

**2001/2002 SECOND INTERIM REPORT
FOR THE TWELVE MONTHS ENDED 30 JUNE 2002**

CONTENTS

| | Pages |
|---|-------|
| Management commentary | 2 |
| Condensed consolidated profit and loss account | 23 |
| Condensed consolidated balance sheet | 24 |
| Condensed consolidated cash flow statement | 26 |
| Condensed consolidated statement of changes in equity | 27 |
| Notes to condensed interim accounts | 28 |

MANAGEMENT COMMENTARY

TO THE SHAREHOLDERS

On behalf of the board of directors (the "Board") of Softbank Investment International (Strategic) Limited (the "Company" or "Softbank Strategic"), I am pleased to announce the second unaudited interim results of the Company and its subsidiaries (the "Group") for the 12 months period from 1 July 2001 to 30 June 2002.

CHANGE IN FINANCIAL YEAR END

In view of the increasing level of investments in Mainland China, the financial year end of the Company has been changed from "30 June" to "31 December" in order to coincide with the year ends of the Company's various PRC subsidiaries which have a common year end of 31 December. The Company hereby announces the second interim results for the 12 months period from 1 July 2001 to 30 June 2002. Final results for the 18 months period from 1 July 2001 to 31 December 2002 will be published on or before 30 April 2003.

RESULTS AND DIVIDENDS

The Group attained a consolidated turnover of HK\$257.3 million for the 12 months period ended 30 June 2002, which is an increase of 39.6% as compared with the same period last year. Consolidated loss attributable to shareholders was HK\$53 million for the current period, representing a decrease of 45.4% as compared with the last period. Loss per share was HK2.26 cents for the current period, compared with a loss per share of HK4.93 cents for the last period.

The Board has resolved not to pay any interim dividend to shareholders (2001: nil).

BUSINESS REVIEW AND PROSPECTS

During the period under review, the Group continued to fine-tune and enhance its business model and operating direction to fit itself into the objectives and strategies of SOFTBANK CORP., the parent company, in a manner which best suits the prevailing market environment. The three core businesses of investment, financial services as well as consultancy, technology and marketing services are now the powerhouses of the Group for generating revenue.

In the 12 months period ended 30 June 2002, substantial improvements were seen in all core sectors, with the Financial Services Division contributing an operating profit excluding goodwill amortisation. The Group believes that it has built a solid and healthy business structure to fulfill further plans and developments while maintaining a steady inflow of income.

1. Investment Holding Division

The Group has a vision of building and growing a strong and expansive investment and venture capital business in Greater China, with a particular focus on Mainland China. To this end, the Group has been actively seeking and making investments in enterprises with high growth potential in the region, both directly through the Investment Holding Division as well as via venture capital funds set up (or about to be set up) in Mainland China (including by way of involvement in the funds managed by Softbank China Venture Investments Limited (“SBCVI”, a subsidiary of its parent company, Softbank Investment Corporation)). The Group proactively participates in the strategy and overall direction of the investee companies, providing active management, strategy formulation and financial support to them in order to maximise the performance and value of such investments and consequently the Group’s investment returns. More recently, the Group has also been raising funds to enable it to pursue these objectives.

Direct Investment

The Investment Holding Division accounted for approximately 1% of the Group’s turnover. Operating loss was HK\$36.5 million for the current period, which is significantly less than the loss of HK\$81.5 million for the same period last year. The improvement was mainly caused by the absence of provision for impairment loss of HK\$73.5 million for certain non-trading securities which had been charged to the previous period’s consolidated profit and loss account.

During the period, a number of acquisitions were completed (including that of ebizal (Holdings) Limited (“ebizal Holdings”) (see “Consulting, Technology and Marketing Services Division” section below)), and the foundations were laid for other new investments which the Group hopes to pursue in the near future.

In October 2001, the Company invested HK\$3.9 million in The SBI Asian Total Return Portfolio, an absolute-return vehicle launched by SBI China Provident Capital Management Limited (“SBI China Provident”) that invests in multi-asset classes utilising multi-strategies across pan-Asia, which is the first of a family of total-return funds concentrating on the “Best of the Best” in Asia-Pacific region. Judging from the track record of the management team of SBI China Provident, the Group is optimistic that the fund will achieve total positive US Dollars return rather than simply mimicking relevant asset class indices. (See “Fund Management” under “Financial Services Division” below for performance of the fund during the period).

In January 2002, the Group acquired approximately 60% interest in Electrum Information Technology Co., Ltd. (“Electrum”), a web-based and software solutions provider, for a total consideration of HK\$18 million (see “Consulting, Technology and Marketing Services Division” section below).

In March 2002, the Company acquired 13.7% interest in Lai Fai International (BVI) Limited (formerly known as “Infogold Assets Ltd”) (“Lai Fai”), one of the leading jewellery wholesalers engaging in manufacturing, trading, and retailing of jewellery in Hong Kong and Japan, for approximately HK\$8.8 million. The Company is currently leveraging the various strategic relationships of Lai Fai in China and exploring various partnership opportunities, including a project within the online auction sector.

Subsequent Events

In June 2002, the Company announced the proposed acquisition of 30% interest in Shenzhen Huijin Science & Technology Co. Ltd. (“Huijin”), a developer and distributor of hardware and software products primarily for the financial sector in Mainland China. The completion of the acquisition has been delayed pending completion of the due diligence process, which is still ongoing.

In August 2002, the Company has completed the acquisition of about 30% stake in Supresoft Imagis Inc. (“Supresoft”), a leading imaging technologies and services provider, for a consideration of approximately HK\$22.5 million (see “Consulting, Technology and Marketing Services Division” section below).

More recently, the Group has on separate occasions invested a total amount of HK\$110 million in a leading Hong Kong travel company whose shares are listed on the Stock Exchange of Hong Kong. These holdings have recently experienced a substantial decline in value. If the value of these holdings does not recover by 31 December 2002, the Group may experience significant loss when it marks these investments to market.

Fund Raising Exercises

In December 2001, the Company entered into a placing agreement with First Shanghai Securities Limited (“First Shanghai”) to place 100 million new shares at HK\$0.30 each. In January 2002, the Company further entered into a placing agreement with First Shanghai and a placing and subscription agreement with First Shanghai and Paper Rich Investments Limited (a then shareholder of the Company) in respect of the placing and top-up placing involving the issue of an aggregate of 80 million new shares of the Company at HK\$0.30 each. The total net proceeds of the above placing of approximately HK\$52 million will be used for investments in the Mainland, including the setting up of a new China fund and other private equity investments, as well as general working capital for the Group. The directors of the Company considered that it was in the best interests of the Company to raise further capital from the equity market in order to further enhance the capital base, strengthen the cash flow, and facilitate the investment strategy.

Subsequent Events

In June 2002, the Company entered into a share placing agreement with SBI E2-Capital Securities Limited (“SBI E2-Capital Securities”), a subsidiary, to place, on a best effort basis, a total of up to 100 million new shares of Softbank Strategic at a consideration of HK\$30 million. Consequently, owing to the closing price of the shares of the Company experiencing a significant decline on 26 July 2002 along with many other companies listed on the Stock Exchange on that day, and the Company being unable to reach agreement with the proposed placees regarding a proposed renegotiation of the placing price, the Company announced in August 2002 that the share placing would not proceed for the time being.

In August 2002, SIIS Treasury Ltd (a wholly-owned subsidiary of the Company) issued 5% guaranteed convertible notes due 2005 with an aggregate principal amount of HK\$156.4 million. Of this amount, Hutchison International Limited (“Hutchison”) subscribed for an aggregate amount of HK\$85 million, while the balance was subscribed by various subscribers procured by the placing agents in pursuance of a note placing agreement. At the same time, the authorised share capital of the Company was increased from HK\$500 million to HK\$600 million. The directors regard this as the beginning of potential future cooperation between the two companies, and look forward to working more closely together with Hutchison to forge further strategic cooperation in the time to come.

The offering of convertible notes and the share placings are for the purpose of funding a number of investments in Hong Kong and Mainland China, in line with the Group’s business strategy of increasing focus in the area.

Investment Management

In the period under review, the Company continued to provide consultancy and management services to SBCVI relating to business strategy and the management of the funds under SBCVI in return for monthly fee income. SBCVI currently manages the Softbank Asia Net-Trans Fund and co-manages the HKSAR government’s Applied Research Fund jointly with Techpacific.com via a joint venture, Softech. The investment portfolio of SBCVI is made up of growing companies from various industries, with several of these companies being very close to becoming listed. The Group also works closely with SBCVI to explore synergistic partnerships or alliances between their investment portfolios to achieve mutual benefits.

The Group’s plan to set up its own venture capital funds in major cities of Mainland China also achieved good progress and the formation of joint ventures with a number of well-respected local venture companies is already in its final stages, with MOUs already signed in respect of Beijing and Shenzhen. The Group will play an important role in managing the funds.

