

TECHNOLOGY SERVICES

INVESTMENT

SOFTBANK
INVESTMENT

International (Strategic) Limited

FINANCIAL SERVICES

CONSULTANCY
& MARKETING

interim report 2003

2003 INTERIM REPORT

For the six months ended 30 June 2003

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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 hereby announce the unaudited interim results of the Company and its subsidiaries (the "Group") for the 6-month period ended 30 June 2003.

CHANGE IN FINANCIAL YEAR END

Due to the change of financial year-end in previous year, there will be "two" sets of comparative figures for the 2003 interim results, covering the 12-month period ended 30 June 2002 and the 6-month period ended 31 December 2001 respectively, and accordingly such comparative figures are not directly and fully comparable.

RESULTS AND DIVIDENDS

The Group attained a consolidated turnover of HK\$75.4 million for the 6-month period ended 30 June 2003 (12-month period ended 30 June 2002: HK\$257.3 million; 6-month period ended 31 December 2001: HK\$104.6 million), consolidated loss attributable to shareholders of HK\$69.3 million for the 6-month period (12-month period ended 30 June 2002: HK\$53 million; 6-month period ended 31 December 2001: HK\$21.5 million) and loss per share of HK2.84 cents (12-month period ended 30 June 2002: HK2.26 cents; 6-month period ended 31 December 2001: HK0.95 cents). The net loss of HK\$69.3 million for the 6-month period ended 30 June 2003 was mainly attributed to the provision for impairment loss of HK\$66.5 million for non-trading securities. Such provisions, however, do not have any impact on the Group's operations, cash flow and revenues.

The Board has resolved not to pay any interim dividend to shareholders (12-month period ended 30 June 2002: nil; 6-month period ended 31 December 2001: nil).

BUSINESS REVIEW

In the 6-month period ended 30 June 2003, an unprecedented tough period for Hong Kong inflicted by SARS, the Group entered an advanced stage of business consolidation and streamlining. No acquisitions or new investments were made during the period as the Group focussed on devoting resources for continually strengthening and refining its business model in line with the objectives and strategies of SOFTBANK CORP., the parent company. The Group's three synergistic core businesses are:

- investment
- financial services
- consulting, marketing and technology services

The Group's business structure was also reinforced as a result of the recognition of substantial impairments and full provisions being made for certain operations in the previous year.

1. Investment Holding Division

The Investment Holding Division contributed approximately 2% to the Group's turnover. Operating loss was HK\$63 million for the 6-month period ended 30 June 2003 (12-month period ended 30 June 2002: HK\$36.5 million; 6-month period ended 31 December 2001: HK\$11 million). The loss was mainly attributed to the provision for impairment loss of HK\$60.2 million for non-trading securities.

The Group has continued to pursue its vision of developing strong and diversified investment and venture capital businesses in Greater China, with a particular focus on Mainland China, through direct investments, setting up venture capital funds in Mainland China or involvement in the funds managed by Softbank China Venture Investments Limited, (a subsidiary of Softbank Investment Corporation), as well as proactively participating in the overall strategic planning and business development of the investee companies.

Direct Investment

In February 2003, the Company converted the 13.7% interest in Lai Fai International (BVI) Limited into 14,028,800 shares (10.96% shareholding) of Lai Fai International Holdings Limited upon its listing on the GEM board of the Stock Exchange of Hong Kong.

Investment Management

A milestone was marked as the Group started its investment management business in the Mainland and signed a joint venture agreement with Shenzhen Capital Group Co., Ltd ("Shenzhen Capital") in September 2002 for the formation of "Softbank SZVC Venture Capital Management Co., Ltd." ("JV"). However, the fund raising process was pushed back by the SARS outbreak and the Group has just commenced raising funds amounting to US\$30 million, which is expected to complete in October, for management by the JV, along with a further RMB100 million already committed by Shenzhen Capital. The JV will seek to invest in innovative companies in Mainland China with high-growth prospects whilst the Group will focus on the role of investment management.

2. Financial Services Division

The Financial Services Division contributed to approximately 28% of the Group's turnover. The division recorded a turnover of HK\$21.5 million for the 6-month period ended 30 June 2003 (12-month period ended 30 June 2002: HK\$120.3 million; 6-month period ended 31 December 2001: HK\$53.4 million), and an operating loss of HK\$9.6 million for the period (12-month period ended 30 June 2002: operating profit of HK\$5.5 million before deducting the goodwill amortisation of HK\$12.3 million; 6-month period ended 31 December 2001: operating profit of HK\$0.2 million before deducting the goodwill amortisation of HK\$6.2 million). The loss was mainly attributed to the provision for impairment loss of HK\$4.2 million for non-trading securities and provision of HK\$2.9 million for loan receivables.

The performance of the Financial Services Division reflected the performance of SBI E2-Capital Limited ("SBI E2-Capital") and its subsidiaries (collectively the "SBI E2-Capital group"). Services included investment banking, securities and commodities trading and research.

HK/CHINA

Though the business environment remained difficult for the period, SBI E2-Capital sharpened its competitiveness through diversified earnings, expanded customer portfolio and improved cost efficiency. The division's profit before tax and the operating profit before tax and exceptional items for the 6-month period ended 30 June 2003 amounted to HK\$0.4million (12-month period ended 30 June 2002: loss of HK\$22.7 million; 6-month period ended 31 December 2001: loss of HK\$13.4 million) and HK\$3.2 million (12-month period ended 30 June 2002: loss of HK\$21.8 million; 6-month period ended 31 December 2001: loss of HK\$12.5 million) respectively.

