

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

These unaudited consolidated condensed 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 2001 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2001 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 2002:

SSAP 1 (revised)	: Presentation of financial statements
SSAP 11 (revised)	: Foreign currency translation
SSAP 15 (revised)	: Cash flow statements
SSAP 25 (revised)	: Interim financial reporting
SSAP 33	: Discontinuing operations
SSAP 34	: Employee benefits

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

(a) SSAP 11 (revised): Foreign currency translation

The balance sheet of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

In prior periods, the profit and loss of foreign enterprises was translated at closing rate. This is a change in accounting policy, however, the translation of the profit and loss of foreign enterprises in prior periods has not been restated as the effect of this change is not material to the current and prior periods.

1. Basis of preparation and accounting policies (continued)

(b) SSAP 34: Employee benefits

(1) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

In prior periods, no provision was made for employee annual and long service leave entitlements. This is a change in accounting policy, however, the provision for employee annual and long service leave entitlements have not been restated as the effect of this change is not material to the current and prior periods.

(2) Pension obligations

The Group contributes to a defined contribution retirement scheme which is available to all full time employees. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the profit and loss account represents contributions payable by the Group to the fund.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

The assets of the scheme are held separately from those of the Group in an independently administered fund.

(3) Equity compensation benefits

Share options are granted to full time employees or Directors of the Company or any of its subsidiaries. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

2. Segment information

Primary reporting format -- business segments

The Group is organised into six main business segments:

- Broking services - securities broking and provision of margin financing, commodities, options and futures broking
- Industrial and Management operating services - manufacture of quality plastic and paper boxes for luxury consumer goods, provision of asset management services and trading of dyestuffs
- Investment banking - provision of corporate finance services
- Direct investments - securities trading
- Property - property development and holding
- Consulting, Marketing and Technology services - 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 2002						Group
	Broking services	Industrial & Management operating services	Investment banking	Direct investments	Property	Consulting, Marketing & Technology services (note)	
Revenues	—	15,419	1,240	3,633	51,493	13,254	85,039
Segment results	—	(20)	(1,725)	(1,397)	(2,995)	2,128	(4,009)
Net investment gain							6,580
General corporate expenses							(8,550)
Operating loss							(5,979)
Finance costs	—	(17)	—	(173)	(80)	(4)	(274)
Share of profits less losses of associated companies	(1,405)	5,640	3,794	—	207	—	8,236
Profit before taxation							1,983
Taxation							(1,781)
Profit after taxation							202
Minority interests							(624)
Loss attributable to shareholders							(422)

2. **Segment information** (continued)

Primary reporting format -- business segments

	6 months ended 30 June 2001						Group
	HK\$'000						
	Broking services	Industrial & Management operating services	Investment banking	Direct investments	Property	Consulting, Marketing & Technology services (note)	
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
General corporate expenses							(12,813)
Operating profit							52,576
Finance costs	(654)	(206)	—	(579)	(202)	(198)	(1,839)
Share of losses less profits of associated companies	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

Note:

On 24 January 2002, the Group sold its entire equity interest in ebizal Investments Limited (subsequently renamed as ebizal (Holdings) Limited) which engaged in the consulting, marketing & technology services segment. As such, the operation of the consulting, marketing & technology service was discontinued in the current period. Net assets disposed of amounted to HK\$58 million.

2. **Segment information** (continued)

Secondary reporting format - geographical segments

	Turnover		Operating (loss)/profit	
	6 months ended		6 months ended	
	30 June		30 June	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Peoples' Republic of China including Hong Kong	85,039	86,271	(5,979)	51,680
Europe	—	19,149	—	3,461
North America	—	3,264	—	(1,393)
South East Asia	—	9,988	—	(1,586)
Japan and North Asia	—	—	—	—
Others	—	2,624	—	414
	<u>85,039</u>	<u>121,296</u>	<u>(5,979)</u>	<u>52,576</u>

Sales are based on the country in which the customer is located.

3. **Net investment gain**

	6 months ended	
	30 June	
	2002	2001
	HK\$'000	HK\$'000
Net gain on disposal of interests in subsidiaries	10,808	178,161
Provision for investment in securities and associated companies	(4,099)	(104,993)
Net realised loss on investment in securities	(129)	—
	<u>6,580</u>	<u>73,168</u>

4. Operating (loss)/profit

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

	6 months ended	
	30 June	
	2002	2001
	HK\$'000	HK\$'000
Depreciation		
Owned fixed assets	2,614	3,334
Leased fixed assets	—	18
Amortisation of goodwill	793	—
Staff costs		
Wages and salaries	11,620	55,284
Pension costs - defined contribution plans	237	2,054
Operating lease rentals in respect of land and buildings	2,944	3,058
Loss on disposal of fixed assets	10	19
	<u> </u>	<u> </u>

5. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001: 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	
	2002	2001
	HK\$'000	HK\$'000
Hong Kong profits tax	211	2,414
Share of taxation attributable to associated companies	1,570	373
	<u> </u>	<u> </u>
	<u>1,781</u>	<u>2,787</u>

6. Dividends

	6 months ended 30 June	
	2002	2001
	HK\$'000	HK\$'000
2002 Interim, declared on 19 September 2002, of 0.25 HK cent (2001: 1 HK cent) per ordinary share	<u>2,862</u>	<u>11,456</u>

- (a) At a meeting held on 26 March 2002, the Directors proposed a final dividend of 0.25 HK cent per ordinary share for the year ended 31 December 2001, which was paid on 15 July 2002 and has been reflected as an appropriation of the contributed surplus for the six months ended 30 June 2002.
- (b) At a meeting held on 19 September 2002, the Directors declared an interim dividend of 0.25 HK cent per share for the year ending 31 December 2002. This dividend is not reflected as a dividend payable in these condensed financial statements, but will be reflected as an appropriation of the contributed surplus for the year ended 31 December 2002.

7. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the Group's loss attributable to shareholders of HK\$422,000 (2001: profit attributable to shareholders of HK\$33,180,000).

The basic (loss)/earnings per share is based on the weighted average of 1,145,208,093 (2001: 1,146,524,336) ordinary shares in issue during the period. The exercise of options would have anti-dilutive effects on the basic loss per share and accordingly no diluted loss per share for the period is presented.

8. Interests in associated companies

	30 June 2002	31 December 2001
	HK\$'000	HK\$'000
Share of net assets	<u>109,192</u>	<u>103,603</u>
Amounts due from associated companies (note 10)	212	505
Amounts due to associated companies (note 12)	<u>(172)</u>	<u>(2,740)</u>
	<u>40</u>	<u>(2,235)</u>

8. **Interests in associated companies** (continued)

(a) Particulars of the Group's principal associated companies as at 30 June 2002 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
		2002	2001	
SBI E2-Capital Limited	Cayman Islands	49%	49%	Investment banking and broking services
Boxmore Limited	British Virgin Islands	38%	38%	Industrial and management operating services

(b) Amounts due from/to associated companies are unsecured, interest free and have no fixed term of repayment.

(c) The equity interest in the SBI E2-Capital Group had been reduced from 100% to 49% on 2 April 2001. Accordingly the results of the SBI E2-Capital Group have been equity accounted for in current period. The summary of financial information of the SBI E2-Capital Group for the period ended 30 June 2002 is as follows:

	6 months ended 30 June 2002 HK\$'000
Consolidated profit and loss account	
Turnover	58,172
Profit before taxation	4,874
	30 June 2002 HK\$'000
Consolidated balance sheet	
Total assets	169,077
Total liabilities	44,348
Total net assets	124,729

9. Capital expenditure

	<u>Goodwill</u>	<u>Assets and liabilities excluding fixed assets</u>	<u>Fixed assets</u>
	HK\$'000	HK\$'000	HK\$'000
6 months ended 30 June 2002			
Opening net book amount	23,415	958,157	10,955
Acquisition of subsidiaries (note 17)	439	13,359	38,137
Disposals (note 18)	—	(47,622)	(569)
Depreciation/amortisation charge	(793)	—	(2,614)
Other movements	—	5,623	55
	<u>23,061</u>	<u>929,517</u>	<u>45,964</u>

10. Trade and other receivables

	<u>30 June 2002</u>	<u>31 December 2001</u>
	HK\$'000	HK\$'000
Due from:		
Associated companies	212	505
Trade receivables	47,905	22,282
Other receivables, prepayments and deposits	47,627	22,149
	<u>95,744</u>	<u>44,936</u>

The ageing analysis of trade receivables is as follows:

	<u>0-30 days</u>	<u>31-90 days</u>	<u>> 90 days</u>	<u>Total</u>
	HK'000	HK'000	HK'000	HK'000
Balance at 30 June 2002	<u>25,791</u>	<u>20,234</u>	<u>1,880</u>	<u>47,905</u>
Balance at 31 December 2001	<u>13,742</u>	<u>7,743</u>	<u>797</u>	<u>22,282</u>

The Group allows an average credit period of 30-90 days to trade debtors.