2. Financial Services Division

The Financial Services Division accounted for approximately 47% of the Group's turnover. It recorded HK\$120.3 million in turnover for the 12 months ended 30 June 2002, a remarkable growth from HK\$52.2 million in turnover for the year ended 30 June 2001. An operating profit of HK\$5.5 million was recorded for the 12 months ended 30 June 2002 compared with an operating loss of HK\$21.3 million for the period ended 30 June 2001 before deducting goodwill amortisation of HK\$12.3 million (2001: HK\$3.1 million) for SBI E2-Capital Limited ("SBI E2-Capital").

The Group is constantly reviewing the carrying value of goodwill of SBI E2-Capital (currently standing at HK\$231 million as at 30 June 2002) and may revise it downwards if future operating performance does not improve. If there is to be such a downward revision, the loss of the Group may be substantially increased.

The performance of the Financial Services Division reflected mainly the performance of SBI E2-Capital and its subsidiaries which provide a variety of services ranging from investment banking, securities and commodities trading, research, asset management to financial products.

Investment Banking and Brokerage Services

In April 2002, SBI E2-Capital reorganised its Greater China business by placing its operations in Hong Kong and Mainland China under SBI E2-Capital China Holdings Limited with the objective of integrating SBI E2-Capital's resources to keep the group in tune with market conditions and economic trends and to maximise business results.

During the 12 months ended 30 June 2002, stock market volume in Hong Kong kept downsizing with an average daily turnover from HK\$8.6 billion to HK\$7.6 billion. Against a net profit of HK\$7.6 million for the 6 months ended 30 June 2001, the brokerage division sustained an operating loss of HK\$5 million and HK\$5.1 million for the 6 months ended 31 December 2001 and for the 6 months ended 30 June 2002 respectively. The management had foreseen the difficult operating environment in the beginning of 2002 and had therefore implemented a series of cost control measures to reduce the operating expenses and to streamline the online trading business.

Regarding margin financing business, the management has taken a prudent approach in granting credit to clients and thus the consistent poor market performance and high bankruptcy have not exposed our brokerage and margin financing arm, SBI E2-Capital Securities, to any significant credit risk throughout the 12 months ended 30 June 2002. As a result, there was no need to make significant provisions for bad and doubtful debts.

The Group's investment banking activities as undertaken by SBI E2-Capital (HK) Limited performed reasonably in the 12 months ended 30 June 2002 even though the market had not yet recovered during the period. The investment banking division recorded a profit before tax of HK\$10.5 million during the 12 months ended 30 June 2002. During the period under review, the division had successfully secured the role of co-sponsor and co-lead manager in the listings of Linmark Group Limited and MediaNation Inc. respectively. SBI E2-Capital (HK) Limited also emerged as the leading player in the equity capital market for small and medium enterprises during the period under review.

With the receipt in December 2001 from the China Securities Regulatory Commission a licence to act as a brokerage house of the B Shares market and as a lead manager in the issue of B Shares in Mainland China, the division has been making progress in procuring mandates from Mainland China and regional clients and businesses so as to carry out fund raising exercises for them, focusing mainly on listings on the Stock Exchange of Hong Kong.

SBI E2-Capital successfully operates a sub-division in Singapore under the name of SBI E2-Capital Holdings Pte Ltd, and it has continued to perform well as an innovative corporate finance house there, unlinked to any existing brokerage house or commercial bank, and it has lead-managed 8 IPOs in Singapore's capital markets during the 12 months period ended 30 June 2002. Following receipt of the dealer's licence from the Monetary Authority of Singapore ("MAS") in December 2001 and the provision by the Company to MAS a guarantee in respect of the dealer's licence granted, a fellow subsidiary of SBI E2-Capital Pte Ltd has submitted an application for a dealer licence with the MAS and will submit an application for a non-clearing member with the Singapore Exchange so as to further complement its range of services. The directors of the Company considered that the provision of the guarantee, which led to the granting of the MAS dealer's licence to SBI E2-Capital Pte Ltd, enables the Group to diversify its business activities in Singapore and thus enlarge its revenue base through SBI E2-Capital Pte Ltd.

In December 2001, SBI E2-Capital (USA) Limited ("SBI USA") strengthened its presence in the USA market, by making a strategic investment in US-based vFinance, Inc. (Nasdaq OTCBB: VFIN), a fully licensed broker dealer. The investment, which took the form of a convertible note, further enhanced the Group's regional and global service capabilities and distribution network in anticipation of the need to provide greater breadth and depth of services to our global clients. As part of this investment, SBI USA was granted one of the three board positions at vFinance, Inc.

Subsequent Event

On 11 September 2002, the Company's indirect non-wholly owned subsidiaries, (i) SBI E2-Capital Holdings Pte Ltd, (ii) SBI E2-Capital Asia Limited and (iii) SBI E2-Capital China Holdings Limited, agreed to subscribe an aggregate of 4,999,998 new shares of SBI E2-Capital Securities Pte Ltd, a fellow subsidiary of SBI E2-Capital Pte Ltd, for SGD1.00 per share. On the same day, SBI E2-Capital Securities Pte Ltd agreed to purchase 1 million existing shares, representing 10% stake of SBI E2-Capital Brokerage Limited from SBI E2-Capital Securities Limited, both of which are also indirect non-wholly owned subsidiaries of the Company, for SGD0.5 per share. After the completion of the subscription and share purchase, the Financial Services Division would be able to enhance the future co-operation and synergy between securities brokerage operation in Singapore and that in Hong Kong so as to create a closer relationship for securities brokerage business between Singapore and Hong Kong.

Subsequent to the period ended 30 June 2002, SBI E2-Capital Pte Ltd become the leading house in terms of lead-managing the current slew of new shares issues, securing mandates for 4 out of 10 IPOs that have been launched in July 2002 on both the Singapore Main Board and SESDAQ Exchanges.

Research

During the period, our research team continued to publish research reports on companies, sectors and other special topics periodically with the aim to assist investors to realise superior returns and its research coverage from technology companies to include media, telecom, industrial and consumer companies, in particular those companies that are operating in Greater China, and has led to an increase in the volume of research commentaries delivered during the period under review. By the end of 2001, our research team was ranked as the second best local house for Hong Kong by The Asset 2001 Broker Poll and the fourth most improved China research by Asiamoney 2001 Broker Pool.

Fund Management

Given the depressed state of the markets, the performance to date of The SBI Asian Total Return Portfolio launched by SBI China Provident in December 2001 has been quite satisfactory returning 13.1% (net of all fees) in the first quarter of 2002 and -3.0% (net of all fees) in the second quarter. We remain confident of a satisfactory absolute return for the full year and beyond.

3. Consulting, Technology and Marketing Services Division

Consulting, technology and marketing services accounted for approximately 16% of the Group's turnover. For the period under review, an operating loss of HK\$0.4 million was recorded before deducting goodwill amortisation of HK\$0.9 million.

In January 2002, the Company acquired the entire equity interest of ebizal Holdings (formerly known as ebizal Investments Limited), a provider of marketing service, technology solutions and consulting service, from E2-Capital for a total consideration of approximately HK\$68.1 million. The consideration for the acquisition was satisfied as to approximately HK\$51.9 million by way of disposal of the Group's dyestuffs operation and two property holding companies together with a sum of approximately HK\$16.2 million in cash.

This acquisition is in line with the Group's overall strategy of focusing its activities on companies that bring synergy to our core businesses, in which ebizal Holdings is a key addition. Mutually beneficial results are seen by integrating the capabilities of ebizal Holdings with those of other divisions in the Group.

Ebizal Marketing (Hong Kong) Limited, a wholly owned subsidiary of ebizal Holdings, is a full service public relations and marketing consultancy company which aims to strategise, devise and implement comprehensive solutions and consolidate the inter-relationship between corporate, financial and consumer brands, creating new business value for clients.

Sun-Tech group, also included in ebizal Holdings, is a technology service provider specialising in the education sector. As one of the three preferred vendors selected by HKSAR Government, for the supply of Multi-media Learning Center projects, one of the key IT initiatives of HKSAR Government funded by Quality Education Fund, Sun-Tech has by now achieved a dominant market share of over 60% in the multimedia learning center market in Hong Kong and has also successfully expanded geographically with distribution network established in USA, Europe and other Asian countries.

In January 2002, the Company acquired 60% interest in Software Gateway Limited (holding 99% of Electrum). Electrum, based in Guangzhou, is a developer of customised web-based and software solutions. In the past 6 months ended 30 June 2002, Electrum was awarded a number of contracts including management systems of WAP business and network operations and maintenance by China Mobile, one of its most notable customers. Besides, the employee portal developed by Electrum for Guangdong Mobile is being tested by the provincial company and is well received by its staff. The portal will be implemented formally in the whole province serving a total of 7,000 staff of Guangdong Mobile. Based on its substantial experience and expertise of telecom system development, Electrum is well positioned to extend its services and products to other telecom operators.

Subsequent Event

In August 2002, the Company has completed the acquisition of approximately 30% of Supresoft, representing another strategic move by the Company to augment its technology and software distribution arm. Specialising in digital photogrammetry and image processing, Supresoft is the leading software developer and service provider of state-of-the-art survey, mapping and geospatial information systems in Mainland China. It possesses a commanding lead in the China market and has recently been gaining significant recognition in other countries such as Japan and the USA.