In order to provide an added incentive to eligible employees of this division, SBI E2-Capital China Holdings Limited ("SBI China"), a non-wholly owned subsidiary of the Company, has adopted an equity compensation scheme (the "Scheme") which allows it to grant units to the employees, directors, consultants or advisors of SBI China or its subsidiaries that may only materialise subject to certain conditions including an initial public offering of SBI China or its immediate holding company. The unitholders' entitlements may be satisfied either by cash and/or by shares of SBI China or other companies. The management of SBI E2-Capital is currently reviewing the Scheme to provide a better incentive for the employees which may result in a new scheme to replace the existing one.

Stock and futures broking

Commission income from stock broking and placing for the period was HK\$9.9 million (12-month period ended 30 June 2002: HK\$44.5 million; 6-month period ended 31 December 2001: HK\$27.4 million) with the recovery of market turnover and equity placement activities after SARS.

Commission income from futures and index options broking continued to grow steadily to HK\$5.3 million (12-month period ended 30 June 2002: HK\$5.1 million; 6-month period ended 31 December 2001: HK\$2.5 million), due to increasing market activities of derivative products, specifically HSI futures and options, as well as strong expansion of institutional client base to complement the existing strong retail segments. To sustain the performance, SBI E2-Capital has kept expanding its range of products and services such as regional futures broking so as to explore more potential quality clients and generate more revenues.

Investment banking

The SBI E2-Capital's investment banking activities in Hong Kong and China performed satisfactorily and recorded an operating profit before tax and exceptional items of HK\$2.6 million (before inter segment expenses of 2.6 million) during the period (12-month period ended 30 June 2002: loss of HK\$0.4 million; 6-month period ended 31 December 2001: loss of HK\$4.3 million) with revenue reaching HK\$6.4 million (12-month period ended 30 June 2002: HK\$13.8 million; 6-month period ended 31 December 2001: HK\$3 million). During the period, SBI E2-Capital built a strong reputation and emerged as a leading player in the equity capital market for small and medium enterprises being ranked the number one lead manager in Hong Kong equity placement market by having arranged 13 transactions up to 31 July 2003, accounting for approximately one-third of all these 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 and there was no provision made for bad and doubtful debts during the period.

Research

The research team's effort on China export plays was paid 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 sectorially.

SINGAPORE

The Singapore corporate finance division, SBI E2-Capital Pte Ltd, has continued to perform well as it has lead-managed 8 out of a total of 27 IPOs in Singapore's capital markets during the first half of 2003. During the period, the division recorded an operating profit before tax of HK\$8.4 million (12-month period ended 30 June 2002: HK\$9.9 million; 6-month period ended 31 December 2001: HK\$2.8 million).

The Group now holds 18.56% equity interest in SBI E2-Capital Holdings Pte Ltd as long-term investment after the restructuring in March 2003, when Mr. K. B. Fung, executive co-chairman of E2-Capital (Holdings) Limited, and Westcomb Profits Limited entered into agreements with the Group to purchase a total of 10% interest in SBI E2-Capital Holdings Pte Ltd from the Group as a reflection of their confidence in the Singapore operations.

In January 2003, Softbank Strategic provided an undertaking to the Monetary Authority of Singapore ("MAS") for renewal of the capital markets services licence (formerly known as investment adviser licence and dealer's licence) held by SBI E2-Capital Pte Ltd.

SBI E2-Capital Securities Pte Ltd, a fellow subsidiary of SBI E2-Capital Pte Ltd, has also submitted an application for a capital markets services licence with the provision by Softbank Strategic of an undertaking to MAS. The licence was subsequently granted in April 2003 which will enable the division to diversify its corporate financial advisory business into securities brokerage and trading business in Singapore.

With the completion of a share subscription agreement in April 2003 and the termination of a share purchase agreement in May 2003 (please see announcements dated 12 September 2002 and dated 16 May 2003 for details), the Group's interest in SBI E2-Capital Securities Pte Ltd has increased from 18.56% to 34.45% enhancing its revenue from the profitable operation in Singapore; meanwhile maintaining its 51% interest in SBI E2-Capital Brokerage Limited to facilitate substantial changes of business activities to be made in due course to reduce administrative and compliance cost.

SBI E2-Capital enjoyed a commanding position during the 6-month period ended 30 June 2003, being ranked at the top of lead managers for Hong Kong and Singapore Small and Medium Enterprises ("SME") IPOs.

3. Consulting, Marketing and Technology Services Division

Consulting, marketing and technology services accounted for approximately 16% of the Group's turnover. For the period under review, the division recorded a turnover of HK\$11.9 million (12-month period ended 30 June 2002: HK\$41.6 million; 6-month period ended 31 December 2001: N/A) and an operating loss of HK\$3.3 million (12-month period ended 30 June 2002: HK\$0.4 million before deducting goodwill amortisation of HK\$0.9 million; 6-month period ended 31 December 2001: N/A). The loss was mainly attributed to the provision for impairment loss of HK\$2 million for non-trading securities.

Ebizal Marketing (Hong Kong) Limited, a full service public relations and marketing consultancy company, sets to formulate and implement clear-cut solutions for consumer clients. It works closely with the clients highlighting their needs and the results in the most efficient and effective way as to outshine the market in the rapidly evolving landscape of marketing communications.

