

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These condensed interim financial statements should be read in conjunction with the 2000 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim financial statement are consistent with those used in the annual audited financial statements for the year ended 31 December 2000 except that the Group has changed certain of its accounting policies following its adoption of the following Statements of Standard Accounting Practice (SSAP's) issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 14 (revised):	Leases (effective for periods commencing on or after 1 July 2000)
SSAP 26:	Segment reporting
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets

The changes to the Group's accounting policies and the effect of adopting these new policies is set out below:

### (a) SSAP 9 (revised): Events after balance sheet date

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in Note 16, opening retained earnings at 1 January 2001 have increased by HK\$22,930,000 which is the reversal of the provision for 2000 proposed final dividend previously recorded as a liability as at 31 December 2000 although not declared until after the balance sheet date.

A corresponding decrease in current liabilities by HK\$22,930,000 has been reflected in the comparative 31 December 2000 balance sheet.

Changes to headings used in the previously reported 31 December 2000 balance sheet and profit and loss account relating to dividends and profit for the year retained have also been made to reflect the changes resulting from SSAP 9 (revised).

## 1. Basis of preparation and accounting policies (continued)

### (b) SSAP 26: Segment Reporting

In Note 2 to these condensed interim financial statements the Group has disclosed segment revenue and results as defined under SSAP 26. In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format. Comparative information has been given.

### (c) SSAP 30: Business Combinations

#### Goodwill/ Negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary / associated company / joint venture at the date of acquisition. Goodwill on acquisitions occurring on or after 1 January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill on acquisitions that occurred prior to 1 January 2001 was written off against reserves. The Group has taken advantage of the transitional provisions in SSAP 30 and such goodwill has not been retroactively capitalised and amortised. However any impairment arising on such goodwill is accounted for in accordance with SSAP 31 'Impairment of Assets'.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition. For acquisitions after 1 January 2001, negative goodwill is presented in the same balance sheet classification as goodwill.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those assets is recognised in the income statement immediately. For acquisitions prior to 1 January 2001, negative goodwill was taken directly to reserves on acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such negative goodwill will not be restated.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1 January 2001 acquisitions, the related goodwill written off against reserves to the extent it has not previously been realised in the profit and loss account.

## 2. Segment information

The Group is organised into six main business segments:

- Broking services - securities broking and provision of margin financing, commodities, options and futures broking
- Manufacturing and Management Operating Services - manufacture of quality plastic and paper boxes for luxury consumer goods, provision of asset management services
- Investment banking - provision of corporate finance services
- Direct investments - securities trading
- Property - property development
- Consulting, Marketing and Technology Service - provision of technology consulting and development services, public relations services

An analysis of the Group's revenue and results for the period by business segments is as follows:

	6 months ended 30 June 2001						Group
	HK\$'000						
	Broking services	Manufacturing & Management Operating services	Investment banking	Direct investments	Property	Consulting, Marketing & Technology services	
Revenues	26,124	32,222	17,961	2,405	254	42,330	121,296
Segment results	(3,502)	7,269	5,802	4,719	(1,206)	(20,861)	(7,779)
Net investment gain							73,168
Unallocated expenses							(12,813)
Operating profit							52,576
Finance costs	(654)	(206)	-	(579)	(202)	(198)	(1,839)
Share of profits less losses of associates	2,161	-	(12,216)	117	-	-	(9,938)
Profit before taxation							40,799
Taxation							(2,787)
Profit after taxation							38,012
Minority interests							(4,832)
Profit attributable to shareholders							33,180

## 2. Segment information (continued)

	6 months ended 30 June 2000						Group
	(As restated)						
	HK\$'000						
	Manufacturing & Management Broking services	Operating services	Investment banking	Direct investments	Property	Consulting, Marketing & Technology services	
Revenues	43,901	40,599	2,271	2,398	144	4,643	93,956
Segment results	30,700	9,372	(1,923)	(2,811)	(5,391)	1,318	31,265
Net investment gain							1,300
Unallocated expenses							(3,056)
Operating profit							29,509
Finance costs	(344)	(209)	(1)	(182)	(278)	(2)	(1,016)
Share of profits less losses of associates	5,805	-	(178)	(150)	-	-	5,477
Profit before taxation							33,970
Taxation							(129)
Profit after taxation							33,841
Minority interests							(909)
Profit attributable to shareholders							32,932