4. Garment Manufacturing Division

The garment manufacturing business accounted for approximately 24% of the Group's turnover. It maintained a turnover and an operating profit of HK\$61.3 million and HK\$3.2 million respectively for the 12 months ended 30 June 2002, at similar level for the corresponding period ended 30 June 2001.

5. Property Holding Division & Others

The Property Holding Division and others accounted for approximately 5% of the Group's turnover. The division recorded a drop of turnover by 15% to HK\$12.7 million for the 12 months period ended 30 June 2002 compared with HK\$14.9 million for the corresponding period ended 30 June 2001. An operating loss of HK\$2.4 million was recorded for this period which was largely due to the deficit of HK\$5.3 million on revaluation of investment properties.

In July 2001, the Company disposed of one property and one property holding company for a total consideration of HK\$5.6 million.

In January 2002, the Company disposed of two property holding companies to E2-Capital as partial consideration for acquisition of the entire stake in ebizal Holdings.

6. Dyestuffs Distribution Division

The Dyestuffs Distribution Division was disposed of in January 2002 as part of the consideration to E2-Capital for acquiring the entire stake in ebizal Holdings. It formed a key constituent of the Group's strategic business realignment and its sustained endeavors to divest from its non-strategic activities and focusing on its core businesses.

As the Dyestuffs Distribution Division was being disposed of in January 2002, the results only reflect its contribution up to the disposal date in the period. The division recorded HK\$18.5 million in turnover which contributed about 7% of the Group's turnover for the current period. A net gain of HK\$1,013,000 was recognised in the consolidated profit and loss account on disposal of the two related subsidiaries.

Prospects

The Group will continue to focus on its core businesses of investment, financial services as well as consultancy, technology and marketing services. These businesses have proven to be synergistic with each other by allowing the integration of capabilities and resources to enable the Group to provide one-stop comprehensive services to investee companies and other customers. It is expected that these different sectors will continue to make steady development and eventually contribute net earnings to the Group.

The Group also foresees reaping the rewards of its earlier investments which are experiencing growth and expansion in line with expectations with the support and assistance from the whole Group. Some of them have reached a maturity point where they are either ready to go public (subject to market conditions) or being transferred to other potential investors in accordance with the exit strategy of the Group.

Owing to placements of 100 million new shares of the Company at a consideration of HK\$30 million in December 2001 and of 80 million new shares at HK\$24 million in January 2002, as well as the issue of convertible notes with an aggregate amount of HK\$156.4 million, the Group has succeeded in bringing strategic investors such as Hutchison within the Group's alliance of partners. With adequate cash in hand, the Group is now in good financial position to execute its strategy of channelling more investment into Mainland China to take advantage of the increasing number of excellent investment opportunities there.

Although the technology and IT sectors remain the Group's primary focus for investment, the Group is also looking across all industries for prospective investee companies which would bring synergy and value to the Group. To this end, the Group has earmarked several investment opportunities which have that criteria, and is looking forward to moving forward with them in the very near future.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2002, the Group has total available banking facilities of approximately HK\$691 million of which approximately HK\$679 million remained unutilised. In addition, the Group had cash and bank balances of approximately HK\$150 million on the same date.

As at 30 June 2002, the Group's total outstanding borrowings amounted to HK\$128,232,000, which are repayable within one year. The Group's borrowings denominated in Japanese yen and in Renminbi were equivalent to HK\$120,685,000 and HK\$7,547,000 respectively. The borrowings which are denominated in Japanese yen were borrowed from Group companies in Japan (note 15, 16 & 17), the Company is not hedging its foreign exchange fluctuation risk related to borrowings from these Group companies. Owing to this foreign exchange fluctuation, the Company recorded a HK\$12 million exchange loss for the twelve months ended 30 June 2002.

As at 30 June 2002, the gearing ratio of the Group was 23.6% (30 June 2001:48.7%) calculated by dividing the total borrowings of HK\$128,232,000 (30 June 2001:HK\$269,188,000) by the shareholders' fund of HK\$542,732,000 (30 June 2001:HK\$553,103,000).

CHARGES ON GROUP ASSETS

As at 30 June 2002, the Group's banking facilities were secured by properties of the Group with net book value of HK\$27,553,000 (30 June 2001:HK\$74,698,000). The Group's banking facilities secured by bank deposits of HK\$5 million were not yet utilised as at 30 June 2002.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2002, the total number of employees of the Group was about 980. The employees are offered discretionary bonuses based on merits and the performance. Employee benefits amounted to approximately HK\$74 million for the current period (2001:HK\$53 million). The Group also encourages and subsidises employees to enrol in external training courses and seminars organised by professional bodies. Employees of the Group are eligible to be granted share options under the Company's share option scheme at the discretion of the Board.

SHARE OPTION SCHEMES

In 2001, The Stock Exchange of Hong Kong Limited announced changes to the Listing Rules which set out the revised requirements for share option schemes operated by listed companies. In this respect, the operation of the share option scheme adopted at the annual general meeting of the Company on 25 October 2000 (the “Old Scheme”) was terminated upon the adoption of the New Scheme (as defined below). In such event, no further option would be granted under the Old Scheme. However, all options granted prior to such termination and not yet exercised shall continue to be valid and exercisable subject to and in accordance with the Old Scheme.

On 30 October 2001, at the annual general meeting, the Company adopted a new share option scheme (the “New Scheme”) under which the board of directors may, at their discretion, invite any full time and part time employees, directors, consultants or advisors of any of the companies within the Group to take up options to subscribe for ordinary shares of the Company at any time during ten years from the date of adoption. The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other schemes of the Company shall not exceed such number of shares as shall represent 30% of the issued share capital of the Company from time to time. Other details of the New Scheme were disclosed in the circular dated 28 September 2001.

Details of share options granted under the Old Scheme and the New Scheme during the period were as follows:

| Grantee | Date of grant | Exercisable period | Exercise price per share HK\$ | Number of share options | | | | | |
|----------------------|---------------|--------------------------|-------------------------------|-------------------------|---------------------------|-----------------------------|-----------------------------|--------------------------|-----------------|
| | | | | At 1 July 2001 | Granted during the period | Exercised during the period | Cancelled during the period | Lapsed during the period | At 30 June 2002 |
| Directors | | | | | | | | | |
| Yoshitaka Kitao | 01-11-2000 | 01-11-2000 to 31-10-2010 | 0.480 | 27,960,000 | — | — | — | — | 27,960,000 |
| | 17-08-2001 | 17-08-2001 to 16-08-2011 | 0.390 | — | 10,000,000 ² | — | — | — | 10,000,000 |
| Hiroyuki Nakanishi | 01-11-2000 | 01-11-2000 to 31-10-2010 | 0.480 | 20,000,000 | — | — | (20,000,000) | — | — |
| | 17-08-2001 | 17-08-2001 to 16-08-2011 | 0.390 | — | 5,000,000 ² | — | (5,000,000) | — | — |
| | 21-02-2002 | 21-02-2002 to 20-02-2012 | 0.280 | — | 24,402,000 ³ | — | — | — | 24,402,000 |
| Yu Kam Kee, Lawrence | 21-02-2002 | 21-02-2002 to 20-02-2012 | 0.280 | — | 24,402,000 ³ | — | — | — | 24,402,000 |
| Wong Sin Just | 21-02-2002 | 21-02-2002 to 20-02-2012 | 0.280 | — | 24,402,000 ³ | — | — | — | 24,402,000 |
| Akira Kajikawa | 01-11-2000 | 01-11-2000 to 31-10-2010 | 0.480 | 15,000,000 | — | — | (15,000,000) | — | — |
| | 17-08-2001 | 17-08-2001 to 16-08-2011 | 0.390 | — | 5,000,000 ² | — | (5,000,000) | — | — |
| | 21-02-2002 | 21-02-2002 to 20-02-2012 | 0.280 | — | 24,402,000 ³ | — | — | — | 24,402,000 |