Sun-Tech Business Systems Ltd and its subsidiaries ("Sun-Tech group"), a specialist provider of technology applications and digital products for the education sector, experienced rapid growth especially in international sales during the period. To cope with the ever-growing global demand for digital education products, Sun-Tech group plans to develop more hardware and software solutions, to be sold through distributors established in North America, Europe, Middle East and other Asian countries. In this way, it aims to accomplish its transformation from a system integrator to an export-oriented manufacturer in 2003.

During the period, Electrum Information Technology Co, Ltd ("Electrum") was awarded a number of contracts by China Mobile, one of its most notable customers, including the employee maintenance contract of Shenzhen Mobile, the implementation in the whole province of the employee portal developed for Guangdong Mobile, ITC management for Guangdong Mobile, as well as the drop recovery system of China Unicom's Guangzhou Branch. In order to enhance its competitive edge, Electrum will focus on promotion of employee portals across the country to increase sales to mobile companies, introduction and localisation of advanced products from overseas manufacturers, strengthening R&D of new products and reinforcing the technology team in the second half of the year.

4. Garment Manufacturing Division

The garment manufacturing business accounted for approximately 48% of the Group's turnover. It recorded a turnover of HK\$36.3 million (12-month period ended 30 June 2002: HK\$61.3 million; 6-month period ended 31 December 2001: HK\$26 million) and an operating profit of HK\$2.2 million (12-month period ended 30 June 2002: HK\$3.2 million; 6-month period ended 31 December 2001: HK\$647,000) for the 6-month period ended 30 June 2003.

5. Property Holding Division & Others

The Property Holding Division and others accounted for approximately 6% of the Group's turnover. Turnover of the division amounted to HK\$4 million for the 6-month period ended 30 June 2003 (12-month period ended 30 June 2002: HK\$12.7 million; 6-month period ended 31 December 2001: HK\$8.6 million). An operating profit of HK\$5.7 million was recorded for the 6-month period (12-month period ended 30 June 2002: loss of HK\$2.4 million; 6-month period ended 31 December 2001: loss of HK\$2.7 million).

In June 2003, the Company signed a sale and purchase agreement to dispose of an investment property at Silvercord for a total consideration of HK\$5,780,000. A capital gain of approximately HK\$1,242,000 was recognised in the profit and loss account for the 6-month period ended 30 June 2003.

6. Other Corporate Matters

In March 2003, the registered office of the Company has been relocated to SBI Centre.

In June 2003, Mr. Chan Kai Yu, Rudy has been appointed as an independent non-executive director of the Company.

Subsequent to the period, in September 2003, Messrs Yu Kam Yuen, Lincoln and Li Shui have been appointed as non-executive directors of the Company.

PROSPECTS

Though it is believed that the most difficult period has passed with the fading away of SARS, the local economy remains sluggish compounded by a rising unemployment rate to record highs and persistent deflation. The Group intends to stay vigilant over the market environment and will maintain a prudent and conservative approach in its business operations. The introduction of the Closer Economic Partnership Arrangement and the Qualified Domestic Institutional Investor may render medium-term support.

In line with market consensus, the Group expects global economic recovery will gather pace and return to sustainable growth in 2004. The Group also sees great potential for business development in the Mainland which recently enjoyed a GDP growth of 9.9% in the first quarter and 6.7% in the second quarter in spite of the severe impact of SARS. The Group sees the growth trend to be long term and believes that China is set to be the global manufacturing centre and the largest consumption market in the world, thereby creating enormous demand for expertise and networks in areas like financing, management, consultancy and marketing. As the Group increases its focus on the Mainland and continues to scrutinize potential investments and possible partnerships for building strong footholds in the pillar industries of the country, the Group remains optimistic in its prospects for the years to come.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2003, the Group has total available banking facilities of approximately HK\$835 million of which approximately HK\$828 million remained unutilised. Of the unutilised banking facilities, HK\$823 million is related to the financial services business, which is operated by our 51% subsidiary, SBI E2-Capital group. In addition, the Group had bank and cash balances of approximately HK\$78 million on the same date.

On 28 August 2002, the Company, through its wholly-owned subsidiary SII Treasury Limited, issued HK\$156.4 million 5% Guaranteed Convertible Notes due 2005. Details of the Convertible Notes are set out in note 20 to the accounts.

As at 30 June 2003, the Group's total outstanding borrowings (excluding the above mentioned Convertible Notes) amounted to HK\$94,419,000. The total borrowings will be due, as to approximately HK\$26 million repayable within one year and the remaining of approximately HK\$68 million repayable between three to five years. The Group's borrowings denominated in Japanese yen and in Renminbi were equivalent to HK\$87,815,000 and HK\$6,604,000 respectively. The borrowings which are denominated in Japanese yen were borrowed from Group companies in Japan (notes 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\$1,180,000 exchange gain for the six months ended 30 June 2003.

As at 30 June 2003, the gearing ratio of the Group was 249% (31 December 2002: 173%) calculated by dividing the total borrowings of HK\$94,419,000 (31 December 2002: HK\$117,611,000) by the shareholders' fund of HK\$37,944,000 (31 December 2002: HK\$68,003,000).

CHARGES ON GROUP ASSETS

As at 30 June 2003, the Group's banking facilities were secured by properties of the Group with net book value of HK\$16,889,000 (31 December 2002: HK\$17,186,000). The Group's banking facilities secured by bank deposits of HK\$5 million were not yet utilised as at 30 June 2003.