### Secondary reporting format - geographical segments

Although the Group's six business segments are managed on a worldwide basis, they operate in five main geographical areas :

- The Peoples' Republic of China including Hong Kong - broking services, manufacturing and management operating services, investment banking, direct investments, property and consulting, marketing and technology services
- Europe - manufacturing
- North America - manufacturing and investment banking
- South East Asia - manufacturing, investment banking, consulting, marketing and technology services
- Japan and North Asia - manufacturing, investment banking and management operating services

## 2. Segment information (continued)

An analysis of the Group's turnover and contribution to operating profit for the period by geographical segment is as follows:

Geographical segment:	Turnover		Operating Profit / (Loss)	
	6 months ended		6 months ended	
	30 June		30 June	
	(As restated)		(As restated)	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Peoples' Republic of China including Hong Kong	86,271	57,922	51,680	22,881
Europe	19,149	22,304	3,461	4,264
North America	3,264	6,741	(1,393)	1,199
South East Asia	9,988	4,944	(1,586)	820
Japan and North Asia	–	–	–	–
Others	2,624	2,045	414	345
	<u>121,296</u>	<u>93,956</u>	<u>52,576</u>	<u>29,509</u>

## 3. Net investment gain

	6 months ended	
	30 June	
	2001	2000
	HK\$'000	HK\$'000
Net gain on disposal of interests in subsidiaries (Note)	178,161	–
Provision for investment in securities and associates	(104,993)	–
Net unrealised gain on investment in securities	–	1,300
	<u>73,168</u>	<u>1,300</u>

Note: The amount included a gain of HK\$240 million arising from the disposal of a 51% interest in the SBI E2-Capital Group to Softbank Investment International (Strategic) Limited.

#### 4. Operating profit

Operating profit is stated after charging the following:

	6 months ended	
	30 June	
	2001	2000
	HK\$'000	HK\$'000
Depreciation		
Owned fixed assets	3,334	1,890
Leased fixed assets	18	18
Loss on disposal of property, plant and equipment	19	11
	<u>          </u>	<u>          </u>

#### 5. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the period.

The amount of taxation charged to the consolidated profit and loss account represents:

	6 months ended	
	30 June	
	2001	2000
	HK\$'000	HK\$'000
Hong Kong	2,414	129
Share of associated companies' taxation	373	–
	<u>          </u>	<u>          </u>
	<u>2,787</u>	<u>129</u>

#### 6. Dividends

	6 months ended	
	30 June	
	2001	2000
	HK\$'000	HK\$'000
2001 Interim, proposed on 20 September 2001, of 1 cent (2000: 1 cent) per share	11,460	11,469
	<u>          </u>	<u>          </u>

At a meeting held on 20 September 2001 the Directors declared an interim dividend of 1 cent per share. This proposed dividend is not reflected as a dividend payable in these interim condensed financial statements, but is reflected as an appropriation of retained earnings for the year ending 31 December 2001.

## 7. Earnings per share

The calculation of basic earnings per share are based on the Group's profit attributable to shareholders of HK\$33,180,000 (2000: HK\$32,932,000).

The basic earnings per share is based on the weighted average of 1,146,524,336 (2000: 773,664,259) ordinary shares in issue during the period. The exercise of options would have anti-dilutive effects on the basic earnings per share and accordingly no diluted earnings per share for the period is presented.

## 8. Investments in Associates

	30 June 2001	31 December 2000
	HK\$'000	HK\$'000
Share of net assets	99,422	4,529
Amounts due from associates	27,066	–
	<u>126,488</u>	<u>4,529</u>

(a) Particulars of the Group's associates as at 30 June 2001 are as follows:

Name of associate	Place of incorporation/ registration	Proportion of nominal value of issued ordinary share capital held by the Group		Principal activity
		2001	2000	
SBI E2-Capital Limited	Cayman Islands	49%	*	Investment banking and broking services
Boxmore Limited	British Virgin Islands	38%	*	Manufacturing and management operating services
Teclink Development Limited	Hong Kong	22.2%	22.2%	Provision of information technology solutions
Topdomain Network Limited	Hong Kong	23.6%	23.6%	Dormant

\* Previously these two companies were subsidiaries of the Company

(b) The balance included an amount due from the SBI E2-Capital Group which is interest bearing at Hong Kong prime rate plus 1% per annum.

