

by Creating Value for Shareholders



CORPORATE INFORMATION

Board of Directors

FUNG Ka Pun

(Executive Co-Chairman)

WONG Sin Just

(Executive Co-Chairman)

ONGPIN Roberto V

(Independent Non-executive Director)

CHUNG Cho Yee, Mico

(Independent Non-executive Director)

Company Secretary

CHEUNG Chung Wai, Billy

Solicitors

Kwok & Yih

Woo, Kwan, Lee & Lo, Solicitors

Auditors

PricewaterhouseCoopers

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited

Standard Chartered Bank

Bank of America (Asia) Limited

Share Registrar in Bermuda

Butterfield Corporate Services Limited

65 Front Street,

Hamilton,

Bermuda

Share Registrar in Hong Kong

Computershare Hong Kong Investor

Services Limited

Rooms 1901-1905, 19th Floor,

Hopewell Centre,

183 Queen's Road East,

Hong Kong

Registered Office

Cedar House,

41 Cedar Avenue,

Hamilton HM12,

Bermuda

Principal Place of Business in Hong Kong

43/F, Jardine House,

One Connaught Place,

Central,

Hong Kong

The Directors of E2-Capital (Holdings) Limited (“the Company”) present herewith the Interim Report of the Company and its subsidiaries (“the Group”) together with the condensed financial statements for the six months ended 30 June 2003. The consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30 June 2003 and the consolidated balance sheet as at 30 June 2003 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 12 to 29 of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

As mentioned in the last annual report, the Directors expected a difficult business environment in 2003. As it turned out, the period under review was extremely challenging as a result of the outbreak of the Severe Acute Respiratory Syndrome (“SARS”) in the region. The weak investment and consumer confidence has caused the regional economy to deteriorate further, reflected by persistent high unemployment rate and severe deflationary pressure in most of the locations that we operate in. Management continued to operate based on “Dual Economic Value Added” (“E2VA™”) - returns on assets and capital appreciation for shareholders, with a view to optimize real economic value.

Although the Group continued to streamline its operating structure and has seen improvement in operating results, the adverse impact of the business environment, particularly on the investment and properties sectors, was significant. As a result the Group recorded a loss attributable to shareholders of approximately HK\$131 million (2002: HK\$422,000).

Notwithstanding the loss for the period, with the realization from sale of properties under development and cash return from investments as well as effective Group cash management, bank and cash balance increased further by 2% to HK\$130 million at 30 June 2003, compared with HK\$127 million at 31 December 2002, and increased by 48% when compared with HK\$88 million at 30 June 2002. This balance is expected to increase further in the second half of the year following additional return from realization of property investments and the scheduled launch of property under development.

Liquidity also improved, with a quick ratio of 1.39 times at 30 June 2003 when compared with 1.33 times at 31 December 2002, calculated on the basis of total bank and cash balance, short term investments in securities and accounts receivable over total current liabilities. The consolidated shareholders’ funds stood at HK\$513 million at 30 June 2003, with net tangible assets per share of HK\$0.90 (HK\$1.13 at 31 December 2002), which is substantially higher than the current market capitalization of the Group.

We continued to recognize the importance of maintaining financial resources flexibility, with the Parent Company further increasing its cash and bank balance to HK\$107 million (HK\$96 million as at 31 December 2002). During the period, we have been realizing our non-core assets as well as disposing of investments with low or negative return so as to retain a high level of financial resources liquidity. We believe this high level of financial resources will provide the Group with strong financial flexibility to meet the demands of an increasingly complex business landscape.

Financial Services

HK/China

The business environment remained difficult for the brokerage and investment banking industry for the first half of 2003. The average daily turnover on the Main and GEM boards dropped from HK\$7,576 million in the first half of 2002 to HK\$7,058 million in the first half of 2003. Despite the uncertain external factors and the outbreak of SARS in the region, the management of SBI E2-Capital was able to maximize its returns on available business opportunities as it has maintained diversified earnings sources from stock and futures broking and corporate finance and our customer portfolio has expanded significantly in terms of both classes and geographical locations.

Operating profit before tax and exceptional items for the 6-month period ended 30 June 2003 of HK/China division amounted to HK\$3.2 million as a result of significant progress in improving our operating efficiency through stringent cost rationalization measures. Coupled with our various cost rationalization exercises from the third quarter of 2002 to first quarter of 2003, operating expenses for the period were cut by 32% to HK\$9.1 million as compared with the second half of 2002. The improved cost efficiency enabled us to retain our competitiveness among other market players.

However, exceptional charges arising from reorganization of our mainland China operations resulted in a lower profit before taxation of HK\$0.4 million.

Stock and futures broking

Commission income from stock broking and placing for the first half of 2003 increased by 77% from HK\$5.6 million to HK\$9.9 million as compared with the second half of 2002 (6-month period ended 30 June 2002: HK\$17.1 million) with the recovery of market turnover and equity placement activities after SARS. Despite the lifting of minimum brokerage commission on 1 April 2003, SBI E2-Capital was able to perform well due to our diversified clients' bases and exposure to professional and retail investors.

The commission income from futures and index options broking continued to grow steadily. After recording an impressive increase of 26.4% in the preceding six months period, it rose a further 63.1% to HK\$5.3 million as compared with the second half of 2002 (6-month period ended 30 June 2002: HK\$2.6 million). The boost in turnover was due to the pick up in the market activities in derivative products, specifically Hang Seng Index futures and options, as well as a strong expansion of our institutional client base to complement our existing strong retail segments. To keep up the performance, the management of SBI E2-Capital has kept expanding its range of products and services such as regional futures broking so as to capture more quality clients and revenue.