CONTINGENT LIABILITIES

Each of the Company and E2-Capital (Holdings) Limited ("E2-Capital") has agreed to, amongst other things, provide to the Monetary Authority of Singapore ("MAS") the undertakings, as required under the MAS Capital Markets Services Licence, pursuant to which each of the Company and E2-Capital undertakes to maintain each of SBI E2-Capital Pte Ltd and SBI E2-Capital Securities Pte Ltd (collectively, the "Singapore Entities") in a sound position and pay and settle all obligations and liabilities of the Singapore Entities arising during the existence of the undertakings. The Company and E2-Capital have agreed between themselves that their respective responsibilities for the obligations and liabilities of each of the Singapore Entities 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 undertakings given to the MAS by E2-Capital and E2-Capital has agreed to indemnify the Company for 49% of any claim under the undertakings given to the MAS by the Company. On the other hand, Westcomb Profits Limited, a shareholder of SBI E2-Capital Holdings Pte Ltd (being a holding company of the Singapore Entities), has indemnified both the Company and E2-Capital in respect of 40% (based on its active management in the Singapore Entities) of any claim under the undertakings given the MAS by the Company and/or E2-Capital, as the case may be.

NUMBER AND REMUNERATION OF EMPLOYEES

As at 30 June 2003, the total number of employees of the Group was about 870. The employees are offered discretionary bonuses based on merits and the performance. Employee benefits amounted to approximately HK\$23.6 million for the current period (12-month period ended 30 June 2002: HK\$74 million; 6-month period ended 31 December 2001: HK\$34.6 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.

SOFTBANK INVESTMENT INTERNATIONAL (STRATEGIC) LIMITED

Details of the movements in 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 shares options		
				At 1 January 2003	Lapsed during the period	At 30 June 2003
Directors						
Yoshitaka Kitao	01-11-2000	01-11-2000 to 31-10-2010	0.48	27,960,000	-	27,960,000
	17-08-2001	17-08-2001 to 16-08-2011	0.39	10,000,000	-	10,000,000
Yu Kam Kee, Lawrence	21-02-2002	21-02-2002 to 20-02-2012	0.28	24,402,000	-	24,402,000
Wong Sin Just	21-02-2002	21-02-2002 to 20-02-2012	0.28	24,402,000	-	24,402,000
Hideaki Shimane	21-02-2002	21-02-2002 to 20-02-2012	0.28	5,000,000	-	5,000,000
Katsuya Kawashima	21-02-2002	21-02-2002 to 20-02-2012	0.28	17,500,000	-	17,500,000
Wong Kean Li	21-02-2002	21-02-2002 to 20-02-2012	0.28	6,000,000	-	6,000,000
Li Shui	21-02-2002	21-02-2002 to 20-02-2012	0.28	2,440,000	(2,440,000)	-
Akira Kajikawa (ex-director)	21-02-2002	21-02-2002 to 20-02-2012	0.28	24,402,000	(24,402,000)	-
Kang Dian (ex-director)	21-02-2002	21-02-2002 to 20-02-2012	0.28	2,440,000	(2,440,000)	-
Employees	21-02-2002	21-02-2002 to 20-02-2012	0.28	42,500,000	(9,100,000)	33,400,000
Consultants	21-02-2002	21-02-2002 to 20-02-2012	0.28	22,000,000	(20,000,000)	2,000,000

Notes:

- (1) No share option was granted or exercised during the period under review.
- (2) Options granted to directors and consultants 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).

PURCHASE, SALE OR REDEMPTION OF SHARES

During the 6-month period ended 30 June 2003, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

At 30 June 2003, the following directors of the Company were interested in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listing Companies:

(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 (Note)	167,800,991
Wong Sin Just	3,002,000	–	3,002,000
Yu Kam Yuen, Lincoln	12,083,885	–	12,083,885

Note: 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 and outstanding as at 30 June 2003 are set out under "Share Option Schemes" above.

In addition, the following options were granted by a party other than the Company:

<i>Note</i>	Name of director	Exercisable period	Exercise price per share HK\$	Number of share options granted and not yet exercised
(a)	Wong Sin Just	16-08-2001 to 15-08-2011	0.480	56,550,000
(b)	Hideaki Shimane	17-08-2001 to 16-08-2011	0.480	37,700,000

Notes:

- (a) The 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 held by SBIH.
- (b) The options were assigned by AHL to Charter Time Investments Limited, a company wholly-owned by Mr Hideaki Shimane, an executive director and chief financial officer of the Company, to purchase from AHL its interests in the existing issued ordinary shares of the Company.

(B) Interests in associated corporations**(1) Shares**

- (i) SOFTBANK CORP.

Name of director	Number of ordinary shares
Yoshitaka Kitao	283,080.00
Katsuya Kawashima	23,585.00

- (ii) Softbank Investment Corporation

Name of director	Number of ordinary shares
Yoshitaka Kitao	9,584.69
Katsuya Kawashima	2,269.97

(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
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	01-04-2003 to 31-03-2008	18,750.10	2,279.98
	27-02-2002 to 18-02-2004	191,000.00	1,560.00
	20-12-2004 to 19-12-2012	55,000.00	5,000.00
	02-06-2003 to 28-03-2008	17,195.90	944.99
Katsuya Kawashima	01-04-2003 to 31-03-2008	18,750.10	599.99
	20-12-2004 to 19-12-2012	55,000.00	400.00
	02-06-2003 to 28-03-2008	17,195.90	283.49

(iii) 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	50,000.00	100.00
	Four years from the date of IPO	350,000.00	150.00
Katsuya Kawashima	01-06-2000 to 22-05-2006	50,000.00	50.00
	01-04-2001 to 29-03-2007	350,000.00	50.00