| Grantee | Date of grant | Exercisable period | Exercise price per share HK\$ | Number of share options | | | | | |
|----------------------------------|---------------|---------------------------------------|-------------------------------|-------------------------|---------------------------|-----------------------------|-----------------------------|--------------------------|-----------------|
| | | | | At 1 July 2001 | Granted during the period | Exercised during the period | Cancelled during the period | Lapsed during the period | At 30 June 2002 |
| Directors | | | | | | | | | |
| Katsuya Kawashima | 01-11-2000 | 01-11-2000 to 31-10-2010 | 0.480 | 15,000,000 | — | — | (15,000,000) | — | — |
| | 17-08-2001 | 17-08-2001 to 16-08-2011 | 0.390 | — | 2,500,000 ² | — | (2,500,000) | — | — |
| | 21-02-2002 | 21-02-2002 to 20-02-2012 | 0.280 | — | 17,500,000 ³ | — | — | — | 17,500,000 |
| Chang Ming Jang (ex-director) | 01-11-2000 | 01-11-2000 to 14-08-2001 ¹ | 0.480 | 15,000,000 | — | (15,000,000) ¹ | — | — | — |
| Choo Chee Kong (ex-director) | 17-08-2001 | 17-08-2001 to 16-08-2011 | 0.390 | — | 2,500,000 ² | — | (2,500,000) | — | — |
| | 21-02-2002 | 21-02-2002 to 20-02-2012 | 0.280 | — | 5,000,000 ³ | — | — | — | 5,000,000 |
| Li Shui | 21-02-2002 | 21-02-2002 to 20-02-2012 | 0.280 | — | 2,440,000 ³ | — | — | — | 2,440,000 |
| Kang Dian | 21-02-2002 | 21-02-2002 to 20-02-2012 | 0.280 | — | 2,440,000 ³ | — | — | — | 2,440,000 |
| Employees | | | | | | | | | |
| | 01-11-2000 | 01-11-2000 to 14-08-2001 | 0.480 | 3,900,000 | — | — | (3,400,000) | (500,000) | — |
| | 17-08-2001 | 17-08-2001 to 16-08-2011 | 0.390 | — | 14,400,000 ² | — | (13,400,000) | (1,000,000) | — |
| | 21-02-2002 | 21-02-2002 to 20-02-2012 | 0.280 | — | 78,000,000 ³ | — | — | (13,700,000) | 64,300,000 |
| Consultant | 21-02-2002 | 21-02-2002 to 20-02-2012 | 0.280 | — | 20,000,000 ³ | — | — | — | 20,000,000 |

Note:

- (1) The exercise period in respect of the options held by Mr Chang Ming Jang was shortened from 31 October 2010 to 14 August 2001 as a result of the cessation of Mr Chang as an executive director of the Company on 15 May 2001. These options were exercised on 14 August 2001. At the date immediately before the options were exercised, the closing price per share was HK\$0.465.
- (2) At the date immediately before the options were granted on 17 August 2001, the closing price per share was HK\$0.50.
- (3) At the date immediately before the options were granted on 21 February 2002, the closing price per share was HK\$0.275.
- (4) Options granted to directors and the consultant are immediately vested on the date of grant. Options granted to employees are vested as follows:

| | |
|---|----------------------|
| On 1st anniversary of the date of grant * | 25% vested |
| On 2nd anniversary of the date of grant * | further 25% vested |
| On 3rd anniversary of the date of grant * | remaining 50% vested |

* or on the 1st, 2nd and 3rd anniversary of an earlier date in which the grantee became an employee of the Group (as the case may be).

- (5) In assessing the fair value of the share options granted during the twelve month period ended 30 June 2002, the Black-Scholes option pricing model (the "Black-Scholes Model") has been used. The Black-Scholes Model is one of the generally accepted methodologies used to calculate the fair value of options and is one of the recommended option pricing models set out in Chapter 17 of the Listing Rules. The variables of the Black-Scholes Model include expected life of the options, risk-free interest rate, expected volatility and expected dividend of the shares of the Company, if any.

In assessing the fair value of the share options granted during the period to all directors, employees and consultant, the variables of the Black-Scholes Model and its estimated values are listed as follows:

| Grantee | Grant date | Expected life | Risk-free rate | Expected volatility | Expected dividend yield | Estimated fair value per option HK\$ |
|----------------|-------------------|----------------------|-----------------------|----------------------------|--------------------------------|---|
| Directors | 17 August 2001 | 5 years | 5.01% | 100.28% | 0% | 0.40 |
| | 21 February 2002 | 5 years | 4.90% | 75.94% | 0% | 0.18 |
| Employees | 17 August 2001 | 5 years | 5.01% | 100.28% | 0% | 0.40 |
| | 21 February 2002 | 5 years | 4.90% | 75.94% | 0% | 0.18 |
| Consultant | 21 February 2002 | 5 years | 4.90% | 75.94% | 0% | 0.18 |

- (a) The expected life is measured from the date of grant (the "Measurement Date").
- (b) The risk-free rate applied to the Black-Scholes Model represents the yield of the Hong Kong Exchange Fund Notes at the Measurement Date corresponding to the expected life of the options as at the Measurement Date.
- (c) The expected volatility used in the calculation represents the standard deviation of the daily closing share prices of the Company for the last twelve months from the Measurement Date.
- (d) Based on historic pattern, it is assumed that no dividend would be paid out during the expected life of the options.

Using the Black-Scholes Model in assessing the fair value of share options granted during the period, the options would have an aggregate estimated fair value of approximately HK\$55,897,840, represented as follows:

| Grantee | Date of grant | Number of share options granted during the period | Estimated fair value of options granted during the period HK\$ | Date of grant | Number of share options granted during the period | Estimated fair value of options granted during the period HK\$ | Aggregate estimated fair value of options granted during the period HK\$ |
|---------------------------------|----------------|---|--|------------------|---|--|--|
| Directors | | | | | | | |
| Yoshitaka Kitao | 17 August 2001 | 10,000,000 | 4,000,000 | — | — | — | 4,000,000 |
| Hiroyuki Nakanishi | 17 August 2001 | 5,000,000 | 2,000,000 | 21 February 2002 | 24,402,000 | 4,392,360 | 6,392,360 |
| Yu Kam Kee, Lawrence | — | — | — | 21 February 2002 | 24,402,000 | 4,392,360 | 4,392,360 |
| Wong Sin Just | — | — | — | 21 February 2002 | 24,402,000 | 4,392,360 | 4,392,360 |
| Akira Kajikawa | 17 August 2001 | 5,000,000 | 2,000,000 | 21 February 2002 | 24,402,000 | 4,392,360 | 6,392,360 |
| Katsuya Kawashima | 17 August 2001 | 2,500,000 | 1,000,000 | 21 February 2002 | 17,500,000 | 3,150,000 | 4,150,000 |
| Choo Chee Kong (ex-director) | 17 August 2001 | 2,500,000 | 1,000,000 | 21 February 2002 | 5,000,000 | 900,000 | 1,900,000 |
| Li Shui | — | — | — | 21 February 2002 | 2,440,000 | 439,200 | 439,200 |
| Kang Dian | — | — | — | 21 February 2002 | 2,440,000 | 439,200 | 439,200 |
| | | | | | | <i>Sub-total</i> | <u>32,497,840</u> |
| Employees | 17 August 2001 | 14,400,000 | 5,760,000 | 21 February 2002 | 78,000,000 | 14,040,000 | 19,800,000 |
| Consultant | — | — | — | 21 February 2002 | 20,000,000 | 3,600,000 | 3,600,000 |
| | | | | | | <i>Total</i> | <u><u>55,897,840</u></u> |

Included in the aggregate estimated fair value of share options granted during the period of approximately HK\$55,897,840 are 29,400,000 share options granted on 17 August 2001 with an estimated fair value of HK\$11,760,000, that either lapsed or were cancelled during the same period.

In assessing the aggregate estimated fair value of the share options, no adjustment has been made for possible future forfeiture of the options. No charge is recognised in the profit and loss account in respect of the fair value of options granted during the period. The share options granted will be recognised in the balance sheet at the time when the share options are exercised. Share capital will be credited at par for each share issued upon the exercise of share options, with share premium credited at the excess of net proceeds received over total share capital credited.

It should be noted that the value of options calculated using the Black-Scholes Model is based on various assumptions and is only an estimate of the fair value of share options granted during the period. It is possible that the financial benefit accruing to the grantee of an option will be considerably different from the value determined under the Black-Scholes Model.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the twelve months ended 30 June 2002, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company.

DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 30 June 2002, the interests of the directors in the shares of the Company or any of its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register kept under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

(A) Interests in the Company

(1) Shares

| Name of director | Number of ordinary shares of HK\$0.10 each | | |
|----------------------|---|-----------------------|-------------|
| | Personal interest | Corporate interest | Total |
| Yu Kam Kee, Lawrence | 162,918,026 | 4,882,965* | 167,800,991 |
| Yu Kam Yuen, Lincoln | 12,083,885 | — | 12,083,885 |

* Mr Yu Kam Kee, Lawrence has a shareholding of 60% in Henway Enterprises Limited, the beneficial owner of 4,882,965 shares of the Company.

(2) Share options

Details of the share options granted to certain directors by the Company during the period and outstanding as at 30 June 2002 are set out in the paragraphs under "Share Option Schemes" above.

In addition to the share options granted by the Company, the following options were granted by Softbank Investment (International) Holdings Limited (“SBIH”) to Asset Horizons Limited (“AHL”), a company wholly-owned by Mr Wong Sin Just, an executive director and chief executive officer of the Company. The options entitle AHL to purchase existing issued ordinary shares of the Company beneficially owned by SBIH.

| Date of grant | Exercisable period | Exercise price per share HK\$ | Number of share options | | | | At 30 June 2002 |
|---------------|--------------------------|-------------------------------|-------------------------|---------------------------|-----------------------------|----------------------------|-----------------|
| | | | At 1 July 2001 | Granted during the period | Cancelled during the period | Assigned during the period | |
| 06-04-2001 | 06-04-2001 to 05-04-2011 | 0.592 | 56,550,000 | — | (56,550,000) | — | — |
| 16-08-2001 | 16-08-2001 to 15-08-2011 | 0.480 | — | 94,250,000 | — | (37,700,000)* | 56,550,000 |

* The rights in respect of 37,700,000 shares held by AHL were assigned to a third party during the period.

