

## NOTES TO CONDENSED INTERIM ACCOUNTS

### 1. ACCOUNTING POLICIES

These unaudited consolidated condensed interim accounts (“interim accounts”) are prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“HKSSAP”) No. 25, “Interim Financial Reporting”, issued by the Hong Kong Society of Accountants, (as applicable to condensed interim accounts), and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

These interim accounts should be read in conjunction with the 2000/2001 annual accounts.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 30 June 2001, except that the Group has adopted the new and revised HKSSAPs which became effective on 1 January 2001. The adoption of the new and revised HKSSAPs has no material effect on the Group’s results.

In accordance with the new HKSSAP No. 30 “Business combinations”, goodwill on acquisitions occurring on or after 1 January 2001 is being reported in the balance sheet as a separate asset or, as applicable, included within investments in associated companies, and is amortised using the straight line method over its estimated useful life not exceeding 20 years. This is a change in accounting policy as in previous years goodwill on acquisitions was either recognised as an asset and amortised by equal annual instalments over a maximum period of 20 years or eliminated directly against reserves in the year of acquisition. In accordance with the transitional provisions under HKSSAP No. 30, no retrospective adjustment is made to the goodwill previously eliminated directly against reserves.

## 2. TURNOVER

The Group is principally engaged in investment holding, the provision of financial services, including securities broking, futures broking, corporate finance, financial advisory and proprietary trading, dyestuffs distribution, garment manufacturing and property holding.

An analysis of the Group's turnover and operating (loss)/profit by principal activities for the period is as follows:

	Six months ended 31 December 2001					
	Investment holding	Financial services	Dyestuffs distribution	Garment manufacturing	Property holding & others	Group total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover						
Segment total	1,137	53,484	15,923	25,962	9,894	106,400
Inter-segment	(1,137)	—	—	—	(1,325)	(2,462)
Group total	—	53,484	15,923	25,962	8,569	103,938
Dividend income						650
						<u>104,588</u>
Segment results						
Segment total	(9,847)	190	(2,973)	647	(2,034)	(14,017)
Inter-segment	(1,137)	—	1,792	—	(655)	—
Amortisation of goodwill	—	(6,167)	—	—	—	(6,167)
Group total	(10,984)	(5,977)	(1,181)	647	(2,689)	(20,184)
Unallocated income						1,254
Finance costs						(2,761)
Loss before taxation						(21,691)
Taxation credit						712
Minority interests						(490)
Loss attributable to shareholders						<u>(21,469)</u>

## Six months ended 31 December 2000

	Investment holding HK\$'000	Dyestuffs distribution HK\$'000	Garment manufacturing HK\$'000	Property holding & others HK\$'000	Household fabric (note) HK\$'000	Group total HK\$'000
Turnover						
Segment total	1,808	20,356	30,231	9,877	13,020	75,292
Inter-segment	(1,808)	(330)	—	(1,616)	—	(3,754)
Group total	—	20,026	30,231	8,261	13,020	71,538
Dividend income						650
						<u>72,188</u>
Segment results						
Segment total	(8,577)	(3,166)	1,330	4,607	(1,716)	(7,522)
Inter-segment	(1,766)	1,677	330	(878)	637	—
Gain on disposal of subsidiaries (note)	—	—	—	—	14,462	14,462
Group total	(10,343)	(1,489)	1,660	3,729	13,383	6,940
Unallocated income						3,459
Finance costs						(4,080)
Share of loss of an associated company		(29)				(29)
Profit before taxation						6,290
Taxation						(514)
Minority interests						266
Profit attributable to shareholders						<u>6,042</u>

*note:* The household fabric operation was a discontinued operation. The Group sold this operation at a gain of HK\$14,462,000 during the six months ended 31 December 2000.