(iv) 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	50,000.00	120.00

(v) Finance All 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 28-03-2009	188,500.00	400.00
	25-09-2004 to 24-09-2012	188,500.00	150.00

Save as disclosed above, none of the directors or chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2003, the following persons (other than a director or chief executive of the Company) had an interest in the shares and underlying shares of the Company as recorded in the register kept under section 336 of the SFO to be interested, directly or indirectly, in 5% or more of the voting shares of the Company:

Name of substantial shareholders	Interest in ordinary shares of HK\$0.10 each	Interest in shares underlying equity derivatives <i>(Note 2)</i>	Percentage of issued shares
Softbank Investment (International) Holdings Limited ("SBIIH") <i>(Note 1)</i>	909,903,061	–	37.29%
Softbank Finance Corporation ("SBF") <i>(Note 1)</i>	260,000,000	–	10.65%
Cheung Kong (Holdings) Limited	–	274,193,548	11.23%
Hutchison International Limited	–	274,193,548	11.23%
Hutchison Whampoa Limited	–	274,193,548	11.23%
Li Ka Shing	–	274,193,548	11.23%
Li Ka Shing Unity Trustcorp Limited	–	274,193,548	11.23%
Li Ka Shing Unity Trustee Company Limited	–	274,193,548	11.23%
Li Ka Shing Unity Trustee Corporation Limited	–	274,193,548	11.23%

Notes :

- (1) SBIIH is a direct wholly-owned subsidiary of Softbank Investment Corporation ("SBI"). SBF owns 53.38% interest 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.

(2) This refers to the interest in the underlying shares of the Company derived from the 5% guaranteed convertible notes ("Convertible Notes") issued by SIIIS Treasury Limited, a wholly-owned subsidiary of the Company. The respective interest disclosed under this column refers to the same number of shares issuable upon conversion of the principal amount of HK\$85 million into 274,193,548 new shares (representing 11.23% of the existing issued shares of the Company) at an initial conversion price of HK\$0.31 per share (subject to adjustments) in respect of the Convertible Notes held by Hutchison International Limited.

Save as disclosed above, no person (other than a director or chief executive of the Company) had any interest or short position in any shares or underlying shares of the Company as recorded in the register kept under section 336 of the SFO.

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 Listing Rules at any time during the period.

AUDIT COMMITTEE

The Audit Committee 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 unaudited interim accounts for the 6-month period ended 30 June 2003. At the request of the Audit Committee, the Group's external auditors have carried out a review of the 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, 3 September 2003

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 30 JUNE 2003

	<i>Note</i>	Unaudited 6-months ended 30 June 2003 HK\$'000	Unaudited 12-months ended 30 June 2002 HK\$'000	Unaudited 6-months ended 31 December 2001 HK\$'000
TURNOVER	3	75,351	257,330	104,588
COST OF SALES		(45,531)	(137,397)	(58,289)
GROSS PROFIT		29,820	119,933	46,299
OTHER REVENUES		550	1,226	604
DISTRIBUTION COSTS		(3)	(242)	(190)
ADMINISTRATIVE EXPENSES		(41,610)	(126,315)	(61,722)
OTHER OPERATING (EXPENSES) /INCOME		(24)	(16,668)	6,755
GAIN ON DISPOSAL OF SUBSIDIARIES		-	710	-
GAIN ON DISPOSAL OF INVESTMENTS IN NON-TRADING SECURITIES		6,415	-	-
GOODWILL AMORTISATION		-	(13,191)	(6,167)
PROVISION FOR IMPAIRMENT OF NON-TRADING SECURITIES	9	(66,453)	-	-
SURPLUS/(DEFICIT) ON REVALUATION OF INVESTMENT PROPERTIES		4,352	(5,340)	(3,370)

SOFTBANK INVESTMENT INTERNATIONAL (STRATEGIC) LIMITED

		Unaudited 6-months ended 30 June 2003 HK\$'000	Unaudited 12-months ended 30 June 2002 HK\$'000	Unaudited 6-months ended 31 December 2001 HK\$'000
OPERATING LOSS	4	(66,953)	(39,887)	(17,791)
FINANCE COSTS		(5,285)	(5,846)	(3,900)
SHARE OF RESULTS OF ASSOCIATED COMPANIES		(389)	(1)	-
SHARE OF RESULT OF JOINTLY CONTROLLED ENTITY		(159)	-	-
LOSS BEFORE TAXATION	3	(72,786)	(45,734)	(21,691)
TAXATION (CHARGE) / CREDIT	5	(936)	(3,820)	712
LOSS AFTER TAXATION		(73,722)	(49,554)	(20,979)
MINORITY INTERESTS		4,423	(3,471)	(490)
LOSS ATTRIBUTABLE TO SHAREHOLDERS	19	(69,299)	(53,025)	(21,469)
LOSS PER SHARE Basic	7	(2.84) cents	(2.26) cents	(0.95) cents