Investment banking

The SBI E2-Capital's investment banking activities in HK/China performed satisfactorily and recorded an operating profit before tax and exceptional items of HK\$2.6 million (before inter-segment expenses of HK\$2.6 million) during the first half of 2003 (6-month period ended 30 June 2002: HK\$3.9 million) even though the market has yet to recover fully with the revenue at HK\$6.4 million (6-month period ended 30 June 2002: HK\$10.8 million). During the period under review, SBI E2-Capital built a strong reputation and emerged as the leading player in the equity capital market for small and medium enterprises. SBI E2-Capital was ranked No. 1 in Hong Kong Equity Placements and block trades, having successfully lead-managed 13 transactions in the Hong Kong capital market up to 31 July 2003, accounting for approximately one-third of such transactions.

Margin financing

The management of SBI E2-Capital remained prudent in respect of setting the margin limit and in assessing the quality of the collateral stocks. As at 30 June 2003, the margin loan receivable was less than HK\$2 million outstanding and no provision was necessary for bad and doubtful debts during the first half of 2003.

Research

Our research team's focus on China export plays continued to pay off as most recommended stocks performed robustly during the period. The "small cap" research product has built a strong niche in the market and helped generate primary deals and grow institutional commission income. We are currently exploring ways to expand on this niche regionally and/or sectorally.

Singapore

The Singapore corporate finance division, SBI E2-Capital Pte Ltd, has continued to perform well as an innovative corporate finance house in Singapore as it has lead-managed 8 out of a total of 27 IPOs in Singapore's capital markets during the first half of 2003. The division recorded a turnover of HK\$18.5 million (6-month period ended 30 June 2002: HK\$14.5 million) and an operating profit before tax of HK\$8.5 million during the six months period of 2003 (6-month period ended 30 June 2002: HK\$7.1 million).

With the granting of a licence from the Monetary Authority of Singapore ("MAS") in April 2003, SBI E2-Capital Securities Pte Ltd, the brokerage arm of the Singapore division, is expected to help the Group to diversify its corporate financial advisory business into securities brokerage and trading business in Singapore and thus enlarge its revenue base through the Singapore operations. By then the securities brokerage businesses in Singapore and Hong Kong could foster closer ties and further enhance the distribution network of the Group by the second half of 2003.

During the six months period ended 30 June 2003, SBI E2-Capital was ranked No. 1 among top 5 lead managers for Hong Kong and Singapore Small and Medium Enterprises (“SME”) IPOs.

Top 5 Lead Managers in Hong Kong and Singapore SME IPOs

Rank	Name	Total Amount Raised (HK\$ million)
1	SBI E2-Capital	1,289.7
2	DBS	1,208.1
3	Core Pacific-Yamaichi	882.7
4	Cazenove	582.7
5	Guotai Junan	470.1

Source: www.hkex.com.hk / www.ses.com.sg

All HK & Singapore IPO's below HK\$1 billion in 2002 and 2003 YTD

(as at Jun 2003) - equal apportionment basis

Online Primary Offerings

OpenOffering Group continues its mission to help Asian companies to manage their primary offerings transactions.

During the period OpenOffering Capital has successfully completed some IPO transactions like Hua Han, Yantai North Andre Juice and the Superdata IPO issues, which helped OpenOffering to strengthen its syndicate relationship with other IPO Lead Sponsors and Bookrunners. There are a few other equity placements in the pipeline for the Group, which should give the Group a steady business growth throughout the year 2003.

OpenOffering Group's broker networks have also grown steadily throughout the expansion plan in Europe. OpenOffering Group has expanded their London and Paris operation and have also started to service Scottish clients in Edinburgh, thus expanding the institutional client base to other parts of Europe.

OpenOffering Group aims to become a world class online Primary Offering company in Asia.

Industrial

The Group's industrial business, operated through Cheung Wah Ho Dyestuffs Company Limited and Lancerwide Company Limited, has made progress despite the depressed market, with a contribution of HK\$17 million to the Group's turnover for the six months period ended 30 June 2003.

The business of Winbox Company Limited, an associated company of the Group, remained stable and profitable despite the outbreak of SARS. Its revenue and net profit before tax was HK\$38 million and HK\$7.8 million respectively for the six months period ended 30 June 2003. With the provision of direct services to customers through its associated company in France, together with the high production capacity of its factory in the PRC, sales are expected to increase further.

Both companies are expected to contribute to future group performance.

Property

Goodwill Properties Limited ("GPL"), the Group's property division, was active during the year, both in Hong Kong and the PRC.

The sales of Vision Court, the Group's residential development at Prince Edward Road West in Kowloon Tong, is satisfactory. Over 98% of the floor area was sold as at 30 June 2003, with the remaining units sold in July 2003.

The residential development at Fairview Park Boulevard in Yuen Long, consisting of 30 luxurious villas with gross floor area of 6,000m², is 90% completed at 30 June 2003 and is targeted for completion in the third quarter 2003. Pre-sale is expected to commence in the third quarter of 2003, which will contribute significant net cash inflow of approximately HK\$60 million to the Group.