(B) Interests in associated corporations

(1) Shares

(i) SOFTBANK CORP.

| Name of director | Number of ordinary shares |
|--------------------|---------------------------|
| Yoshitaka Kitao | 283,080 |
| Hiroyuki Nakanishi | 30,592 |
| Katsuya Kawashima | 23,585 |

(ii) Softbank Investment Corporation

| Name of director | Number of ordinary shares |
|--------------------|---------------------------|
| Yoshitaka Kitao | 4,259.94 |
| Hiroyuki Nakanishi | 386.97 |
| Katsuya Kawashima | 1,199.94 |
| Akira Kajikawa | 0.99 |

(2) Share options

(i) SOFTBANK CORP.

| Name of director | Exercisable period | Exercise price per share JPY | Number of share options granted and not yet exercised |
|-------------------------|---------------------------|---|--|
| Yoshitaka Kitao | 07-07-2000 to 07-07-2003 | 6,454.10 | 97,612.37 |
| | 08-02-2002 to 06-02-2004 | 28,607.00 | 157.30 |
| Hiroyuki Nakanishi | 21-03-2001 to 20-03-2003 | 2,767.50 | 722.00 |
| Katsuya Kawashima | 07-07-2000 to 07-07-2003 | 6,454.10 | 4,803.00 |
| | 08-02-2002 to 06-02-2004 | 28,607.00 | 157.30 |

(ii) Softbank Investment Corporation

| Name of director | Exercisable period | Exercise price per share JPY | Number of share options granted and not yet exercised |
|-------------------------|---------------------------|---|--|
| Yoshitaka Kitao | 01-04-2002 to 31-03-2007 | 18,750.10 | 2,279.98 |
| | 01-04-2003 to 31-03-2008 | 18,750.10 | 2,279.98 |
| | 27-02-2002 to 18-02-2004 | 191,000.00 | 1,570 |
| Hiroyuki Nakanishi | 01-04-2002 to 31-03-2007 | 18,750.10 | 1,079.99 |
| | 01-04-2003 to 31-03-2008 | 18,750.10 | 1,079.99 |
| | 27-02-2002 to 18-02-2004 | 191,000.00 | 1,308 |
| Katsuya Kawashima | 01-04-2002 to 31-03-2007 | 18,750.10 | 599.99 |
| | 01-04-2003 to 31-03-2008 | 18,750.10 | 599.99 |
| Akira Kajikawa | 01-04-2002 to 31-03-2007 | 18,750.10 | 479.99 |
| | 01-04-2003 to 31-03-2008 | 18,750.10 | 479.99 |

(iii) Cognotec Japan K.K.

| Name of director | Exercisable period | Exercise price per share JPY | Number of share options granted and not yet exercised |
|-------------------------|---------------------------|-------------------------------------|--|
| Yoshitaka Kitao | 01-06-2000 to 07-05-2005 | 60,000 | 300 |

(iv) Softbank Frontier Securities Co, Ltd

| Name of director | Exercisable period | Exercise price per share JPY | Number of share options granted and not yet exercised |
|-------------------------|---------------------------------|-------------------------------------|--|
| Yoshitaka Kitao | Four years from the date of IPO | 50,000 | 100 |
| | Four years from the date of IPO | 350,000 | 150 |
| Katsuya Kawashima | 01-06-2000 to 22-05-2006 | 50,000 | 50 |
| | 01-04-2001 to 29-03-2007 | 350,000 | 50 |

(v) Insweb Japan K.K.

| Name of director | Exercisable period | Exercise price per share JPY | Number of share options granted and not yet exercised |
|-------------------------|---------------------------|-------------------------------------|--|
| Yoshitaka Kitao | 01-08-2000 to 09-07-2006 | 75,000 | 280 |

(vi) Web-Lease Co, Ltd

| Name of director | Exercisable period | Exercise price per share JPY | Number of share options granted and not yet exercised |
|-------------------------|---------------------------|-------------------------------------|--|
| Yoshitaka Kitao | 01-08-2000 to 13-07-2006 | 50,000 | 240 |

(vii) E*Advisor Co, Ltd

| Name of director | Exercisable period | Exercise price per share JPY | Number of share options granted and not yet exercised |
|------------------|--------------------------|------------------------------|---|
| Yoshitaka Kitao | 01-11-2000 to 05-10-2007 | 50,000 | 120 |

(viii) E-Loan Japan K.K.

| Name of director | Exercisable period | Exercise price per share JPY | Number of share options granted and not yet exercised |
|------------------|--------------------------|------------------------------|---|
| Yoshitaka Kitao | 01-12-2000 to 09-11-2006 | 50,000 | 200 |

Save as disclosed above, none of the directors or chief executives of the Company (including their spouses or children under the age of 18) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company or any of its associated corporations (within the meaning of the SDI Ordinance).

Other than as disclosed above, at no time during the period was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company has been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital:

| Name | Number of ordinary shares of HK\$0.10 each | % |
|---|--|-------|
| Softbank Investment (International) Holdings Limited*("SBIH") | 909,903,061 | 37.29 |
| Softbank Finance Corporation*("SBF") | 260,000,000 | 10.65 |

* SBIH is a direct wholly-owned subsidiary of Softbank Investment Corporation ("SBI"). SBF also owns 66.07% interests in SBI and is in turn a direct wholly-owned subsidiary of SOFTBANK CORP., a company incorporated in Japan and the shares of which are listed on the Tokyo Stock Exchange.

CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited at any time during the twelve months ended 30 June 2002.

FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements with respect to the financial condition, results of operations and business of the Group. These forward-looking statements represent the Group's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed with Management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the second unaudited interim accounts for the twelve months ended 30 June 2002. At the request of the Audit Committee, the Group's external auditors have carried out a review of the second unaudited interim accounts in accordance with the Statement of Auditing Standards 700 issued by the Hong Kong Society of Accountants.

By Order of the Board

Wong Sin Just

Chief Executive Officer

Hong Kong, 19 September 2002

SECOND INTERIM RESULTS

Following the change of financial year end date from 30 June to 31 December commencing in the year of 2002, the directors of the Company are pleased to announce the second set of unaudited interim results of the Company and its subsidiaries (the "Group") for the twelve months ended 30 June 2002 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the twelve months ended 30 June 2002

| | | Unaudited | Audited |
|---|-------|-----------------------|-------------|
| | | For the twelve | |
| | | months ended | |
| | | 30 June | |
| | Note | 2002 | 2001 |
| | | HK\$'000 | HK\$'000 |
| TURNOVER | 2 | 257,330 | 184,294 |
| COST OF SALES | | (137,397) | (111,383) |
| GROSS PROFIT | | 119,933 | 72,911 |
| OTHER REVENUES | | 1,226 | 8,756 |
| DISTRIBUTION COSTS | | (242) | (1,204) |
| ADMINISTRATIVE EXPENSES | | (126,315) | (95,162) |
| OTHER OPERATING EXPENSES | | (16,668) | (20,246) |
| GAIN ON DISPOSAL OF SUBSIDIARIES | | 710 | 14,936 |
| PROVISION FOR ASSET IMPAIRMENT | | — | (73,483) |
| GOODWILL AMORTISATION | | (13,191) | (3,084) |
| (DEFICIT)/ SURPLUS ON REVALUATION OF INVESTMENT PROPERTIES | | (5,340) | 1,493 |
| OPERATING LOSS | 2 & 3 | (39,887) | (95,083) |
| FINANCE COSTS | | (5,846) | (9,988) |
| SHARE OF LOSS OF AN ASSOCIATED COMPANY | | (1) | (58) |
| LOSS BEFORE TAXATION | | (45,734) | (105,129) |
| TAXATION | 4 | (3,820) | (1,961) |
| LOSS AFTER TAXATION | | (49,554) | (107,090) |
| MINORITY INTERESTS | | (3,471) | 9,904 |
| LOSS ATTRIBUTABLE TO SHAREHOLDERS | 20 | (53,025) | (97,186) |
| LOSS PER SHARE | | | |
| Basic | 5 | (2.26) cents | (4.93)cents |