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2003 AND 31 DECEMBER 2002

	<i>Note</i>	Unaudited 30 June 2003 HK\$'000	Audited 31 December 2002 HK\$'000
FIXED ASSETS		114,609	113,904
OTHER ASSETS	8	5,425	3,854
INTERESTS IN ASSOCIATED COMPANIES		35,657	24,258
INTERESTS IN A JOINTLY CONTROLLED ENTITY		7,641	–
NON-TRADING SECURITIES	9	96,656	127,837
LOANS RECEIVABLE	10	–	5,115
CURRENT ASSETS			
INVENTORIES		7,531	11,040
ACCOUNTS RECEIVABLE	11	65,335	24,089
TRADING INVESTMENTS		3,446	3,781
SUNDRY DEBTORS, PREPAYMENTS AND DEPOSITS	12	37,015	41,327
AMOUNT DUE FROM A RELATED COMPANY	13	323	323
PLEDGED BANK DEPOSITS		5,000	5,000
CASH AND BANK BALANCES	14	77,881	130,578
		196,531	216,138
CURRENT LIABILITIES			
ACCOUNTS PAYABLE	15	39,690	11,502
OTHER PAYABLES AND DEPOSITS RECEIVED		37,770	40,870
AMOUNT DUE TO A RELATED COMPANY LOAN FROM A SUBSTANTIAL SHAREHOLDER	13 16	16,741	17,492
TAX PAYABLE		1,883	708
BANK LOANS AND OVERDRAFTS			
Secured		6,604	6,604
Unsecured		–	2,536
		122,188	119,132
NET CURRENT ASSETS		74,343	97,006
		334,331	371,974

		Unaudited 30 June 2003 HK\$'000	Audited 31 December 2002 HK\$'000
FINANCED BY :			
SHARE CAPITAL	18	244,039	244,039
RESERVES	19	(206,095)	(176,036)
SHAREHOLDERS' FUNDS		37,944	68,003
MINORITY INTERESTS		71,672	78,520
5% GUARANTEED CONVERTIBLE NOTES	20	156,400	156,400
LONG TERM LIABILITIES	17	68,315	69,051
		334,331	371,974

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2003

	Unaudited 6-months ended 30 June 2003 HK\$'000	Unaudited	
		12-months ended 30 June 2002 HK\$'000	6-months ended 31 December 2001 HK\$'000
Net cash (used in)/generated from operating activities	(16,779)	95,000	91,923
Net cash used in investing activities	(12,381)	(35,551)	(24,291)
Net cash used in financing activities	(23,537)	(95,673)	(102,349)
Effect of foreign exchange rate changes	–	–	(224)
Net decrease in cash and cash equivalents	(52,697)	(36,224)	(34,941)
Cash and cash equivalents at 1 January/1 July	130,578	180,752	180,752
Cash and cash equivalents at 30 June/31 December	77,881	144,528	145,811
Analysis of cash and cash equivalents:			
Time deposits, bank balances and cash in the balance sheet	82,881	149,528	150,811
Less: Pledged bank deposits	(5,000)	(5,000)	(5,000)
	77,881	144,528	145,811

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR SIX MONTHS ENDED 30 JUNE 2003

	Unaudited 6-months ended 30 June 2003 HK\$'000	Unaudited 12-months ended 30 June 2002 HK\$'000	Unaudited 6-months ended 31 December 2001 HK\$'000
Total shareholders' funds at 1 January/1 July	68,003	553,103	553,103
Exchange differences arising on translation of subsidiaries	–	233	(122)
Deficit on revaluation of non-trading securities	(27,213)	(16,551)	(17,968)
Net losses not recognised in the consolidated profit and loss account	(27,213)	(16,318)	(18,090)
Net loss attributable to shareholders	(69,299)	(53,025)	(21,469)
Investment revaluation reserve transferred to the consolidated profit and loss account upon impairment of non-trading securities	66,453	–	–
Issue of ordinary shares	–	58,972	36,139
Total shareholders' funds at 30 June/31 December	37,944	542,732	549,683

NOTES TO CONDENSED INTERIM ACCOUNTS

1. CHANGE OF FINANCIAL YEAR END

The Company changed its financial year end from 30 June to 31 December commencing from the year of 2002. As a result, both the first interim results for six months ended 31 December 2001 and second interim results for twelve months ended 30 June 2002 have been shown as comparative amounts for the condensed consolidated profit and loss account, condensed consolidated cash flow statement, and condensed consolidated statement of changes in equity.

Certain comparative amounts have been reclassified to conform with the current period's presentation.

2. ACCOUNTING POLICIES

These unaudited 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 2001/2002 Annual Report.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the accounts for the eighteen months ended 31 December 2002, with the exception of changes in accounting policies to comply with the HKSSAP No. 12 (revised) "Income taxes" which is effective for accounting periods commencing on or after 1 January 2003.

On adoption of the revised HKSSAP No. 12, 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 accounts. 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, associates and joint ventures, 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 periods, 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 accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of the revised HKSSAP No. 12 has had no material effect on the results for the current or prior accounting periods, and accordingly no prior period adjustments are required.

In addition, the Group has adopted HKSSAP No. 11 (revised) "Foreign currency translation" and HKSSAP No. 34 (revised) "Employee benefits". The adoption of these HKSSAPs has no material effect on the Group's results.

3. TURNOVER AND SEGMENT INFORMATION

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, and property holding.