An analysis of the Group's turnover and operating (loss)/profit by principal markets for the period is as follows:

	TURNOVER		OPERATING (LOSS)/PROFIT	
	Six months ended		Six months ended	
	31 December		31 December	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal markets:				
Hong Kong	<b>56,977</b>	25,425	<b>(27,881)</b>	7,917
Mainland China ("PRC")	<b>34,317</b>	40,509	<b>(790)</b>	(403)
Overseas	<b>12,644</b>	5,604	<b>8,487</b>	(574)
	<b>103,938</b>	71,538	<b>(20,184)</b>	6,940

### 3. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after crediting and charging the following:

	Six months ended	
	31 December	
	2001	2000
	HK\$'000	HK\$'000
Crediting:		
Write back of provision for loans receivable (note 13)	<b>6,240</b>	—
Net realised and unrealised gain on equity securities and warrants	<b>3,456</b>	—
Gain on disposal of fixed assets	—	11
	<b>9,696</b>	11
Charging:		
Depreciation on owned fixed assets	<b>5,097</b>	4,736
Amortisation of goodwill	<b>6,168</b>	—
Provision for doubtful debts/loans receivable	<b>2,740</b>	—
Net exchange loss	<b>1,219</b>	—
	<b>15,224</b>	4,736

#### 4. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the period. Taxation on PRC profits has been calculated on the estimated assessable profit for the period at the rate of 27% (2000: 27%). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation (credited)/charged to the consolidated profit and loss account represents:

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Company and subsidiaries:		
Hong Kong profits tax	—	—
PRC taxation	<b>208</b>	514
Overseas taxation	<b>725</b>	—
Overprovision in prior period - Hong Kong	<b>(1,771)</b>	—
Deferred taxation - Overseas	<b>126</b>	—
	<u><b>(712)</b></u>	<u>514</u>

#### 5. (LOSS)/EARNINGS PER SHARE

The (loss)/earnings per share is calculated based on the loss attributable to shareholders of HK\$21,469,000 (2000: profit of HK\$6,042,000) and on the weighted average number of 2,268,216,964 (2000: 1,885,915,878) ordinary shares in issue during the period. Fully diluted (loss)/earnings per share is not shown as there is no dilution effect.

#### 6. DIVIDEND

The Directors have resolved not to pay any interim dividend in respect of the six months ended 31 December 2001 (2000: nil).

## 7. GOODWILL

	<b>31 December 2001 HK\$'000</b>	30 June 2001 HK\$'000
Cost	<b>246,698</b>	246,698
Accumulated amortisation	<b>(9,252)</b>	(3,084)
Net book value	<b><u>237,446</u></b>	<u>243,614</u>

## 8. OTHER ASSETS

Included in the balance is the trading rights on The Stock Exchange of Hong Kong Limited and The Hong Kong Futures Exchange Limited which are carried at cost of HK\$1,000 (30 June 2001: HK\$1,000).

## 9. NON - TRADING SECURITIES

In accordance with the Group's accounting policies on investments in securities, the directors have reviewed the Group's individual investments at 31 December 2001 in order to determine if their fair value have been impaired. Following the review, the directors consider that the fair value of the Group's investments in securities have diminished by an aggregate of HK\$17,968,000 for the six months ended 31 December 2001 and the diminution is temporary only. Accordingly, the diminution in value has been included in the investment revaluation reserve.

## 10. LOANS RECEIVABLE

	<b>31 December 2001 HK\$'000</b>	30 June 2001 HK\$'000
Loans receivable	<b>19,916</b>	—
Less: Provision	<b>(11,605)</b>	—
	<b><u>8,311</u></b>	<u>—</u>

The loans are unsecured, non-interest bearing and scheduled for repayments on or before 25 October 2005.