CONDENSED CONSOLIDATED BALANCE SHEET*As at 30 June 2002 and 30 June 2001*

| | Note | Unaudited 30 June 2002 HK\$'000 | Audited 30 June 2001 HK\$'000 |
|--|------|--|--|
| GOODWILL | 7 | 271,457 | 243,614 |
| FIXED ASSETS | | 131,786 | 183,626 |
| OTHER ASSETS | 8 | 3,851 | 4,001 |
| INVESTMENT IN AN ASSOCIATED COMPANY | | 3 | 19 |
| NON-TRADING SECURITIES | 9 | 197,558 | 153,121 |
| LOANS RECEIVABLE | 10 | 8,335 | — |
| CURRENT ASSETS | | | |
| INVENTORIES | | 7,679 | 15,463 |
| ACCOUNTS RECEIVABLE | 11 | 78,312 | 361,298 |
| TRADING INVESTMENTS | | 10,219 | 67,335 |
| LOANS RECEIVABLE | 10 | — | 11,227 |
| SUNDRY DEBTORS, PREPAYMENTS AND DEPOSITS | | 9,202 | 10,931 |
| AMOUNT DUE FROM RELATED COMPANIES | 12 | 323 | — |
| CASH AND BANK BALANCES | 13 | 149,528 | 185,752 |
| | | 255,263 | 652,006 |

CONDENSED CONSOLIDATED BALANCE SHEET (cont'd)*As at 30 June 2002 and 30 June 2001*

| | Note | Unaudited 30 June 2002 HK\$'000 | Audited 30 June 2001 HK\$'000 |
|--|------|--|--|
| CURRENT LIABILITIES | | | |
| ACCOUNTS PAYABLE | 14 | 39,632 | 152,227 |
| OPTIONS WRITTEN | | — | 63,611 |
| OTHER PAYABLES AND DEPOSITS RECEIVED | | 34,697 | 34,783 |
| AMOUNT DUE TO RELATED COMPANIES | 12 | 16,640 | 26,617 |
| AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY | 15 | — | 31,300 |
| LOAN FROM AN INTERMEDIATE HOLDING COMPANY | 15 | 9,845 | — |
| LOAN FROM A FELLOW SUBSIDIARY | 16 | 58,680 | — |
| LOAN FROM A SUBSTANTIAL SHAREHOLDER | 17 | 52,160 | — |
| CURRENT PORTION OF LONG TERM LIABILITIES | 18 | — | 1,600 |
| TAX PAYABLE | | 3,725 | 8,329 |
| BANK LOANS AND OVERDRAFTS | | | |
| Secured | | 7,547 | 11,018 |
| Unsecured | | — | 249,058 |
| | | 222,926 | 578,543 |
| NET CURRENT ASSETS | | 32,337 | 73,463 |
| | | 645,327 | 657,844 |
| FINANCED BY: | | | |
| SHARE CAPITAL | 19 | 244,039 | 224,539 |
| RESERVES | 20 | 298,693 | 328,564 |
| SHAREHOLDERS' FUNDS | | | |
| MINORITY INTERESTS | | 542,732 | 553,103 |
| LONG TERM LIABILITIES | 18 | 102,463 | 97,229 |
| DEFERRED TAXATION | | — | 7,512 |
| | | 132 | — |
| | | 645,327 | 657,844 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the twelve months ended 30 June 2002*

| | Unaudited Twelve months ended 30 June | |
|--|--|-------------|
| | 2002 | 2001 |
| | HK\$'000 | HK\$'000 |
| Net cash from/(used in) operating activities | 95,000 | (92,066) |
| Net cash used in investing activities | (35,551) | (250,781) |
| Net cash (used in)/from financing activities | (95,673) | 374,228 |
| Effect of foreign exchange rate changes | — | (76) |
| | <hr/> | <hr/> |
| Net (decrease)/increase in cash and cash equivalents | (36,224) | 31,305 |
| Cash and cash equivalents at beginning of period | 180,752 | 149,447 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at end of period | 144,528 | 180,752 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Analysis of cash and bank balances: | | |
| - Cash and cash equivalents | 144,528 | 180,752 |
| - Pledged bank deposits | 5,000 | 5,000 |
| | <hr/> | <hr/> |
| | 149,528 | 185,752 |
| | <hr/> <hr/> | <hr/> <hr/> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the twelve months ended 30 June 2002*

| | Note | Unaudited Twelve months ended 30 June | |
|--|---------|--|------------------|
| | | 2002 HK\$'000 | 2001 HK\$'000 |
| Total shareholders' funds at 1 July | | 553,103 | 344,126 |
| Exchange differences arising on translation of subsidiaries | 20 | 233 | (43) |
| Deficit on revaluation of non-trading securities | 20 | (16,551) | (95,908) |
| Net losses not recognised in the consolidated profit and loss account | | (16,318) | (95,951) |
| Net loss attributable to shareholders | | (53,025) | (97,186) |
| Investment revaluation reserve transferred to the consolidated profit and loss account upon impairment of non-trading securities | | — | 73,483 |
| Exchange translation reserve released to the consolidated profit and loss account on disposal of a subsidiary | | — | (150) |
| Capital reserve released to the consolidated profit and loss account on disposal of subsidiaries | | — | (14,786) |
| Issue of ordinary shares | 19 & 20 | 58,972 | 343,567 |
| Total shareholders' funds at 30 June | | 542,732 | 553,103 |

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.

In addition, the Group has adopted early HKSSAP No. 1 (revised) “Presentation of Financial Statements”, HKSSAP No. 15 (revised) “Cash Flow Statements” and HKSSAP No. 25 (revised) “Interim Financial Reporting” which are effective for accounting periods commencing on or after 1 January 2002. Certain comparative figures have been reclassified to conform with the current period’s presentation.

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, the provision of consulting, marketing and technology services, garment manufacturing, property holding and dyestuffs distribution.

An analysis of the Group's turnover and results by principal activities for the period is as follows:

| | Twelve months ended 30 June 2002 | | | | | | |
|--------------------------------------|---|-------------------------------|---|----------------------------------|--|--|------------------------|
| | Investment holding | Financial services | Consulting, marketing & technology services note (b) | Garment manufacturing | Property holding & others | Dyestuffs distribution note (a) | Group total |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Turnover | | | | | | | |
| Segment total | 4,328 | 121,096 | 41,932 | 61,284 | 14,224 | 18,464 | 261,328 |
| Inter-segment | (2,149) | (800) | (316) | — | (1,546) | — | (4,811) |
| Group total | 2,179 | 120,296 | 41,616 | 61,284 | 12,678 | 18,464 | 256,517 |
| Dividend income | | | | | | | 813 |
| | | | | | | | <u>257,330</u> |
| Segment results | | | | | | | |
| Segment total | (36,143) | 6,283 | (488) | 3,179 | (2,192) | (1,384) | (30,745) |
| Inter-segment | (1,074) | (759) | 55 | — | (246) | 2,024 | — |
| Gain on disposal of subsidiaries | 710 | — | — | — | — | — | 710 |
| Amortisation of goodwill | — | (12,334) | (857) | — | — | — | (13,191) |
| Group total | (36,507) | (6,810) | (1,290) | 3,179 | (2,438) | 640 | (43,226) |
| Unallocated income | | | | | | | 2,039 |
| Finance costs | | | | | | | (4,547) |
| Loss before taxation | | | | | | | (45,734) |
| Taxation | | | | | | | (3,820) |
| Minority interests | | | | | | | (3,471) |
| Loss attributable to shareholders | | | | | | | <u>(53,025)</u> |

Note:

(a) Discontinued operations

On 18 December 2001, the Group entered into a sale and purchase agreement with E2-Capital (Holdings) Limited for the sale of its entire equity interests in the subsidiaries comprising the dyestuffs distribution segment for a consideration of HK\$51.9 million. The sale was completed on 24 January 2002. A net gain of HK\$1,013,000 was recognised in the consolidated profit and loss account for the twelve months ended 30 June 2002.

(b) Acquisitions

In January 2002, the Group acquired 60% interest in Software Gateway Limited (which holds 99% equity interest of Electrum Information Technology Co., Ltd. ("Electrum")) for a consideration of HK\$18 million. Electrum is primarily engaged in the development of a comprehensive range of customised web-based and software solutions for business and public sectors. As disclosed in note 22(h), the Group also acquired 100% interest in ebizal (Holdings) Limited for a consideration of approximately HK\$68.1 million. Goodwill totaling HK\$31 million was generated. The acquired businesses contributed turnover of approximately HK\$42 million and net loss of approximately HK\$0.2 million to the Group during the current period.

Twelve months ended 30 June 2001

| | Investment holding HK\$'000 | Financial services HK\$'000 | Garment manufacturing HK\$'000 | Property holding & others HK\$'000 | Dyestuffs distribution HK\$'000 | Household fabric (note) HK\$'000 | Group total HK\$'000 |
|---|-----------------------------------|-----------------------------------|--------------------------------------|---|---------------------------------------|--|-------------------------|
| Turnover | | | | | | | |
| Segment total | 4,346 | 52,166 | 62,454 | 17,839 | 38,983 | 13,020 | 188,808 |
| Inter-segment | (3,164) | — | — | (2,970) | (330) | — | (6,464) |
| Group total | 1,182 | 52,166 | 62,454 | 14,869 | 38,653 | 13,020 | 182,344 |
| Dividend income | | | | | | | 1,950 |
| | | | | | | | 184,294 |
| Segment results | | | | | | | |
| Segment total | (19,827) | (21,293) | 3,316 | 3,595 | (6,830) | (1,716) | (42,755) |
| Inter-segment | (3,116) | — | 330 | (1,542) | 3,691 | 637 | — |
| Gain on disposal of subsidiaries | 14,936 | — | — | — | — | — | 14,936 |
| Provision for asset impairment | (73,483) | — | — | — | — | — | (73,483) |
| Amortisation of goodwill | — | (3,084) | — | — | — | — | (3,084) |
| Group total | (81,490) | (24,377) | 3,646 | 2,053 | (3,139) | (1,079) | (104,386) |
| Unallocated income | | | | | | | 7,627 |
| Finance costs | | | | | | | (8,312) |
| Share of loss of an associated company | | | | | (58) | | (58) |
| Loss before taxation | | | | | | | (105,129) |
| Taxation | | | | | | | (1,961) |
| Minority interests | | | | | | | 9,904 |
| Loss attributable to shareholders | | | | | | | (97,186) |

Note: Discontinued operations

The Group sold the household fabric operation in October 2000 at a gain of HK\$14,462,000.