The sales of No.1 Po Shan Road in Midlevels, a luxurious residential development jointly developed with Sun Hung Kai Properties has continued with encouraging results. The Group has started to receive our share of sales proceeds from the units sold. This project is expected to contribute a total of HK\$70 million net cash inflow to the Group on the completion of its sales.

Laford Centre, a property jointly owned by Ryoden Group, Vision Century and E2-Capital, has been sold during the period. The Group has received its entire share of the cash proceed of HK\$30 million in June and August 2003, which contributed further to the cash position of the Group.

The development of Tianma Project in Shanghai, comprising 200 luxurious villas, a 27-hole golf course and a country club, was in good progress. The Group achieved a remarkable result in the pre-sale of villas. Due to the buoyant Shanghai property market, this project is expected to contribute to the Group in the coming year.

GPL is also participating in other property and environment related projects, such as a centralized drinking water filtration system. This system has been installed in several popular developments in Guangzhou, and it will be extended to other major cities in the Guangdong province. This business continued to contribute towards the Group's performance. With current customers standing at more than 10,000 households, this project will further contribute towards group profitability in the years to come.

Liquidity and Financial Resources

The Company has provided corporate guarantees for banking facilities extended for group companies, further details are described in the section under "Contingent Liabilities". The Company has stayed debt free with no outstanding bank borrowings at 30 June 2003 (31 December 2002: nil).

As at 30 June 2003, the Group's cash and other short-term listed investments totalled HK\$130 million (31 December 2002: HK\$127 million). This pool of liquid assets and marketable securities well exceeded the Group's total short-term borrowings from banks and financial institutions of HK\$109 million (31 December 2002: HK\$94 million).

Of the total bank borrowings of HK\$129 million, approximately 99% are loans secured by investment properties, properties under/for development and properties under development for sale located in Hong Kong, with the balance secured by mortgage loans receivable. Of these borrowings, HK\$109 million is repayable within 1 year and HK\$18 million is repayable within 2 to 5 years.

The Group has continued to actively manage its financial resources during the period, which resulted in further improvement in current liquidity. Quick ratio improved from 1.33 times at 31 December 2002 to 1.39 times at 30 June 2003, calculated on the basis of total bank and cash balance, short term investments in securities and accounts receivable over current liabilities. Long term gearing, calculated on the basis of long term debt over shareholders' fund, remained satisfactory at a level of 7.7%, which raised slightly when compared to 6.6% as at 31 December 2002.

With cash and marketable securities on hand as well as available banking facilities, the Group's liquidity position remains positive and the Group has sufficient financial resources to satisfy its commitments and working capital.

Capital Structure of the Group

Substantially all the transactions of the Group are denominated in Hong Kong dollar and the Group maintains its cash balances mainly in Hong Kong dollar.

The Group's borrowings are all denominated in Hong Kong dollar and on a floating rate basis. As the tenure of a substantial amount of our borrowings is matched against the development period of the projects in progress, the Group has limited exposure to interest rate fluctuations.

By a special resolution passed on 18 June 2003, the Company effected a capital reorganisation exercise pursuant to which every two shares in the Company were consolidated into one share; the currency denomination of all of the consolidated shares were changed from US\$0.20 into HK\$1.56 on the basis of US\$1 to HK\$7.80; and the nominal value of all the redenominated shares were reduced from HK\$1.56 to HK\$1.00 each by the cancellation of HK\$0.56 of the paid-up capital on each issued redenominated share.

Number and Remuneration of Employees, Remuneration Policies, Bonus and Share Option Schemes and Training Schemes

As at 30 June 2003, the Group, including Directors and its subsidiaries but excluding associates, employed a total of 44 full-time employees. The Group operates different remuneration schemes for client service and client support and general staff. Client service personnel are remunerated on the basis of on-target-earning packages comprising salary and/or commission. Client support and general personnel are offered year-end discretionary bonuses subject to individual performance and/or the business result of the Company. Employees' cost (excluding directors' emoluments) amounted to approximately HK\$6 million for the period. The Group ensures that the remuneration paid to its employees is competitive and employees are rewarded within the general framework of the Group's salary and bonus system.

Details of the Charges on Group Assets

Investment properties, properties under/for development and properties under development for sale with an aggregate value of approximately HK\$239 million have been pledged to secure banking facilities of HK\$127 million granted to Group companies for these developments.

In addition, a loan of HK\$1.9 million was secured by mortgage loans receivable of a subsidiary of approximately HK\$2.7 million.

Contingent Liabilities

Corporate guarantees proportionate to the Company's interest were given to financial institutions for working capital facilities of associated companies in addition to collateral given by these companies. The aggregate amount of such facilities utilised by these companies at 30 June 2003 amounted to HK\$6 million.

In addition, the Company provided a guarantee and undertakings to the MAS in respect of the obligations and liabilities of two associated companies of the Group, SBI E2-Capital Pte Ltd ("SBI Pte") and SBI E2-Capital Securities Pte Ltd ("SBI Securities Pte"). As at 30 June 2003, the shareholders' funds and total liabilities of SBI Pte were HK\$17 million and HK\$8 million respectively; the shareholders' funds and the total liabilities of SBI Securities Pte were HK\$24 million and HK\$1 million respectively.

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's assets and liabilities are primarily denominated in Hong Kong dollar. The Group has no significant exposure to foreign exchange fluctuations.