## 9. Trade debtors

	30 June 2001	31 December 2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Non-financial services trade debtors	14,989	17,964
Financial services trade debtors:		
Accounts receivable arising from the ordinary course of business of dealing in securities	–	81,819
Loans to share margin clients	–	33,184
Accounts receivable from Hong Kong Futures Exchange Clearing Corporation arising from the ordinary course of business in dealing in futures contracts	–	3,434
	<u>14,989</u>	<u>136,401</u>

The Group's equity interest in the SBI E2-Capital Group has been reduced to 49% in the current period. Accordingly SBI E2-Capital Group has been equity accounted for in the consolidated financial statements. An ageing analysis of the financial services trade debtors balances at 30 June 2001 and the comparatives are therefore not prepared.

The ageing analysis of non-financial services trade debtors is as follows:

	0-60 days HK'000	61-90 days HK'000	> 90 days HK'000	Total HK'000
Balance at 30 June 2001	<u>10,934</u>	<u>943</u>	<u>3,112</u>	<u>14,989</u>
Balance at 31 December 2000	<u>10,329</u>	<u>3,758</u>	<u>3,877</u>	<u>17,964</u>

The Group allows an average credit period of 60-90 days to trade debtors.



## 10. Bank balances and cash

	30 June 2001	31 December 2000
	HK\$'000	HK\$'000
The balance consists of:		
Own account	159,283	276,256
Segregated account for client's money	–	43,717
Pledged bank deposit	6,000	5,000
	<u>165,283</u>	<u>324,973</u>

## 11. Trade creditors

	30 June 2001	31 December 2000
	HK\$'000	HK\$'000
Non-financial services trade creditors	15,813	9,809
Financial services trade creditors:		
Accounts payable arising from the ordinary course of business of dealing in securities	–	101,882
Accounts payable to clients arising from the ordinary course of business of dealing in futures contracts	–	2,923
Amounts due to share margin clients	–	2,013
Premium received for call options granted to a client	–	76,237
	<u>15,813</u>	<u>192,864</u>

The Group's equity interest in the SBI E2-Capital Group has been reduced to 49% in the current period. Accordingly SBI E2-Capital Group has been equity accounted for in the consolidated financial statements. An ageing analysis of the financial services trade creditors balances at 30 June 2001 and the comparatives are therefore not prepared.

The ageing analysis of non-financial services trade creditors is as follows:

	0-60 days HK'000	61-90 days HK'000	> 90 days HK'000	Total HK'000
Balance at 30 June 2001	<u>13,027</u>	<u>2,102</u>	<u>684</u>	<u>15,813</u>
Balance at 31 December 2000	<u>6,588</u>	<u>696</u>	<u>2,525</u>	<u>9,809</u>

## 12. Obligations under finance leases and hire purchase contracts

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	30 June 2001	31 December 2000
	HK\$'000	HK\$'000
Within one year	61	71
More than one year but not exceeding two years	21	45
	<u>82</u>	<u>116</u>
Less: amount due within one year shown under current liabilities	(61)	(71)
	<u>21</u>	<u>45</u>

## 13. Secured bank loans

	30 June 2001	31 December 2000
	HK\$'000	HK\$'000
The secured bank loans are repayable as follows:		
Within one year	170,375	137,805
One to two years	25,626	16,400
Two to five years	23,600	37,426
Over five years	–	8,850
	<u>219,601</u>	<u>200,481</u>
Less: amount due within one year shown under current liabilities	(170,375)	(137,805)
Non - current portion of secured bank loans	<u>49,226</u>	<u>62,676</u>

#### 14. Secured other loans

	30 June 2001	31 December 2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
The secured other loans are repayable as follows:		
Within one year	67	43
One to two years	67	71
Two to five years	269	268
Over five years	2,168	2,644
	<u>2,571</u>	<u>3,026</u>
Less: amount due within one year shown under current liabilities	<u>(67)</u>	<u>(43)</u>
Non - current portion of secured bank loans	<u><u>2,504</u></u>	<u><u>2,983</u></u>

The loan bears interest at commercial rate and is payable by monthly instalments. The loan is provided by a financial institution, and is secured by the Group's mortgage loans receivable amounted to HK\$3.7 million as at 30 June 2001.