An analysis of the Group's turnover and results by principal markets for the period is as follows:

| | TURNOVER | | (LOSS)/PROFIT | |
|------------------------|-----------------------------|----------------|-----------------------------|------------------|
| | Twelve months ended 30 June | | Twelve months ended 30 June | |
| | 2002 | 2001 | 2002 | 2001 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| By principal markets: | | | | |
| Hong Kong | 140,629 | 94,647 | (57,363) | (104,343) |
| Mainland China ("PRC") | 76,081 | 82,093 | (47) | 532 |
| Overseas | 39,807 | 5,604 | 14,184 | (575) |
| | <u>256,517</u> | <u>182,344</u> | <u>(43,226)</u> | <u>(104,386)</u> |

3. Operating loss

Operating loss is stated after crediting and charging the following:

| | Twelve months ended 30 June | |
|--|-----------------------------|----------------|
| | 2002 | 2001 |
| | HK\$'000 | HK\$'000 |
| Crediting: | | |
| Write back of provision for doubtful debts/ loans receivable | 8,654 | — |
| Gain on disposal of fixed assets | — | 427 |
| | <u>8,654</u> | <u>427</u> |
| Charging: | | |
| Depreciation on owned fixed assets | 9,719 | 9,865 |
| Cost of goods sold | 68,000 | 95,793 |
| Net realised and unrealised losses on trading investments | 7,631 | 785 |
| Provision for doubtful debts/loans receivable | 7,242 | 17,446 |
| Net exchange loss | 13,045 | — |
| | <u>130,637</u> | <u>123,889</u> |

4. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001: 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% (2001: 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 charged to the consolidated profit and loss account represents:

| | Twelve months ended 30 June | |
|---|--|----------|
| | 2002 | 2001 |
| | HK\$'000 | HK\$'000 |
| Company and subsidiaries : | | |
| Hong Kong profits tax | 804 | 762 |
| PRC taxation | 850 | 1,199 |
| Overseas taxation | 3,607 | — |
| Overprovision in prior period - Hong Kong | (1,567) | — |
| Deferred taxation - Overseas | 126 | — |
| | 3,820 | 1,961 |

5. Loss per share

The loss per share is calculated based on the loss attributable to shareholders of HK\$53,025,000 (2001: HK\$97,186,000) and on the weighted average number of 2,349,870,328 (2001: 1,971,781,974) ordinary shares in issue during the period. Fully diluted loss 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 twelve months ended 30 June 2002 (2001 : nil).

7. Goodwill

| | HK\$'000 |
|---------------------------------|-----------------------|
| Cost | |
| At 1 July 2001 | 246,698 |
| Additions | 41,034 |
| | <u>287,732</u> |
| Accumulated amortisation | |
| At 1 July 2001 | 3,084 |
| Charge for the period | 13,191 |
| | <u>16,275</u> |
| Net book value | |
| At 30 June 2002 | <u><u>271,457</u></u> |
| At 30 June 2001 | <u><u>243,614</u></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 30 June 2002 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\$16,551,000 for the twelve months ended 30 June 2002 and the diminution is temporary only. Accordingly, the diminution in value has been included in the investment revaluation reserve (note 20).

10. Loans receivable

| | 2002 | 2001 |
|------------------|---------------------|---------------|
| | HK\$'000 | HK\$'000 |
| Loans receivable | 19,940 | 27,467 |
| Less: Provision | (11,605) | (16,240) |
| | <u>8,335</u> | <u>11,227</u> |

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

11. Accounts receivable

| | 2002 | 2001 |
|---|----------------------|----------------|
| | HK\$'000 | HK\$'000 |
| Accounts receivable arising from the ordinary course of business of dealing in securities, options and futures contracts (note a) | 22,101 | 297,097 |
| Accounts receivable from securities margin clients (note b) | 22,369 | 33,837 |
| Accounts receivable arising from dyestuffs distribution and garment manufacturing (note c) | 13,674 | 23,942 |
| Accounts receivable arising from consulting, marketing and technology services (note d) | 10,089 | — |
| Other trade debtors | 10,079 | 6,422 |
| | <u>78,312</u> | <u>361,298</u> |

Note:

- (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 at 30 June 2002 was HK\$191 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 credit terms of accounts receivable arising from consulting, marketing and technology services range from 30 days to 60 days.
- (e) 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. At 30 June 2002, the Group held HK\$11,777,000 (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.
- (f) The aging analysis of the accounts receivable balance is as follows:

| | 2002 | 2001 |
|---------------|----------------------|----------------|
| | HK\$'000 | HK\$'000 |
| 0 - 1 month | 63,642 | 342,919 |
| 2 - 3 months | 8,169 | 13,292 |
| 4 - 6 months | 4,883 | 3,196 |
| Over 6 months | 1,618 | 1,891 |
| | <u>78,312</u> | <u>361,298</u> |

12. Amount due from/to related companies

The balance represents an amount due from/to E2-Capital Group (see note 22). The amount due from/to E2-Capital Group as at 30 June 2002 is unsecured, interest free and has no fixed terms of repayment. The amount due to E2-Capital Group as at 30 June 2001 was unsecured, interest bearing at Hong Kong Dollar Prime Rate plus 1% and had no fixed terms of repayment (note 22(e)).

13. 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 30 June 2002, the Group held HK\$44,380,000 (30 June 2001: HK\$58,546,000) in trust for clients which is not included on the balance sheet.

14. Accounts payable

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

| | 2002 | 2001 |
|---------------|----------------------|----------------|
| | HK\$'000 | HK\$'000 |
| 0 - 1 month | 32,113 | 137,769 |
| 2 - 3 months | 5,710 | 5,688 |
| 4 - 6 months | 740 | 3,381 |
| Over 6 months | 1,069 | 5,389 |
| | <u>39,632</u> | <u>152,227</u> |

As at 30 June 2002, the accounts payable of HK\$20 million (30 June 2001: HK\$132 million) arising from the ordinary course of business of dealing in securities, options and futures contracts was current and excluded monies held in trust for clients (notes 11 and 13).

15. Amount due to/loan from an intermediate holding company

The balance as at 30 June 2002 represents a loan from Softbank Finance Corporation ("SBF"), an intermediate holding company of the Company. The loan, denominated in Japanese yen, is unsecured, interest bearing at 2.375% per annum and scheduled to repay on 25 March 2003. The amount due to SBF as at 30 June 2001 was unsecured, interest free and had no fixed terms of repayment.

16. Loan from a fellow subsidiary

The balance represents a loan from SB Titus Corporation, a wholly owned subsidiary of SBF. The loan, denominated in Japanese yen, is unsecured, interest bearing at 2.375% per annum and scheduled to repay on 29 November 2002.

17. Loan from a substantial shareholder

The balance represents a loan from Softbank Investment Corporation. The loan, denominated in Japanese yen, is unsecured, interest bearing at 2.375% per annum and scheduled to repay on 29 November 2002.

18. Long term liabilities

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

19. Share capital

Authorised:

| | Ordinary shares of HK\$0.1 each | |
|----------------------------------|--|----------------|
| | No. of shares | HK\$'000 |
| At 30 June 2001 and 30 June 2002 | <u>5,000,000,000</u> | <u>500,000</u> |

Issued and fully paid:

| | Ordinary shares of HK\$0.1 each | |
|------------------------------------|--|----------------|
| | No. of shares | HK\$'000 |
| At 1 July 2001 | 2,245,390,877 | 224,539 |
| Issue of ordinary shares (note a) | 180,000,000 | 18,000 |
| Exercise of share options (note b) | <u>15,000,000</u> | <u>1,500</u> |
| At 30 June 2002 | <u>2,440,390,877</u> | <u>244,039</u> |

Note:

- (a) The Company issued 100,000,000 ordinary shares and 80,000,000 ordinary shares on 11 December 2001 and 18 January 2002 respectively at a premium of HK\$0.2 per share for cash which amounted to HK\$54,000,000 for investments in the PRC and general working capital of the Group. 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 a grantee at an exercise price of HK\$0.48 per share. Details of the Group's share option schemes are discussed in an earlier section of the 2001/2002 Second Interim Report.