In Summary

With the expectation of substantial cash flow coming back from the sale of properties under development and return from investments, which is expected to be substantially higher than the total operating costs, the Group expects to increase further its cash balances during the rest of the year 2003. In the coming months, we will continue to exercise a strategic and prudent approach to allocating capital to individual business units, whilst retaining a high level of financial liquidity to ensure strong financial flexibility. We believe such financial flexibility has placed us in an advantageous position to weather the current economic vagaries in the region and it will also place us in good stead to capture strategic investment opportunities as they arise.

INTERIM DIVIDEND

The Directors have decided not to declare an interim dividend for the six months period ended 30 June 2003 (2002: 0.25 HK cent per share) to better conserve Group cash resources. The Directors will resume dividend distribution as soon as the Group is in the position to do so.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

The Company has not redeemed any of its shares during the period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the period.

DIRECTORS' INTERESTS IN THE SHARES OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATIONS

At 30 June 2003, the interests of each Director in the shares of the Company and its Associated Corporations (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

The Company

Name of director	Number of shares of the Company held – long positions	
	Personal interests	Corporate interests
Fung Ka Pun	977,425	151,454,978 (Note 1)
Wong Sin Just	—	149,050,000 (Note 2)

Name of Associated Corporation	Name of director	Number of shares of the Associated Corporation held – long positions	
		Personal interests	Deemed interests
SBI E2-Capital Holdings Pte Ltd	Fung Ka Pun	75,000	— (Note 3)
SBI E2-Capital Holdings Pte Ltd	Wong Sin Just	75,000	— (Note 3)
Boxmore Limited	Fung Ka Pun	—	1,662,615 (Note 4)
Winpac Enterprises Limited	Fung Ka Pun	—	50,000 (Note 5)

Notes:

- Mr. Fung Ka Pun has beneficial interests in Bo Hing Limited and Goodwill International (Holdings) Limited ("Goodwill International"), which were interested in 2,660,433 shares and 148,794,545 shares respectively in the Company as at 30 June 2003 representing approximately 26.46% in the issued share capital of the Company. Goodwill International is a substantial shareholder of the Company and its shareholding in the Company is set out in the section headed "Substantial Shareholders".
- Mr. Wong Sin Just has beneficial interests in e2-Capital Inc., which was interested in 149,050,000 shares in the Company as at 30 June 2003 representing 26.04% in the issued share capital of the Company. e2-Capital Inc. is a substantial shareholder of the Company and its shareholding in the Company is set out in the section headed "Substantial Shareholders".
- Mr. Fung Ka Pun and Mr. Wong Sin Just each holds 75,000 shares representing approximately 3% in the issued share capital of SBI E2-Capital Holdings Pte Ltd.
- The spouse of Mr. Fung Ka Pun has beneficial interest in 1,662,615 shares, representing 22.5% in the issued share capital of Boxmore Limited.

- (5) The spouse of Mr. Fung Ka Pun holds 50,000 shares, representing 5% in the issued share capital of Winpac Enterprises Limited.

SHARE OPTION SCHEME

At 30 June 2003, there was no share option scheme adopted by the Company.

At no time during the period was the Company or any of its Associated Corporations a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors or their spouses or children under 18 years of age was granted any right to subscribe for any shares in, or debentures of, the Company or any of its Associated Corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES OF THE COMPANY

The register of interests in shares and short positions maintained under Section 336 of the SFO shows that as at 30 June 2003, the Company had been notified of the following substantial shareholders' interests:

Name of shareholder	Number of shares – long positions	Percentage of issued share capital	Remarks
e2-Capital Inc.	149,050,000	26.04	} Duplication of e2-Capital Inc.'s holding
Coutts (Cayman) Limited	149,050,000	26.04	
Goodwill International	148,794,545	26.00	
Kua Phek Long	36,252,500	6.33	
Softbank Investment International (Strategic) Limited ("Softbank Strategic")	32,500,000	5.68	} Duplications of Softbank Strategic's holding
Softbank Investment Corporation	32,500,000	5.68	
Softbank Corp.	32,500,000	5.68	
PCCW Limited	32,460,000	5.67	
Pacific Century Group Holdings Limited	32,460,000	5.67	
Pacific Century Regional Developments Limited	32,460,000	5.67	} Duplications of PCCW Limited's holding
Li Tzar Kai, Richard	32,460,000	5.67	

Other than as disclosed above, as at 30 June 2003, the Company had not been notified of any other interests or short positions in the issued share capital of the Company, as recorded in the register required to be kept by the Company under Section 336 of the SFO.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

None of the Directors of the Company is aware of any information which would indicate that the Group is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 to the Listing Rules of The Stock Exchange of Hong Kong Limited at any time during the six months ended 30 June 2003.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited condensed interim financial statements for the six months ended 30 June 2003 with the Directors.