An analysis of turnover and segment results by business and geographical segments is as follows:

Primary reporting format–Business segments

For 6-months ended 30 June 2003

	Investment holding HK\$'000	Financial services HK\$'000	Consulting, marketing & technology services HK\$'000	Garment manufacturing HK\$'000	Property holding & others HK\$'000	Group total HK\$'000
Turnover						
Segment total	2,755	22,381	12,139	36,315	4,096	77,686
Inter-segment	(1,739)	(880)	(231)	-	-	(2,850)
Group total	1,016	21,501	11,908	36,315	4,096	74,836
Dividend income	515					515
						75,351
Segment results						
Segment total	(8,576)	(4,510)	(1,532)	2,207	4,426	(7,985)
Inter-segment	(629)	(880)	267	-	1,242	-
Gain on disposal of non-trading securities	6,415	-	-	-	-	6,415
Provision for impairment of non-trading securities	(60,202)	(4,251)	(2,000)	-	-	(66,453)
Group total	(62,992)	(9,641)	(3,265)	2,207	5,668	(68,023)
Dividend income	515					515
Unallocated income						550
Finance costs						(5,280)
Share of results of associated companies			(389)			(389)
Share of results of jointly controlled entity	(159)					(159)
Loss before taxation						(72,786)
Taxation						(936)
Minority interests						4,423
Loss attributable to shareholders						(69,299)

SOFTBANK INVESTMENT INTERNATIONAL (STRATEGIC) LIMITED

For 12-months ended 30 June 2002

	Investment holding HK\$'000	Financial services HK\$'000	Consulting, marketing & technology services HK\$'000	Garment manufacturing HK\$'000	Property holding & others HK\$'000	Dyestuffs distribution (note) HK\$'000	Group total 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						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)
Dividend income	813						813
Unallocated income							1,226
Finance costs							<u>(4,547)</u>
Loss before taxation							(45,734)
Taxation							(3,820)
Minority interests							<u>(3,471)</u>
Loss attributable to shareholders							<u><u>(53,025)</u></u>

Note : 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, and 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.

SOFTBANK INVESTMENT INTERNATIONAL (STRATEGIC) LIMITED

For 6-months ended 31 December 2001

	Investment holding <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Garment manufacturing <i>HK\$'000</i>	Property holding & others <i>HK\$'000</i>	Dyestuffs distribution <i>HK\$'000</i>	Group total <i>HK\$'000</i>
Turnover						
Segment total	1,137	53,484	25,962	9,894	15,923	106,400
Inter-segment	(1,137)	-	-	(1,325)	-	(2,462)
Group total	-	53,484	25,962	8,569	15,923	103,938
Dividend income	650					650
						104,588
Segment results						
Segment total	(9,847)	190	647	(2,034)	(2,973)	(14,017)
Inter-segment	(1,137)	-	-	(655)	1,792	-
Amortisation of goodwill	-	(6,167)	-	-	-	(6,167)
Group total	(10,984)	(5,977)	647	(2,689)	(1,181)	(20,184)
Dividend income	650					650
Unallocated income						604
Finance costs						(2,761)
Loss before taxation						(21,691)
Taxation credit						712
Minority interests						(490)
Loss attributable to shareholders						(21,469)

Secondary reporting format—Geographical segments

	6-months ended 30 June 2003		12-months ended 30 June 2002		6-months ended 31 December 2001	
	Turnover <i>HK\$'000</i>	Segment result <i>HK\$'000</i>	Turnover <i>HK\$'000</i>	Segment result <i>HK\$'000</i>	Turnover <i>HK\$'000</i>	Segment result <i>HK\$'000</i>
Hong Kong	29,556	(68,747)	140,629	(57,363)	56,977	(27,881)
Mainland China ("PRC")	40,909	(554)	76,081	(47)	34,317	(790)
Other countries	4,371	1,278	39,807	14,184	12,644	8,487
	74,836	(68,023)	256,517	(43,226)	103,938	(20,184)

4. OPERATING LOSS

Operating loss is stated after crediting and charging the following:

	6-months ended 30 June 2003 HK\$'000	12-months ended 30 June 2002 HK\$'000	6-months ended 31 December 2001 HK\$'000
Crediting:			
Write back of provision for doubtful debts/ loans receivable	525	8,654	6,240
Net realised and unrealised gain on equity securities and warrants	-	-	3,456
Net exchange gain	1,119	-	-
Gain on disposal of investment properties	1,242	-	-
Charging:			
Depreciation on owned fixed assets	3,337	9,719	5,097
Cost of goods sold	36,283	68,000	34,537
Amortisation of goodwill included in share of results of associated companies	248	-	-
Net realised and unrealised losses on trading investments	202	7,631	-
Provision for doubtful debts and loans receivable	4,096	7,242	2,740
Net exchange loss	-	13,045	1,219

5. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (12-months ended 30 June 2002 and 6-months ended 31 December 2001: 16%) on the estimated assessable profits for the period. 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/(credited) to the consolidated profit and loss account represents:

	6-months ended 30 June 2003 HK\$'000	12-months ended 30 June 2002 HK\$'000	6-months ended 31 December 2001 HK\$'000
Company and subsidiaries:			
Hong Kong profits tax	243	804	-
PRC taxation	621	850	208
Overseas taxation	-	3,607	725
Overprovision in prior period	-	(1,567)	(1,771)
Deferred taxation – Overseas	-	126	126
	864	3,820	(712)
Share of taxation attributable to:			
Associated companies	72	-	-
	936	3,820	(712)

6. DIVIDEND

The Directors have resolved not to pay any interim dividend in respect of the six months ended 30 June 2003 (12-months ended 30 June 2002 and 6-months ended 31 December 2001: nil).

7. LOSS PER SHARE

The loss per share is calculated based on the loss attributable to shareholders of HK\$69,299,000 (12-months ended 30 June 2002: HK\$53,025,000/6-months ended 31 December 2001: HK\$21,469,000) and on the weighted average number of 2,440,390,877 (12-months ended 30 June 2002: 2,349,870,328/6-months ended 31 December 2001: 2,268,216,964) ordinary shares in issue during the period.