## 11. ACCOUNTS RECEIVABLE

	<b>31 December 2001 HK\$'000</b>	30 June 2001 HK\$'000
Accounts receivable arising from the ordinary course of business of dealing in securities, options and futures contracts (note a)	<b>32,505</b>	297,097
Accounts receivable from securities margin clients (note b)	<b>25,330</b>	33,837
Accounts receivable arising from dyestuffs distribution and garment manufacturing (note c)	<b>16,240</b>	23,942
Other trade debtors	<b>7,449</b>	6,422
	<b><u>81,524</u></b>	<b><u>361,298</u></b>

*Notes:*

- (a) The settlement terms of accounts receivable arising from the ordinary course of business of dealing in securities are two days after trade date, whereas the settlement terms for those arising from the ordinary course of business of dealing in options and futures contracts is one day after trade date.
- (b) Accounts receivable from securities margin clients are secured by clients' pledged securities, and are repayable on demand and bear interest at commercial rates. The market value of the pledged securities as at 31 December 2001 was approximately HK\$176 million (30 June 2001: HK\$107 million).
- (c) The credit terms of accounts receivable arising from dyestuffs distribution and garment manufacturing range from 30 days to 180 days.
- (d) The Group maintains clients' monies arising from the ordinary course of business of dealing in options and futures contracts in trust with Hong Kong Futures Exchange Clearing Corporation. As at 31 December 2001, the Group held HK\$16,382,000 (30 June 2001: HK\$4,862,000) in trust for clients with Hong Kong Futures Clearing Corporation which is not included on the balance sheet.

(e) The aging analysis of the accounts receivable balance is as follows:

	<b>31 December</b>	30 June
	<b>2001</b>	2001
	<b>HK\$'000</b>	HK\$'000
0 - 1 month	<b>68,160</b>	342,919
2 - 3 months	<b>7,958</b>	13,292
4 - 6 months	<b>5,126</b>	3,196
Over 6 months	<b>280</b>	1,891
	<b><u>81,524</u></b>	<b><u>361,298</u></b>

## 12. TRADING INVESTMENTS

Included in the balance of trading investments are certain unlisted warrants which are carried at fair value of HK\$5.5 million as at 31 December 2001 (30 June 2001: nil). The directors estimate that the fair value of these unlisted warrants is approximately HK\$0.3 million in March 2002.

## 13. AMOUNTS DUE FROM/ TO RELATED COMPANIES

The related companies are E2-Capital Group (see note 21). The amounts due from E2-Capital Group as at 31 December 2001 are unsecured, interest free and have no fixed terms of repayment. The amounts due to E2-Capital Group as at 30 June 2001 were unsecured and interest bearing at Hong Kong Dollar Prime Rate plus 1% and had no fixed terms of repayment (note 21(d)).

During the period, a loan receivable from a third party of HK\$6,240,000 has been assigned to E2-Capital Group. This loan receivable was previously fully provided for in June 2001 and was included as part of the other operating income/(expenses) in the profit and loss account. As a result of this assignment, the provision for this loan receivable was written back during the current period (note 3).

## 14. CASH AND BANK BALANCES

The Group maintains clients' monies arising from the ordinary course of business of dealing in securities, options and futures contracts in trust with authorised financial institutions. As at 31 December 2001, the Group held HK\$75,749,000 (30 June 2001: HK\$58,546,000) in trust for clients which is not included on the balance sheet.



## 15. ACCOUNTS PAYABLE

The aging analysis of the accounts payable balance is as follows:

	<b>31 December 2001 HK\$'000</b>	30 June 2001 HK\$'000
0 - 1 month	<b>23,097</b>	137,769
2 - 3 months	<b>2,823</b>	5,688
4 - 6 months	<b>2,476</b>	3,381
Over 6 months	<b>563</b>	5,389
	<b><u>28,959</u></b>	<b><u>152,227</u></b>

As at 31 December 2001, the accounts payable include amounts of approximately HK\$17 million (30 June 2001: HK\$132 million) arising from the ordinary course of business of dealing in securities, options and futures contracts which was current and excluded monies held in trust for clients (notes 11(d) and 14).