**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTHS ENDED 30 JUNE 2003**

	<i>Note</i>	Unaudited	
		Six months ended 30 June	
		2003	2002
		HK\$'000	HK\$'000
Turnover	2	31,131	85,039
Cost of sales		(26,438)	(73,683)
Gross profit		4,693	11,356
Other revenues		54	71
Gain on disposal of discontinued operations		—	10,808
Provision for impairment of investments in securities		(14,687)	—
Realised and unrealised loss on investments in securities (net)		(5,773)	(4,228)
Distribution costs		(164)	(156)
General and administrative expenses		(15,522)	(23,830)
Operating loss before provision for impairment of long term assets		(31,399)	(5,979)
Provision for impairment of long term assets	3	(98,038)	—
Operating loss	4	(129,437)	(5,979)
Finance costs		(1,517)	(274)
Share of profits less losses of associated companies		542	8,236
(Loss)/profit before taxation		(130,412)	1,983
Taxation	5	(1,078)	(1,781)
(Loss)/profit after taxation		(131,490)	202
Minority interests		206	(624)
Loss attributable to shareholders		(131,284)	(422)
Dividends	6	—	2,862
Basic loss per share	7	HK cents (22.9)	HK cent (0.07)

**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2003 AND 31 DECEMBER 2002**

	<i>Note</i>	Unaudited 30 June 2003	Audited 31 December 2002
		HK\$'000	HK\$'000
Non-current assets			
Fixed assets		93,345	102,980
Properties under/for development		58,000	89,201
Interests in associated companies	8	98,782	99,799
Investments in securities		19,050	46,721
Loans receivable from investee companies		75,134	125,116
Mortgage loans receivable - due after one year		26,273	26,133
Other non-current assets		2,242	2,292
		372,826	492,242
Current assets			
Properties for sale/properties under development for sale		123,288	143,506
Inventories		7,715	8,573
Trade and other receivables	9	45,346	44,479
Investments in securities		701	461
Mortgage loans receivable - current portion		548	1,157
Bank balances and cash	10	129,595	126,766
		307,193	324,942
Current liabilities			
Trade and other payables	11	18,003	36,018
Taxation payable		34	34
Current portion of long term liabilities	12	109,162	93,801
		127,199	129,853
Net current assets		179,994	195,089
Total assets less current liabilities		552,820	687,331

**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2003 AND 31 DECEMBER 2002**

	<i>Note</i>	Unaudited 30 June 2003	Audited 31 December 2002
		HK\$'000	HK\$'000
Capital and reserves			
Share capital	13	572,333	892,840
Reserves		(59,228)	(248,451)
		<hr/>	<hr/>
Shareholders' funds		513,105	644,389
		<hr/>	<hr/>
Minority interests		116	192
		<hr/>	<hr/>
Non-current liabilities			
Long term liabilities	12	19,533	22,684
Loan from a minority shareholder of a subsidiary		20,066	20,066
		<hr/>	<hr/>
		39,599	42,750
		<hr/>	<hr/>
		552,820	687,331
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2003

	Unaudited (Goodwill)/					Total
	Share capital	Contributed surplus	Other reserve	capital reserve	Accumulated losses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2003	892,840	214,217	3,369	—	(466,037)	644,389
Capital reorganisation (note 13)	(320,507)	320,507	—	—	—	—
Transfer from contributed surplus to accumulated losses (note)	—	(452,279)	—	—	452,279	—
Loss for the period	—	—	—	—	(131,284)	(131,284)
At 30 June 2003	<u>572,333</u>	<u>82,445</u>	<u>3,369</u>	<u>—</u>	<u>(145,042)</u>	<u>513,105</u>

	Unaudited (Goodwill)/					Total
	Share capital	Contributed surplus	Other reserve	capital reserve	Accumulated losses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2002	893,509	219,943	2,933	(9,499)	(114,359)	992,527
Repurchase of shares	(496)	—	298	—	—	(198)
Goodwill realised on disposal of subsidiaries	—	—	—	9,499	—	9,499
Loss for the period	—	—	—	—	(422)	(422)
2001 final dividend declared	—	(2,864)	—	—	—	(2,864)
	<u>893,013</u>	<u>217,079</u>	<u>3,231</u>	<u>—</u>	<u>(114,781)</u>	<u>998,542</u>
2002 interim dividend proposed	—	(2,862)	—	—	—	(2,862)
At 30 June 2002	<u>893,013</u>	<u>214,217</u>	<u>3,231</u>	<u>—</u>	<u>(114,781)</u>	<u>995,680</u>

Note:

The Company's contributed surplus represents the difference between net assets of the companies acquired as at 15 December 1992 and the aggregate nominal value of shares issued by the Company under the scheme of arrangement which became effective on that date, less dividend paid and payable. The Group's contributed surplus represents credit arising from the reorganisation pursuant to the scheme of arrangement. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus account if:

- (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

The full amount of contributed surplus of the Company has been transferred to the accumulated losses during the period.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2003**

	Unaudited	
	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Net cash outflow from operating activities	<u>(34,282)</u>	<u>(43,755)</u>
Net cash inflow from investing activities	<u>26,418</u>	<u>6,858</u>
Net cash inflow/(outflow) from financing activities	<u>10,693</u>	<u>(1,929)</u>
Increase/(decrease) in cash and cash equivalents	<u>2,829</u>	<u>(38,826)</u>
Cash and cash equivalents at 1 January	<u>126,766</u>	<u>121,943</u>
Cash and cash equivalents at 30 June	<u><u>129,595</u></u>	<u><u>83,117</u></u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	<u>129,595</u>	<u>83,117</u>
	<u><u>129,595</u></u>	<u><u>83,117</u></u>

NOTES TO 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 2002 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 2002 except that the Group has changed certain of its accounting policies following its adoption of SSAP 12 "Income Taxes" issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1 January 2003.

The changes to the Group's accounting policies and the effect of adopting this new policy are set out below:

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior year, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 represents a change in accounting policy. However, the effect of this change in accounting policy is not material and accordingly, no restatement of prior years' results have been made.