11. Bank balances and cash

	30 June 2002	31 December 2001
	HK\$'000	HK\$'000
The balance consists of:		
Own account	83,117	122,399
Pledged bank deposit	5,313	—
	88,430	122,399

12. Trade and other payables

	30 June 2002	31 December 2001
	HK\$'000	HK\$'000
Due to:		
An affiliated company	17	17
Unconsolidated subsidiaries	—	148
Associated companies	172	2,740
Trade payables	7,802	26,340
Other accounts payables and accruals	17,480	23,982
	25,471	53,227

The ageing analysis of trade payables is as follows:

	0-30 days	31-90 days	> 90 days	Total
	HK'000	HK'000	HK'000	HK'000
Balance at 30 June 2002	2,145	3,828	1,829	7,802
Balance at 31 December 2001	20,850	4,969	521	26,340

13. Long term liabilities

	30 June 2002	31 December 2001
	HK\$'000	HK\$'000
Bank loans		
Secured	113,671	120,000
Other loans		
Secured	2,284	2,467
Obligation under finance leases	—	49
	115,955	122,516
Current portion of long-term liabilities	(71,148)	(74,575)
	44,807	47,941

Other loans and obligations under finance leases not wholly repayable within five years are repayable by instalments from 1 July 2002 to 30 November 2018. Interest is charged on the outstanding balances at Hong Kong prime rate plus 1.5% p.a. (2001: Hong Kong Prime rate plus 1.5% p.a.).

At 30 June 2002, the Group's bank loans (excluding finance lease liabilities) were repayable as follows:

	30 June 2002	31 December 2001
	HK\$'000	HK\$'000
The secured bank loans are repayable as follows:		
Within one year	71,071	74,450
One to two years	24,900	24,900
Two to five years	17,700	17,700
Over five years	—	2,950
	113,671	120,000

14. Share capital

	Ordinary shares of US\$0.10 each	
	No. of shares	Nominal value US\$'000
Authorised:		
At 1 January 2001 and 30 June 2002	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2001	1,146,524,336	114,653
Repurchase of shares	(1,000,000)	(100)
At 31 December 2001 and 1 January 2002	1,145,524,336	114,553
Repurchase of shares	(636,000)	(64)
At 30 June 2002	1,144,888,336	114,489
	30 June 2002	31 December 2001
	HK\$'000	HK\$'000
Shown in the accounts as	893,013	893,509

Share option scheme

Under the share option scheme (the "Scheme") approved by the shareholders at a Special General Meeting of the Company held on 15 December 1992, the Directors may, at their discretion, invite any full time employees or Directors of the Company or any of its subsidiaries, as incentive 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.

At 30 June 2002, the total number of shares available for issue under the Scheme are 42,519,000 shares, representing approximately 3.7% of the total issued share capital thereof.

15. Contingent liabilities

- (a) Corporate guarantees proportionate to the Group's interest were given to financial institutions for working capital facilities of associated companies and investee companies in addition to collaterals given by these companies. The aggregate amount of such facilities utilised by these companies at 30 June 2002 were as follows:

	<u>30 June 2002</u>	<u>31 December 2001</u>
	HK\$'000	HK\$'000
Guarantees given to banks for loans to:		
Investee companies	38,637	11,598
Associated companies	<u>2,450</u>	<u>2,450</u>
	<u>41,087</u>	<u>14,048</u>

- (b) The Group provided a guarantee (the "Guarantee") to a bank for the purpose of the banking facilities of RMB50 million to an investee company.

At the same time, a specific indemnity was issued to the Group by the major shareholders to keep the Group indemnified against all liabilities and losses in relation to or out of, or as a result of the Group having issued the Guarantee. Shares of the investee company and other companies of approximately USD 2.9 million and sale proceeds receivable from the sale of the properties under development for sale of the investee company of approximately USD 11.9 million have been charged to the Group as securities for the Guarantee provided.

- (c) In addition, as disclosed in note 19(e), the Group provided guarantees to the Monetary Authority of Singapore in respect of the obligations and liabilities of an indirect associated company of the Group, SBI E2-Capital Pte Ltd ("SBI Pte"). As at 30 June 2002, the shareholders' fund and the total liabilities of SBI Pte were HK\$18,681,000 and HK\$5,935,000 respectively.

16. Commitments

	<u>30 June 2002</u>	<u>31 December 2001</u>
	HK\$'000	HK\$'000
Amounts of capital commitments relating to investment projects are as follows:		
Contracted but not provided for	<u>13,000</u>	<u>—</u>

17. Acquisition

The Group acquired 100% of the share capital of Cheung Wah Ho Dyestuffs Company Limited, Lancerwide Company Limited, Full Success Investments Limited and Lucky Happy Development Limited (the "Softbank Companies") which are Hong Kong incorporated companies and engaged in trading of dyestuffs and property holding. The consideration of HK\$51.9 million was satisfied by way of the disposal of its entire equity interest in ebizal Investments Limited (note 18). The transactions were completed on 24 January 2002. The fair value of the net identifiable assets of the companies at the date of acquisition was HK\$51.5 million. The acquired business contributed revenues of HK\$17,033,000 and operating profit of HK\$692,000 to the Group for the period from 25 January 2002 to 30 June 2002.