## 16. AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY

The balance represents an amount due to Softbank Finance Corporation, an intermediate holding company of the Company. The amount is unsecured and interest free and has no fixed terms of repayment.

## 17. LONG TERM LIABILITIES

	<b>31 December 2001 HK\$'000</b>	30 June 2001 HK\$'000
Bank loan, secured	<b>8,316</b>	9,112
Amounts due within one year included under current liabilities	<b>(1,707)</b>	(1,600)
	<b><u>6,609</u></b>	<b><u>7,512</u></b>

(a) The analysis of the above is as follows:

	<b>31 December 2001 HK\$'000</b>	30 June 2001 HK\$'000
Wholly repayable within five years	<u><b>8,316</b></u>	<u>9,112</u>

(b) The long term liabilities were repayable as follows:

	<b>31 December 2001 HK\$'000</b>	30 June 2001 HK\$'000
Within one year	<b>1,707</b>	1,600
In the second year	<b>1,805</b>	1,721
In the third to fifth year	<b>4,804</b>	5,791
	<u><b>8,316</b></u>	<u>9,112</u>

The long term bank loan was fully repaid on 15 January 2002.

## 18. SHARE CAPITAL

Authorised:

	<b>Ordinary shares of HK\$0.1 each</b>	
	<b>No. of shares</b>	<b>HK\$'000</b>
At 1 July 2001 and 31 December 2001	<u>5,000,000,000</u>	<u>500,000</u>

Issued and fully paid:

	<b>Ordinary shares of HK\$0.1 each</b>	
	<b>No. of shares</b>	<b>HK\$'000</b>
At 1 July 2001	2,245,390,877	224,539
Issue of ordinary shares (note a)	100,000,000	10,000
Exercise of share options (note b)	15,000,000	1,500
At 31 December 2001	<u>2,360,390,877</u>	<u>236,039</u>

## Notes:

- (a) On 11 December 2001, the Company issued 100,000,000 ordinary shares at a premium of HK\$0.2 per share for cash amounting to HK\$30,000,000 for investments in the PRC and general working capital of the Company. These shares rank pari passu with the existing shares.
- (b) During the period, 15,000,000 share options granted under the share option scheme adopted by the Company on 25 October 2000 were exercised by the grantee at an exercise price of HK\$0.48 per share. Details of the Group's share option schemes are set out on page 11 of the 2001/2002 Interim Report.

**19. RESERVES**

	<b>HK\$'000</b>
Share premium	
At 1 July 2001	582,453
Issue of ordinary shares	25,700
Share issue expenses	(1,061)
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At 31 December 2001	607,092
Capital redemption reserve	
At 1 July 2001 and 31 December 2001	1,899
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Investment revaluation reserve	
At 1 July 2001	(49,214)
Deficit on revaluation of non-trading securities	(17,968)
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At 31 December 2001	(67,182)
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Exchange translation reserve	
At 1 July 2001	(6,576)
Exchange difference arising on translation of subsidiaries	(122)
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At 31 December 2001	(6,698)
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Accumulated losses	
At 1 July 2001	(199,998)
Loss for the period	(21,469)
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At 31 December 2001	(221,467)
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	<u>313,644</u>

## 20. COMMITMENTS

(a) Capital commitments

Pursuant to a Note Purchase Agreement dated 28 November 2001 between SBI Investments (USA) Inc. (formerly known as Best Finance Investments Limited), a subsidiary, and vFinance, Inc., SBI Investments (USA) Inc. agreed to buy and vFinance, Inc. agreed to issue a note in the principal amount of US\$1.5 million (equivalent to HK\$11.7 million) (the "Note") convertible into common stock with a par value of US\$0.01 per share of vFinance, Inc..