## 15. Share option scheme

Under the share option scheme adopted by the Company on 15 December 1992, the Directors may, at their discretion, invite employees of the Company and its subsidiaries, including full time executive directors, to take up options to subscribe for shares which in aggregate, may not exceed 10% of the issued share capital of the Company from time to time. The subscription price for the shares in respect of which options are granted will be the higher of the nominal value and 80% of the average closing price of the shares quoted on the Stock Exchange on the five trading days immediately preceding the grant of the option. No option may be exercised later than ten years after it has been granted and no option may be granted more than ten years after the date of approval of the scheme.

A summary of the movements in the share options during the period is as follows:

Date of grant	Exercise price HK\$	Number of share options		
		Balance at 1.1.2001	Cancelled during the period	Balance at 30.06.2001
17 March 1997	1.77	9,599,000	–	9,599,000
1 August 1997	2.68	1,050,000	(300,000)	750,000
23 April 1998	0.80	4,000,000	–	4,000,000
6 March 2000	1.20	3,800,000	–	3,800,000
13 April 2000	1.03	4,000,000	–	4,000,000
29 April 2000	0.79	30,000,000	(8,000,000)	22,000,000
6 May 2000	0.85	3,250,000	(3,250,000)	–
3 June 2000	0.79	4,730,000	(490,000)	4,240,000
15 August 2000	0.79	11,000,000	(3,000,000)	8,000,000
1 September 2000	0.79	6,500,000	–	6,500,000
		<u>77,929,000</u>	<u>(15,040,000)</u>	<u>62,889,000</u>

Subject to certain conditions in the share option scheme, the remaining options can be exercised at any time up to 14 December 2002.

## 16. Reserves

	Contributed surplus	Share premium	Other reserve	(Goodwill)/ capital reserve	(Accumulated losses)/ retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2000	45,240	836,102	505	(425,534)	(262,467)	193,846
Transfer from share premium to accumulated losses account resulting from capital reduction	–	(301,559)	–	–	301,559	–
Issue of shares	–	242,753	–	–	–	242,753
Share issue expenses	–	(7,003)	–	–	–	(7,003)
Goodwill on acquisitions of subsidiaries and associates	–	–	–	(426,136)	–	(426,136)
Reserve arising from shares repurchased	–	–	793	–	–	793
2000 Interim Dividend paid	(11,469)	–	–	–	–	(11,469)
2000 Final Dividend proposed	(22,930)	–	–	–	–	(22,930)
Net profit for the year	–	–	–	–	66,432	66,432
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December, 2000 as previously reported	10,841	770,293	1,298	(851,670)	105,524	36,286
Effect of adopting SSAP 9 (revised) on 2000 Final Dividend proposed	22,930	–	–	–	–	22,930
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2000 and 1 January 2001 as restated	33,771	770,293	1,298	(851,670)	105,524	59,216
2000 Final dividend paid	(22,930)	–	–	–	–	(22,930)
Goodwill realized on disposal of subsidiaries	–	–	–	73,810	–	73,810
Profit for the period	–	–	–	–	33,180	33,180
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
2001 Interim Dividend proposed	–	–	–	–	(11,460)	(11,460)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 30 June 2001	<u>10,841</u>	<u>770,293</u>	<u>1,298</u>	<u>(777,860)</u>	<u>127,244</u>	<u>131,816</u>
Attributable to:						
Company and subsidiaries	10,841	770,293	1,298	(777,860)	150,409	154,981
Associates	–	–	–	–	(11,705)	(11,705)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>10,841</u>	<u>770,293</u>	<u>1,298</u>	<u>(777,860)</u>	<u>138,704</u>	<u>143,276</u>

## 17. Contingent liabilities

	30 June 2001	31 December 2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
Guarantees given to banks for loans to:		
An investee company	14,797	14,797
Associated companies	16,834	–
	<u>31,631</u>	<u>14,797</u>

In addition, the Company provided a guarantee to the Monetary Authority of Singapore in respect of the obligations and liabilities of an indirect associated company of the Company, SBI E2-Capital Pte Limited. As at 30 June 2001. The total liabilities of SBI E2-Capital Pte Limited was HK\$327,000.