2. Segment information

Primary reporting format - business segments

The Group is principally engaged in 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

2. Segment information (continued)

Primary reporting format - business segments (continued)

- 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:

	Six months ended 30 June 2003						Group
	HK\$'000						
	Broking services	Industrial & management operating services	Investment banking	Direct investments	Property	Consulting, marketing & technology services <i>(note)</i>	
Revenues	—	17,464	553	842	12,272	—	31,131
Segment results	—	(257)	14	(1,286)	(3,761)	—	(5,290)
Net investment loss	—	—	—	(20,460)	—	—	(20,460)
General corporate expenses							(5,649)
Operating loss before provision for impairment of long term assets							(31,399)
Provision for impairment of long term assets	—	—	—	(5,910)	(92,128)	—	(98,038)
Operating loss							(129,437)
Finance costs	—	(15)	—	—	(1,502)	—	(1,517)
Share of profits less losses of associated companies	(592)	2,969	(1,835)	—	—	—	542
Loss before taxation							(130,412)
Taxation							(1,078)
Loss after taxation							(131,490)
Minority interests							206
Loss attributable to shareholders							(131,284)

2. **Segment information** (continued)

Primary reporting format - business segments (continued)

	Six months ended 30 June 2002						Group
	HK\$'000						
	Broking services	Industrial & management operating services	Investment banking	Direct investments	Property	Consulting, marketing & technology services <i>(note)</i>	
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)
Gain on disposal of discontinued operations							10,808
Net investment loss	—	—	—	(4,228)	—	—	(4,228)
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)

Note:

On 24 January 2002, the Group sold its entire equity interest in ebizal Investments Limited (subsequently renamed as ebizal (Holdings) Limited) which was engaged in the consulting, marketing & technology services segment. As such, the operation of the consulting, marketing & technology services was discontinued in the prior period. Net assets disposed of amounted to HK\$56 million.

2. **Segment information** (continued)

Secondary reporting format - geographical segments

	Turnover		Operating loss before provision for impairment of long term assets	
	Six months ended 30 June		Six months ended 30 June	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Peoples' Republic of China including Hong Kong	31,131	85,039	(31,399)	(5,979)
Japan	—	—	—	—
	<u>31,131</u>	<u>85,039</u>	<u>(31,399)</u>	<u>(5,979)</u>

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

3. **Provision for impairment of long term assets**

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Provision for impairment of:		
Investment properties	3,792	—
Leasehold land and buildings	4,774	—
Properties under/for development	31,201	—
Properties for sale/properties under development for sale	29,000	—
Loans receivable from investee companies	29,271	—
	<u>98,038</u>	<u>—</u>

4. Operating loss

Operating loss is stated after charging the following:

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Depreciation		
Owned fixed assets	1,071	2,614
Amortisation of goodwill	—	793
Staff costs		
Wages and salaries	8,688	11,620
Pension costs - defined contribution plans	198	237
Operating lease rentals in respect of land and buildings	622	2,944
Loss on disposal of fixed assets	—	10
Provision for doubtful receivables	2,632	—
	<u>2,632</u>	<u>—</u>

5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the period. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. Taxation on overseas profits has been calculated on the estimated assessable profits 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:

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Hong Kong profits tax	—	211
Share of taxation attributable to associated companies	1,078	1,570
	<u>1,078</u>	<u>1,781</u>

6. Dividends

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Interim, proposed, of nil HK cent (2002: 0.25 HK cent) per ordinary share	—	2,862
	<u>—</u>	<u>2,862</u>

7. Basic loss per share

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK\$131,284,000 (2002: HK\$422,000).

The basic loss per share is based on the weighted average of 572,333,168 (2002: 572,604,046 as restated) ordinary shares in issue during the period.

8. Interests in associated companies

	30 June 2003	31 December 2002
	HK\$'000	HK\$'000
Share of net assets	98,782	99,799
Loans to associated companies (note 9)	1,145	1,335
Loans from associated companies (note 11)	(172)	(172)
	973	1,163

- (a) The loans to/from associated companies are unsecured, interest free and have no fixed terms of repayment.
- (b) At 30 June 2003, the Group's principal associated companies are as follows:

Name of associated company	Place of incorporation/ registration	Percentage of interest in the issued share capital held by the Group		Principal activities
		2003	2002	
SBI E2-Capital China Holdings Limited	Hong Kong	49%	49%	Investment holding
– SBI E2-Capital (HK) Limited	Hong Kong	49%	49%	Provision of corporate finance services
– SBI E2-Capital Securities Limited	Hong Kong	49%	49%	Securities broking and margin financing
SBI E2-Capital Holdings Pte Ltd	Singapore	27%	27%	Investment holding
– SBI E2-Capital Pte Ltd	Singapore	27%	27%	Provision of corporate finance services
– SBI E2-Capital Securities Pte Ltd	Singapore	38%	—	Securities broking
Winbox Company Limited	Hong Kong	38%	38%	Manufacturing and sale of quality plastic and paper boxes for luxury consumer goods
Guangzhou Science & Flourish Environmental Protective Technic Development Co. Limited	The People's Republic of China	40%	40%	Provision of drinking water filtration services

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

- (c) The summary of financial information of the SBI E2-Capital China Group, SBI E2-Capital Pte Group and Winbox Group for the period ended 30 June 2003 is as follows:

	SBI E2-Capital China Group	SBI E2-Capital Pte Group	Winbox Group
	Six months ended 30 June 2003		
	HK\$'000	HK\$'000	HK\$'000
Consolidated profit and loss account			
Turnover	21,364	20,322	38,477
Profit before taxation	57	8,935	7,802
	SBI E2-Capital China Group	SBI E2-Capital Pte Group	Winbox Group
	30 June 2003		
	HK\$'000	HK\$'000	HK\$'000
Consolidated balance sheet			
Total assets	90,864	48,680	202,130
Total liabilities	34,436	19,746	12,469
Total net assets	56,428	28,934	189,661

9. Trade and other receivables

	30 June 2003	31 December 2002
	HK\$'000	HK\$'000
Due from:		
Unconsolidated subsidiaries	—	729
Associated companies	1,145	1,335
Trade receivables	16,588	11,332
Other receivables, prepayments and deposits	27,613	31,083
	45,346	44,479

The ageing analysis of trade receivables is as follows:

	0-60 days	61-90 days	> 90 days	Total
	HK'000	HK'000	HK'000	HK'000
Balance at 30 June 2003	9,997	2,363	4,228	16,588
Balance at 31 December 2002	5,077	1,458	4,797	11,332

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

10. Bank balances and cash

	30 June 2003	31 December 2002
	HK\$'000	HK\$'000
The balance consists of:		
General account	129,595	126,766

11. Trade and other payables

	30 June 2003	31 December 2002
	HK\$'000	HK\$'000
Due to:		
An affiliated company	—	17
Associated companies	172	172
Trade payables	6,233	5,506
Other accounts payables and accruals	11,598	30,323
	18,003	36,018

11. Trade and other payables (continued)

The ageing analysis of trade payables is as follows:

	0-60 days	61-90 days	> 90 days	Total
	HK'000	HK'000	HK'000	HK'000
Balance at 30 June 2003	2,580	1,721	1,932	6,233
Balance at 31 December 2002	2,683	985	1,838	5,506

12. Long term liabilities

	30 June 2003	31 December 2002
	HK\$'000	HK\$'000
Bank loans		
Secured	126,766	114,355
Other loans		
Secured	1,929	2,130
	128,695	116,485
Current portion of long term liabilities	(109,162)	(93,801)
	19,533	22,684

At 30 June 2003, the Group's bank loans and other loans were repayable as follows:

	Bank loans		Other loans	
	30 June 2003	31 December 2002	30 June 2003	31 December 2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	109,066	93,705	96	96
In the second year	5,900	5,900	96	96
In the third to fifth year	11,800	14,750	288	288
After the fifth year	—	—	1,449	1,650
	126,766	114,355	1,929	2,130

Other loans not wholly repayable within five years are repayable by instalments from 1 July 2002 to 30 November 2018.

The interest of the bank loans and other loans is charged at rates between Hong Kong Interbank Offered Rate plus 1.25% per annum and Hong Kong prime rate plus 1.5% per annum (2002: Hong Kong Interbank Offered Rate plus 1.25% per annum and Hong Kong prime rate plus 1.5% per annum).

13. Share capital

	No. of shares	Nominal value US\$'000
Authorised:		
At 1 January 2002, 2003 (ordinary share of US\$0.10 each)	2,000,000,000	200,000
		<u><u> </u></u>
		HK\$'000
Capital Reorganisation on 19 June 2003:		
Share consolidation (<i>note (a)</i>)	(1,000,000,000)	
Currency redenomination (<i>note (b)</i>)	—	1,560,000
Capital reduction (<i>note (c)</i>)	—	(560,000)
Cancellation of the entire authorised but unissued share capital (<i>note (d)</i>)	(427,666,832)	(427,667)
Increase in authorised share capital (<i>note (d)</i>)	177,666,832	177,667
	<u> </u>	<u> </u>
At 30 June 2003	750,000,000	750,000
	<u><u> </u></u>	<u><u> </u></u>
		US\$'000
Issued and fully paid:		
At 1 January 2002 (ordinary share of US\$0.10 each)	1,145,524,336	114,553
Repurchase of shares	(858,000)	(86)
	<u> </u>	<u> </u>
At 31 December 2002 and 1 January 2003	1,144,666,336	114,467
		<u><u> </u></u>
		HK\$'000
Share consolidation (<i>note (a)</i>)	(572,333,168)	
	<u> </u>	
Currency redenomination (<i>note (b)</i>)	572,333,168	892,840
Capital reduction (<i>note (c)</i>)	—	(320,507)
	<u> </u>	<u> </u>
At 30 June 2003	572,333,168	572,333
	<u><u> </u></u>	<u><u> </u></u>

13. Share capital (continued)

	30 June 2003	31 December 2002
	HK\$'000	HK\$'000
Shown in the financial statements as	<u>572,333</u>	<u>892,840</u>

Note:

By a special resolution passed on 18 June 2003, the Company effected the following exercise (referred to as "Capital Reorganisation") on 19 June 2003 pursuant to which:

- (a) every two (2) issued and unissued shares in the Company were consolidated into one (1) consolidated share;
- (b) the currency denomination of all of the consolidated shares was changed from US\$0.20 into HK\$1.56 on the basis of US\$1.00 to HK\$7.80;
- (c) the nominal value of all the redenominated shares was reduced from HK\$1.56 to HK\$1.00 each by the cancellation of HK\$0.56 of the paid-up capital on each issued redenominated share;
- (d) the entire authorised but unissued share capital, including the share capital arising from the capital reduction was cancelled and subsequently increased by the creation of such number of new shares as was necessary to bring the authorised share capital to HK\$750,000,000 divided into 750,000,000 new shares; and
- (e) the credit of HK\$320,507,000 arising from the capital reduction on the basis of 1,144,666,336 shares in issue was transferred to a contributed surplus account of the Company, where it may be utilised in accordance with the Bye-laws of the Company and all applicable laws, including elimination of the accumulated losses of the Company.