In partial consideration of SBI Investments (USA) Inc.'s purchase of the Note, vFinance, Inc. has agreed to issue an option (the "Option") in favour of SBI Investments (USA) Inc. or its designee to purchase up to that number of shares of common stock equal to US\$1.5 million divided by the average closing bid and ask price of the common stock for the twenty consecutive trading days prior to the date(s) of the applicable option exercised but in no event shall such average closing bid and ask price be more than US\$0.336 or less than US\$0.23. The Option may be exercised from time to time up to 1 May 2002.

As at 31 December 2001, SBI Investments (USA) Inc. has contributed a total of US\$590,000 (equivalent to HK\$4.6 million) to vFinance, Inc..

(b) Operating leases

The Group has future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	<b>31 December 2001 HK\$'000</b>	30 June 2001 HK\$'000
Within one year	<b>5,031</b>	5,332
In the second to fifth year inclusive	<b>1,462</b>	3,878
	<b><u>6,493</u></b>	<u>9,210</u>

## 21. RELATED PARTY TRANSACTIONS

Related parties refer to E2-Capital (Holdings) Limited ("E2-Capital") and its subsidiaries (the "E2-Capital Group") and Softbank China Venture Investments Limited ("SBCVI"). E2-Capital is a company incorporated in Bermuda and listed on the Hong Kong Stock Exchange. The E2-Capital Group beneficially owns 49% interest in SBI E2-Capital Limited, a subsidiary of the Company. In addition, an executive director of the Company, Mr Wong Sin Just, is also an executive director of E2-Capital. SBCVI is a company incorporated in Hong Kong and a subsidiary of the Company's ultimate holding company, SOFTBANK CORP. Mr Akira Kajikawa and Mr Wong Sin Just, executive directors of the Company, are also directors of SBCVI.

During the period the Group undertook the following related party transactions, in the normal course of business:

		<b>Six months ended</b>	
		<b>31 December</b>	
		<b>2001</b>	2000
		<b>HK\$'000</b>	HK\$'000
Management and consultancy			
fee income	(a)	<b>1,231</b>	—
Back office expenses	(b)	<b>5,457</b>	—
Rental expenses	(c)	<b>1,781</b>	—
Interest expenses	(d)	<b>149</b>	—

*Notes:*

- (a) The Group received a fixed monthly management fee income from E2-Capital Group for the latter's sharing of the Group's office space and other related facilities. The Group also received a fixed monthly management and consultancy fee income from SBCVI including the use of the portions of the Group's office and shared facilities, the provision of service for computer and network operation and maintenance, the provision of management consultancy service, technical consultancy and management service, legal advisory and company secretarial service and human resource and administrative services in accordance with agreements entered into with both parties.
- (b) The Group reimbursed E2-Capital Group for back office support service provided, including company secretarial and compliance services, financial oversight and treasury management, human resources and administrative services, corporate communications and information technology services. The reimbursement was calculated based on an agreed percentage of the actual costs incurred by E2-Capital Group in accordance with an agreement entered into by both parties.