The assets and liabilities arising from the acquisition are as follows:

	HK\$'000
Fixed assets	38,137
Other assets less liabilities	13,359
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Fair value of net assets	51,496
Goodwill	439
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Total purchase consideration	51,935
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18. Discontinued operation

On 24 January 2002, the Group sold its entire equity interest in ebizal Investments Limited (subsequently renamed as ebizal (Holdings) Limited) which engaged in the consulting, marketing and technology services segment.

The sales, results, cash flows and net assets of the consulting, marketing and technology services segment were as follows:

	2002
	HK\$'000
Turnover	13,254
Operating costs	(11,126)
	<hr/>
Operating profit	2,128
Finance costs	(4)
	<hr/>
Profit before tax	2,124
Tax	—
	<hr/>
Profit after tax	2,124
Minority interest	(20)
	<hr/>
	2,104
	<hr/> <hr/>
Cash outflow in respect of:	
Operating activities	(3,850)
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Total cash outflow	(3,850)
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18. Discontinued operation (continued)

	<u>2002</u>
	HK\$'000
Fixed assets	569
Investment in securities	46,800
Current assets	<u>29,279</u>
Total assets	76,648
Total liabilities	<u>(28,457)</u>
Net assets	<u><u>48,191</u></u>
Goodwill realised	<u><u>9,499</u></u>

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	
	<u>2002</u>	<u>2001</u>
	HK\$'000	HK\$'000
Management fees from the SBI E2-Capital Group (note (a))	5,184	3,395
Rental received from the SBI E2-Capital Group for share of office space (note (b))	1,390	891
Financial advisory fee paid to the SBI E2-Capital Group (note (c))	—	3,960
Interest income from the SBI E2-Capital Group (note (d))	<u>—</u>	<u>573</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. The service agreement was terminated on 30 April 2002.
- (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. The service agreement was terminated on 30 April 2002.
- (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.

19. Related party transactions (continued)

- (e) Prior to the Group's disposal of a 51% interest in SBI E2-Capital Limited to Softbank Investment International (Strategic) Limited ("Softbank Strategic"), the Company has given to the Monetary Authority of Singapore ("MAS") a guarantee (the "E2-Capital Guarantee-IAL"), as required under the MAS Investment Advisor Licence, pursuant to which the Company undertakes to maintain SBI Pte in a sound financial position and pay and settle all obligations and liabilities of SBI Pte during the subsistence of the guarantee. In connection with the Group's disposal of a 51% interest in SBI E2-Capital Limited to Softbank Strategic on 2 April 2001, the Group and Softbank Strategic have agreed between themselves that their respective responsibilities for the obligations and liabilities of SBI Pte should be determined by reference to their respective shareholdings in SBI E2-Capital Limited. Accordingly, the Group has agreed to indemnify Softbank Strategic for 49% of any claim under a similar guarantee given to MAS by Softbank Strategic and Softbank Strategic has agreed to indemnify the Group for 51% of any claim under the E2-Capital Guarantee-IAL.
- (f) On 18 December 2001, the Group entered into a sale and purchase agreement with Softbank Strategic in relation to the disposal of the Group's entire equity interest in ebizal Investment Limited (subsequently renamed as ebizal (Holdings) Limited), an indirect wholly-owned subsidiary of the Group, for a total consideration of approximately HK\$68.1 million. The total consideration was satisfied as to (i) approximately HK\$51.9 million by way of disposal of Softbank Strategic to the Group of its entire equity interests in Cheung Wah Ho Dyestuffs Company Limited, Full Success Investments Limited, Lancerwide Company Limited and Lucky Happy Development Limited (the "Softbank Companies"), all of which are wholly-owned subsidiaries of Softbank Strategic, and the assignment of Softbank Strategic to the Group of loans by Softbank Companies, the aggregate of which amounted to approximately HK\$62.7 million; and (ii) a sum of approximately HK\$16.2 million in cash. The transaction was completed on 24 January 2002.

20. Subsequent events

On 2 July 2002, the Group has agreed to sell 30% shareholding in Bright Advice Holdings Limited ("Bright Advice") to Win Hero International Limited, a private company incorporated in Hong Kong for a consideration of HK\$980,000. The consideration is to be satisfied by cash. The transaction was completed on 5 August 2002 and the gain in respect of this disposal is approximately HK\$679,000.

On 11 September 2002, Goodwill Properties (Holdings) Limited ("Goodwill Properties"), an indirect wholly owned subsidiary of the Company, entered into a Share Purchase Agreement with Elite World Group Limited ("Elite World") in relation to the disposal of Goodwill Properties's 50.1% shareholding in Right Venture Holdings Limited to Elite World for a cash consideration of HK\$455,000. The estimated gain in respect of this disposal is approximately HK\$70,000.

On behalf of the Board

Fung Ka Pun

Executive Co-Chairman

Wong Sin Just

Executive Co-Chairman

Hong Kong, 19 September 2002