20. Reserves

| | HK\$'000 |
|--|---|
| Share premium | |
| At 1 July 2001 | 582,453 |
| Issue of ordinary shares | 41,700 |
| Share issue expenses | (2,228) |
| | <hr/> |
| At 30 June 2002 | 621,925 |
| | <hr style="border-top: 1px dashed black;"/> |
| Capital redemption reserve | |
| At 30 June 2001 and 30 June 2002 | 1,899 |
| | <hr style="border-top: 1px dashed black;"/> |
| Investment revaluation reserve | |
| At 1 July 2001 | (49,214) |
| Deficit on revaluation of non-trading securities | (16,551) |
| | <hr/> |
| At 30 June 2002 | (65,765) |
| | <hr style="border-top: 1px dashed black;"/> |
| Exchange translation reserve | |
| At 1 July 2001 | (6,576) |
| Exchange difference arising on translation of subsidiaries | 233 |
| | <hr/> |
| At 30 June 2002 | (6,343) |
| | <hr style="border-top: 1px dashed black;"/> |
| Accumulated losses | |
| At 1 July 2001 | (199,998) |
| Loss for the period | (53,025) |
| | <hr/> |
| At 30 June 2002 | (253,023) |
| | <hr style="border-top: 1px dashed black;"/> |
| | <hr/> <hr/> |
| | 298,693 |

21. Commitments

(a) Capital commitments

| | 30 June 2002 HK\$'000 | 30 June 2001 HK\$'000 |
|---|--------------------------------------|-----------------------------|
| Contracted but not provided for (note 23(a) & (c)) | 100,000 | — |
| Authorised but not contracted for (note 23(c)) | 40,000 | — |
| | <u>140,000</u> | <u>—</u> |

(b) Operating leases

At 30 June 2002, the Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

| | 30 June 2002 HK\$'000 | 30 June 2001 HK\$'000 |
|---------------------------------------|--------------------------------------|-----------------------------|
| Within one year | 5,128 | 5,332 |
| In the second to fifth year inclusive | 1,903 | 3,878 |
| | <u>7,031</u> | <u>9,210</u> |

22. Related party transactions

Related parties refer to E2-Capital (Holdings) Limited (“E2-Capital”) and its subsidiaries (the “E2-Capital Group”), Softbank China Venture Investments Limited (“SBCVI”), Group companies in Japan as disclosed in note 15, 16 and 17, and a minority shareholder of a subsidiary. 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, 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:

| | Note | Twelve months ended 30 June | |
|--|------|-----------------------------|------------------|
| | | 2002 HK\$'000 | 2001 HK\$'000 |
| Management and consultancy fee income | (a) | 2,168 | 240 |
| Marketing service fee income | (b) | 926 | — |
| Back office expenses | (c) | (8,402) | (3,395) |
| Rental expenses | (d) | (3,563) | (891) |
| Interest expenses to related companies | (e) | (149) | (573) |
| Interest expenses to an intermediate holding company, a fellow subsidiary, and a substantial shareholder | (f) | (697) | — |
| Advisory fee income | (g) | — | 3,960 |

Note:

- (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. This arrangement had been terminated in January 2002. 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 received service income from E2-Capital Group for providing marketing, technology solutions and consulting services at rates agreed in accordance with an agreement entered into by both parties.
- (c) The Group reimbursed E2-Capital Group for back office support service provided, including company secretarial and compliance services, financial 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. This arrangement had been terminated in April 2002.

- (d) 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. This arrangement had been terminated in April 2002.
- (e) The Group paid interest expenses at Hong Kong Dollar Prime Rate plus 1% per annum on the amount due to E2-Capital Group (note 12). The amount has been fully repaid as at 30 June 2002.
- (f) The Group paid interest expenses at 2.375% per annum on the loans from SBF, SB Titus Corporation and Softbank Investment Corporation (note 15, 16 & 17).
- (g) Upon completion of the acquisition of SBI E2-Capital Limited, the Group received advisory fee from E2-Capital Group for advisory service provided at rates agreed in accordance with an agreement entered into by both parties in January 2001.
- (h) 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.
- (i) 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's 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.
- (j) Total banking facilities of the Group guaranteed by E2-Capital Group as at 30 June 2002 amounted HK\$268 million (30 June 2001: HK\$266 million).

- (k) 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.
- (l) A loan receivable from a third party of HK\$6.24 million of the Group was assigned to E2-Capital Group in December 2001. As a result of this assignment, the provision for this loan receivable was written back during the current period.
- (m) In accordance with the Share Sale Agreement dated 11 January 2002, the 40% interest in Software Gateway Limited held by a minority shareholder was pledged to the Company for a duration of three years from 11 January 2002 ("Pledged Shares"). In addition, 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.

23. Subsequent events

- (a) On 17 June 2002, SBI Strategic Holdings Limited (formerly known as "Million Best Investments Limited") ("SBI Strategic"), which is a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Shenzhen Yuhai Investment Development Co. Ltd. ("Yuhai") in relation to the acquisition of 30% equity interest in Shenzhen Huijin Science & Technology Co. Ltd ("Huijin") at a consideration of HK\$30 million in cash. The closing of the acquisition has been delayed pending completion of the due diligence process.
- (b) On 25 June 2002, the Company and SBI E2-Capital Securities Limited (the "Placing Agent") entered into a share placing agreement whereby the Placing Agent has agreed to use its best efforts to procure placees for up to 100,000,000 new shares to be issued by the Company at a price of HK\$0.30 per share. Consequently, with the withdrawal of all proposed placees from the share placing, the placing would not proceed. Details were set out in the announcement of the Company dated 29 August 2002.
- (c) On 5 June 2002, 13 June 2002 and 10 July 2002, the Company entered into three separate agreements with an independent third party whereby the Company has agreed to purchase certain ordinary shares at a consideration of HK\$35 million, HK\$35 million, and HK\$40 million respectively in a company whose shares are listed on The Stock Exchange of Hong Kong Limited. All agreements have been completed on 28 August 2002.

- (d) On 10 July 2002, the Company entered into a share sale agreement with three independent third parties in connection with the acquisition of a total of 4,117,700 shares representing approximately 30% of the equity interest in Supresoft Imagis Inc. (“Supresoft”) at a total consideration of HK\$22,424,994.20 in cash. Supresoft is a company incorporated in the British Virgin Islands which is the leading software developer and service provider of state-of-the art survey, mapping and geospatial information systems (GIS) in the PRC specialising in digital photogrammetry and image processing. The acquisition has been completed on 27 August 2002.
- (e) On 2 August 2002, the authorised share capital of the Company increased from HK\$500 million divided into 5,000,000,000 ordinary shares of HK\$0.1 each to HK\$600 million divided into 6,000,000,000 ordinary shares of HK\$0.1 each by the creation of 1,000,000,000 additional shares of HK\$0.1 each. Such shares rank *pari passu* in all respects with the existing ordinary shares in the Company.
- (f) On 28 August 2002, the issue of the 5% convertible notes due 2005 (the “Convertible Notes”) by SIIS Treasury Limited (“SIIS Treasury”), a wholly-owned subsidiary of the Company, in the aggregate principal amount of HK\$156,400,000 has been completed. The Convertible Notes are guaranteed by the Company. In connection with the issue of Convertible Notes, the Company and SIIS Treasury entered into, (1) with Hutchison International Limited (“Hutchison”), a subscription agreement on 18 June 2002, pursuant to which Hutchison has agreed to subscribe for Convertible Notes in the aggregate principal amount of HK\$85,000,000; and (2) with First Shanghai Securities Limited and SBI E2-Capital Securities Limited (collectively the “Placing Agents”), a placing agreement on 25 June 2002, pursuant to which the Placing Agents have agreed to procure subscribers for the Convertible Notes in the aggregate principal amount of up to HK\$165,000,000. On completion, the Placing Agents have procured certain subscribers to subscribe for the Convertible Notes in the aggregate principal amount of HK\$71,400,000. HK\$110 million of the net proceeds from the issuance of Convertible Notes had been used to acquire the investments as disclosed in note 23 (c). The remaining net proceeds from the Convertible Notes will be used for funding potential investment opportunities in Hong Kong and the PRC as well as general working capital of the Group.

- (g) On 11 September 2002, the Group entered into a Share Subscription Agreement and a Share Purchase Agreement whereby the Group will subscribe 4,999,998 new shares of SGD1 each in an indirect non-wholly owned subsidiary (the "Singapore subsidiary") in Singapore at a consideration of approximately SGD5 million (equivalent to approximately HK\$22 million), and the Singapore subsidiary will purchase 1,000,000 shares of another indirect non-wholly owned subsidiary of the Group, representing 10% of its issued share capital, at a consideration of SGD0.5 million (equivalent to approximately HK\$2.2 million). Details of the transactions have been set out in the Announcement dated 12 September 2002.
- (h) The Group has changed its financial year end from 30 June to 31 December commencing in the year of 2002, details of which have been set out in the Announcement dated 29 August 2002.