- (c) The Group reimbursed E2-Capital Group for rental expenses incurred by the latter on the office premises occupied by the Group in accordance with an agreement entered into by both parties.
- (d) The Group paid interest expenses at Hong Kong Dollar Prime Rate plus 1% per annum on the amount due to E2-Capital Group (note 13).
- (e) On 18 December 2001, the Company entered into a sale and purchase agreement with E2-Capital in relation to the acquisition by the Company of E2-Capital's entire interest in ebizal (Holdings) Limited (formerly known as ebizal Investments Limited) ("ebizal Holdings"), a wholly-owned subsidiary of E2-Capital, for a consideration of approximately HK\$68.1 million, comprising approximately HK\$38.1 million for the acquisition of the technology and communication consulting businesses operated by ebizal Holdings' subsidiaries and HK\$30.0 million for the acquisition of the financial assets held by ebizal Holdings' subsidiaries. The total consideration of approximately HK\$68.1 million is satisfied as to (i) approximately HK\$51.9 million by way of disposal by the Company to E2-Capital of its entire interests in four wholly owned subsidiaries, namely Cheung Wah Ho Dyestuffs Company Limited, Lancerwide Company Limited, Full Success Investments Limited and Lucky Happy Development Limited, the principal businesses of which comprise the distribution of dyestuffs and the holding of two properties in Hong Kong, and the assignment of the shareholder's loans by the Company to E2-Capital; and (ii) a sum of approximately HK\$16.2 million in cash. The transactions have been completed on 24 January 2002.
- (f) Each of the Company and E2-Capital has agreed to, amongst other things, provide to the Monetary Authority of Singapore ("MAS") the guarantees, as required under the MAS Investment Adviser Licence and MAS Dealer Licence, pursuant to which each of the Company and E2-Capital undertakes to maintain SBI E2-Capital Pte Limited in a sound position and pay and settle all obligations and liabilities of SBI E2-Capital Pte Limited arising during the subsistence of the guarantees. The Company and E2-Capital 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 Company has agreed to indemnify E2-Capital for 51% of any claim under the guarantees given to MAS by E2-Capital and E2-Capital has agreed to indemnify the Company for 49% of any claim under the guarantees given to MAS by the Company.
- (g) Total banking facilities of the Group guaranteed by E2-Capital Group as at 31 December 2001 amounted HK\$219 million (30 June 2001: HK\$266 million).

- (h) For the purpose of the Group's banking facilities with Standard Chartered Bank, a letter of undertaking was issued by E2-Capital Group which undertakes to maintain the minimum networth of no less than HK\$300 million at all times for the accounts of SBI E2-Capital Commodities Limited, SBI E2-Capital Brokerage Limited and SBI E2-Capital Securities Limited, subsidiaries of the Group.
- (i) As discussed in note 13, a loan receivable from a third party of HK\$6.24 million has been assigned to E2-Capital Group in December 2001.

## 22. SUBSEQUENT EVENTS

- (a) On 4 January 2002, the Company entered into an agreement in relation to the acquisition by the Company of 60% interest in Software Gateway Limited (which holds 99% equity interest of Electrum Information Technology Co., Ltd. ("Electrum")) for a total consideration of HK\$18 million. Electrum is a company registered in Guangzhou, the PRC and is primarily engaged in the development of a comprehensive range of customised web-based and software solutions for business and public sectors. The remaining 40% interest in Software Gateway Limited ("Pledged Shares") held by a minority shareholder is pledged to the Company for a duration of three years from 11 January 2002. The Company has been granted a call option to purchase the Pledged Shares from the minority shareholder. On the other hand, the Company has granted to the minority shareholder a put option to sell the Pledged Shares to the Company. These options are exercisable in part or in full over a period of three years from 11 January 2002. After the completion of the transaction, the Company is requested to advance to Software Gateway Limited with an amount of RMB 5 million for working capital purposes.
- (b) The acquisition of ebizal (Holdings) Limited and the disposal of the four wholly owned subsidiaries as referred to in note 21 (e) have been completed on 24 January 2002.

- (c) On 7 January 2002, the Company entered into a placing agreement with First Shanghai Securities Limited (“First Shanghai”) in relation to the placing of 40,000,000 new shares of the Company at HK\$0.30 per share, with an over-allotment option granted by the Company to First Shanghai to place up to an additional 20,000,000 new shares of the Company at HK\$0.30 per share. On the same date, the Company entered into a placing and subscription agreement with First Shanghai and Paper Rich Investments Limited (“Paper Rich”) (a wholly-owned subsidiary of E2-Capital and beneficially interested in approximately 8.15% of the issued share capital of the Company at the date of the agreement) whereby (i) First Shanghai agreed to place 40,000,000 existing shares of the Company held by Paper Rich; and (ii) Paper Rich agreed to subscribe for 20,000,000 new shares of the Company. The transactions have been completed on 18 January 2002.