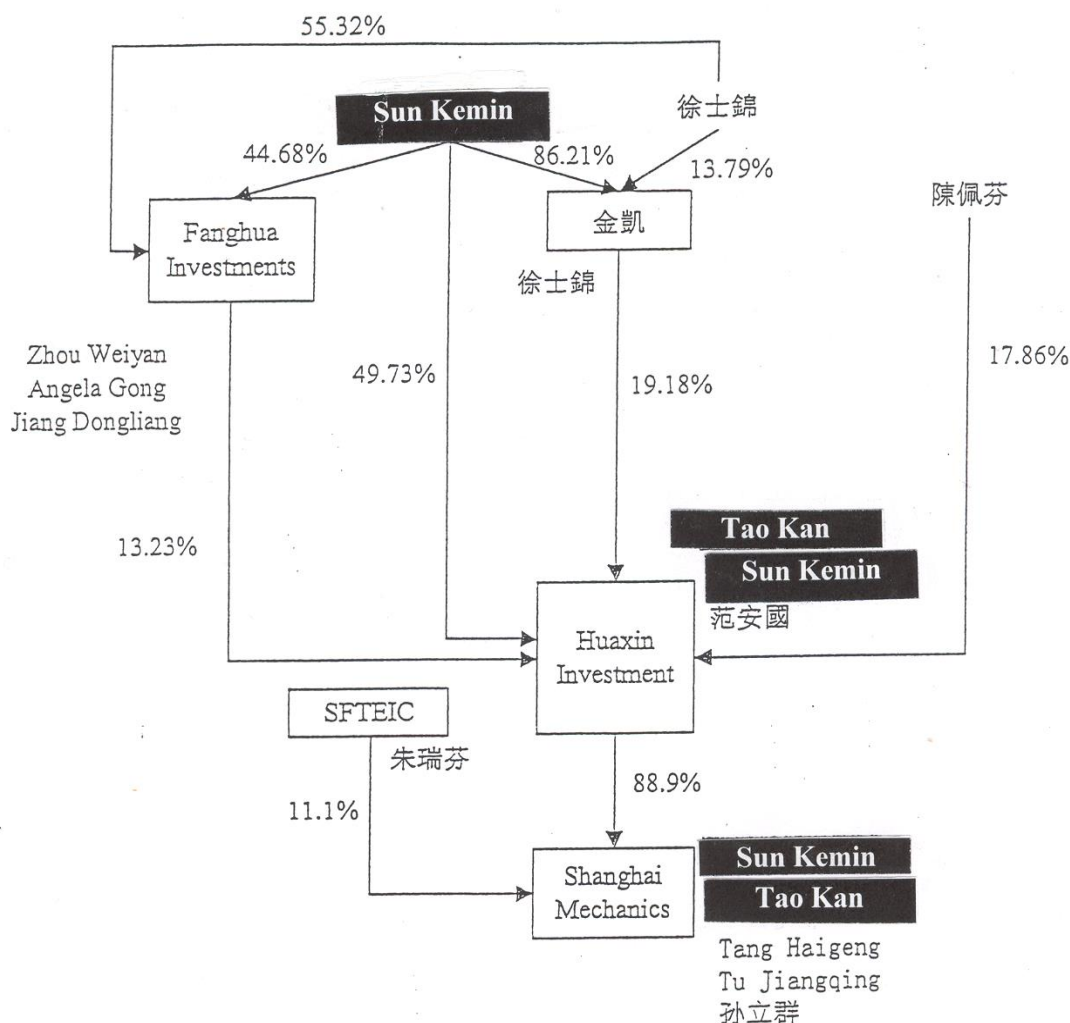
Attachment : Fuyou Chart



Note:

As per a board resolution dated 2 Dec 2002, Shanghai Nongkai sold its 32.07% of shareholding in SUTIC to Jiang Dongliang and the other 30% to Zhou Wenjing.

Abbreviation	Full Name
SUTIC	Shanghai Universities Technological Industrialization (Group) Company Limited (上海高校科技产业(集团)有限公司)
Fuyou Securities:	Fuyou Securities Brokerage Company Limited (富友证券經紀有限責任公司)
Zhengyi Indoors Ornament:	Shanghai Zhengyi Indoors Ornament Company Limited (上海正艺室内装饰有限公司)
Shanghai Nongkai Group:	Shanghai Nongkai Development Group Company Limited (上海农凯发展(集团)有限公司)
Hong Ngai:	上海康艺石材有限公司
Kaishun Wuzi:	Shanghai Kaishun Wuzi Development Company Limited (上海凱順物資發展有限公司)



Abbreviation	Full Name
Huaxin Investment:	Huaxin Investment Group Company Limited (华信投资(集团)有限公司)
Fanghua Investments:	Shanghai Fanghua Investments Management Company Limited (上海方华投资管理有限公司)
Shanghai Mechanics:	Shanghai Mechanics International Trading Limited (上海机械国际贸易有限公司)
SFTEIC:	Shanghai Foreign Trade and Economic Investments (Group) Company Limited (上海外经贸投资(集团)有限公司)
金凱:	上海金凱物資有限公司