Share option scheme

No share option scheme has been adopted by the Group since the expiration of the previous share option scheme on 14 December 2002.

14. Contingent liabilities

- (a) Corporate guarantees proportionate to the Group's interest were given to financial institutions for working capital facilities of associated companies in addition to collaterals given by these companies. The aggregate amount of such facilities utilised by these companies at 30 June 2003 were as follows:

	30 June 2003	31 December 2002
	HK\$'000	HK\$'000
Guarantees given to banks for loans to:		
Associated companies	<u>6,430</u>	<u>7,471</u>
	<u>6,430</u>	<u>7,471</u>

14. Contingent liabilities (continued)

- (b) In addition, as disclosed in note 15(d), the Company has provided undertakings to the Monetary Authority of Singapore (“MAS”) in respect of the obligations and liabilities of two indirect associated companies of the Group, SBI E2-Capital Pte Ltd (“SBI Pte”) and SBI E2-Capital Securities Pte Ltd (“SBI Securities Pte”). As at 30 June 2003, the shareholders’ fund and the total liabilities of SBI Pte were HK\$17,260,000 and HK\$7,517,000 respectively; the shareholders’ fund and the total liabilities of SBI Securities Pte were HK\$23,900,000 and HK\$864,000 respectively.
- (c) For the purpose of the banking facilities of the SBI E2-Capital group with a bank, a letter of undertaking was issued by the Group which undertakes to maintain the minimum net worth 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 SBI E2-Capital Group.
- (d) In 1997, the Group acquired a number of businesses (the “Flourmills Businesses”) which are principally engaged in the manufacture and sale of flour in the People’s Republic of China for a consideration of approximately HK\$45,060,000. The Group does not have control over the financial and operating policies of the Flourmills Businesses. Accordingly, they have not been consolidated. In addition, upon acquisition of the Flourmills Businesses, the Group’s stated intention was not to hold more than 50% equity interest of the Flourmills Businesses for long term. This intention remains and the Group has continued during the last five years to actively negotiate with potential investors for the disposal of the other 50% equity interest in the Flourmills Businesses.

At the balance sheet date, certain of these Flourmills Businesses have unaudited net liabilities, in aggregate, of approximately HK\$16 million (2002: HK\$16 million). The Group’s investment in these businesses had been written down to zero and in the opinion of the directors, the Group has no further obligations in respect of these net liabilities. Accordingly the directors consider that provision for obligations in respect of the net liabilities of these businesses is not necessary. In addition, as a result of the extended time taken to pursue the sale of these assets, the directors considered it prudent to write off the entire cost of investment in the Flourmills Businesses. The Group is currently in the process of actively pursuing the recovery of assets of the Flourmills Businesses.

15. Related party transactions

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

	Six months ended 30 June	
	2003	2002
	HK\$'000	HK\$'000
Management fees received (<i>note (a)</i>)	723	5,184
Rental received for sharing of office space (<i>note (b)</i>)	—	1,390
Management fee paid (<i>note (c)</i>)	500	980

- (a) The Group performed certain administrative services for the SBI E2-Capital Group in which the Group has a 49% interest as at 30 June 2003. Management fees calculated on pre-agreed terms were charged to the SBI E2-Capital Group.
- (b) In prior period, 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.
- (c) SBI E2-Capital Group performed certain administrative services for the Group. Management fees were calculated on a pre-agreed term.
- (d) On 16 January 2003, the Company has given an undertaking to the MAS as a condition of MAS agreeing to grant a Capital Markets Services Licence to SBI Pte. The Company undertakes to maintain SBI Pte in a sound liquidity and a sound financial position at all times and meet, pay and settle all obligations and liabilities of SBI Pte during the existence of the undertaking.

On 4 April 2003, the Company has given an undertaking to the MAS as a condition of MAS agreeing to grant a Capital Markets Services Licence to SBI Securities Pte. The Company undertakes to maintain SBI Securities Pte in a sound liquidity and a sound financial position at all times. Also, it undertakes to meet, pay and settle all obligations and liabilities of SBI Securities Pte.

The Company and Softbank Investment International (Strategic) Limited ("Softbank Strategic") have agreed between themselves that their respective responsibilities for the obligations and liabilities of SBI Pte and SBI Securities Pte should be determined by reference to their previous respective shareholdings in SBI E2-Capital Limited. Accordingly, the Company has agreed to indemnify Softbank Strategic for 49% of any claim under a similar undertaking given to MAS by Softbank Strategic and Softbank Strategic has agreed to indemnify the Company for 51% of any claim under the undertaking given by the Company.

On behalf of the Board

Fung Ka Pun

Executive Co-Chairman

Wong Sin Just

Executive Co-Chairman

Hong Kong, 3 September 2003