## 18. Commitments

	30 June 2001	31 December 2000
	<u>HK\$'000</u>	<u>HK\$'000</u>
(a) Capital commitments for property, plant and equipment:		
Contracted but not provided for	–	264
	<u>–</u>	<u>264</u>
(b) Amounts of capital commitments relating to investment projects are as follows:		
Contracted but not provided for	5,000	5,000
Authorised but not contracted for	5,000	–
	<u>10,000</u>	<u>5,000</u>

## 18. Commitments (continued)

### (c) Commitments under operating leases

At 30 June, 2001, the Group had total future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	30 June 2001		(As restated) 31 December 2000	
	Land and Buildings HK\$'000	Others HK\$'000	Land and Buildings HK\$'000	Others HK\$'000
Within one year	197	–	664	–
In the second to fifth year inclusive	11,822	32	14,482	–
	<u>12,019</u>	<u>32</u>	<u>15,146</u>	<u>–</u>

The comparative figures as at 31 December 2000 have been restated to conform with SSAP 14 (revised).

## 19. Related party transactions

Significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

	6 months ended 30 June	
	2001 HK\$'000	2000 HK\$'000
Management fees from the SBI E2-Capital Group (a)	3,395	1,841
Rental received from the SBI E2-Capital Group for share of office space (b)	891	–
Financial advisory fee paid to the SBI E2-Capital Group (c)	3,960	–
Interest income from the SBI E2-Capital Group (d)	<u>573</u>	<u>–</u>

(a) The Group performed certain administrative services for the SBI E2-Capital Group. Management fees calculated on pre-agreed terms were charged to the SBI E2-Capital Group.

(b) The Group received rental from SBI E2-Capital Group for sharing of office space. In accordance with an agreement entered into by both parties, rental was calculated based on the actual rental paid by the Group to the landlord and the office space taken up by the SBI E2-Capital Group.

## 19. Related party transactions (continued)

- (c) Upon completion of the disposal of 51% interest in SBI E2-Capital Limited, the Group paid advisory fee to the SBI E2-Capital Group for advisory service provided at rates agreed in accordance with an agreement entered into by both parties in January 2001.
- (d) The Group received interest income at Hong Kong prime rate plus 1% per annum on the amount due from the SBI E2-Capital Group.
- (e) Prior to the Group's disposal of a 51% interest in SBI E2-Capital Limited, the Company has given to the Monetary Authority of Singapore ("MAS") a guarantee (the "E2-Capital Guarantee"), as required under the MAS Investment Adviser Licence, pursuant to which the Company undertakes to maintain SBI E2-Capital Pte Limited in a sound financial position and pay and settle all obligations and liabilities of SBI E2-Capital Pte Limited during the subsistence of the guarantee. In connection with the Group's disposal of a 51% interest in SBI E2-Capital Limited to Softbank Investment International (Strategic) Limited ("SIIS") on 2 April 2001, the Group and SIIS have agreed between themselves that their respective responsibilities for the obligations and liabilities of SBI E2-Capital Pte Limited should be determined by reference to their respective shareholdings in SBI E2-Capital Limited. Accordingly, the Group has agreed to indemnify SIIS for 49% of any claim and SIIS has agreed to indemnify the Group for 51% of any claim under the E2-Capital Guarantee.

## 20. Subsequent events

On 14 September 2001, the Group has agreed to acquire the entire shareholding in GlobalOffering.com Limited ("GlobalOffering") from techpacific.com Limited, a company listed on the GEM Board of the Stock Exchange of Hong Kong Limited for a consideration of USD3 million. The consideration is to be satisfied by the issuance of new shares in OpenIBN Technology Holdings Limited ("OpenIBN"), a wholly owned subsidiary of the Company, representing a 30% interest in OpenIBN's enlarged share capital. The transaction was completed on 19 September 2001.

## 21. Comparative figures

Certain comparative figures have been restated to conform with the current period's financial statement presentation.

On behalf of the Board

**Fung Ka Pun**  
*Executive Co-Chairman*

**Wong Sin Just**  
*Executive Co-Chairman*

Hong Kong, 20 September 2001