The diluted loss per share is not shown as the effect of the assumed conversion of the Group's outstanding convertible notes and the exercise of the share options granted by the Company would be regarded as anti-dilutive.

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 (31 December 2002: 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 2003 in order to determine if their fair value have been impaired. Following the review, the directors concluded that a provision for impairment loss of HK\$66,453,000 should be provided for in the profit and loss account for the six months ended 30 June 2003 in respect of its non-trading securities.

10. LOANS RECEIVABLE

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Due after one year	19,431	21,630
Less: Provision	(19,431)	(16,515)
	–	5,115

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

11. ACCOUNTS RECEIVABLE

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Accounts receivable arising from the ordinary course of business of dealing in securities, options and futures contracts (<i>Note a</i>)	38,041	7,010
Accounts receivable from securities margin clients (<i>Note b</i>)	1,514	961
Accounts receivable arising from garment manufacturing (<i>Note c</i>)	12,641	7,335
Accounts receivable arising from consulting, marketing and technology services (<i>Note d</i>)	2,561	5,897
Other trade debtors	10,578	2,886
	65,335	24,089

Notes:

- (a) The settlement terms of accounts receivable arising from the ordinary course of business of dealing in securities are two days after trade date, whereas the settlement terms for those arising from the ordinary course of business of dealing in options and futures contracts are 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 2003 was HK\$15 million (31 December 2002: HK\$57 million).
- (c) The credit terms of accounts receivable arising from 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 and SEHK Options Clearing House Limited. At 30 June 2003, the Group held HK\$9,022,000 (31 December 2002: HK\$19,862,000) in trust for clients with Hong Kong Futures Exchange Clearing Corporation which is not included on the balance sheet.
- (f) The aging analysis of the accounts receivable balance is as follows :

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
0-1 month	55,492	14,712
2-3 months	6,022	4,779
4-6 months	269	1,258
Over 6 months	3,552	3,340
	65,335	24,089

12. SUNDRY DEBTORS, PREPAYMENTS AND DEPOSITS

Included in the balance is a deposit of HK\$30 million which represents an amount provisionally paid for the proposed acquisition of 30% equity interest in Shenzhen Huijin Science and Technology Company Limited. Subsequent to the payment of the deposit, the directors decided not to proceed with the investment and exercised the Group's right for the refund of the deposit. The deposit has yet to be paid back and actions have been taken by the Group as well as the relevant PRC authorities in an effort to recover the monies. The Group has been making progress and aim to come to a resolution in due course.

13. AMOUNT DUE FROM/TO A RELATED COMPANY

The balance represents an amount due from/to E2-Capital Group. The amount due from/to E2-Capital Group is unsecured, interest free and has no fixed terms of repayment.

14. CASH AND BANK BALANCES

The Group maintains clients' monies arising from the ordinary course of business of dealing in securities, options and futures contracts in trust with authorised financial institutions. As at 30 June 2003, the Group held HK\$47,198,000 (31 December 2002: HK\$44,735,000) in trust for clients which is not included on the balance sheet.

15. ACCOUNTS PAYABLE

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Accounts payable arising from the ordinary course of business of dealing in securities, options and futures contracts	29,227	-
Accounts payable arising from garment manufacturing and operation of a country club	8,804	8,943
Accounts payable arising from consulting, marketing and technology services	1,654	2,554
Other trade creditors	5	5
	39,690	11,502

As at 30 June 2003, the accounts payable of HK\$29,227,000 (31 December 2002: HK\$nil) 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 (e) and 14).

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

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
0-1 month	37,690	8,046
2-3 months	956	1,780
4-6 months	322	264
Over 6 months	722	1,412
	39,690	11,502

16. 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 within one year.

17. LONG TERM LIABILITIES

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Loan from an intermediate holding company (<i>Note a</i>)	9,815	9,921
Loan from a fellow subsidiary (<i>Note b</i>)	58,500	59,130
	68,315	69,051

Notes:

- (a) The balance 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 subordinated to the Convertible Notes (Note 20).
- (b) 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 subordinated to the Convertible Notes (Note 20).

18. SHARE CAPITAL

Authorised:

	Ordinary shares of HK\$0.10 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 1 January 2003 and 30 June 2003	6,000,000,000	600,000

Issued and fully paid:

	Ordinary shares of HK\$0.10 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 1 January 2003 and 30 June 2003	2,440,390,877	244,039

19. RESERVES

	<i>HK\$'000</i>
Share premium	
At 1 January 2003 and 30 June 2003	621,817
Capital redemption reserve	
At 1 January 2003 and 30 June 2003	1,899
Investment revaluation reserve	
At 1 January 2003	(95,954)
Deficit on revaluation of non-trading securities	(27,213)
Transferred to the consolidated profit and loss account upon impairment of non-trading securities	66,453
At 30 June 2003	(56,714)
Exchange translation reserve	
At 1 January 2003 and 30 June 2003	(6,336)
Accumulated losses	
At 1 January 2003	(697,462)
Loss for the period	(69,299)
At 30 June 2003	(766,761)
	(206,095)

20. 5% GUARANTEED CONVERTIBLE NOTES

On 28 August 2002, SII Treasury Limited, a wholly owned subsidiary of the Company, issued HK\$156,400,000 5% guaranteed convertible notes due in August 2005 (the "Notes"). The Notes each bear a fixed interest of 5% per annum and will mature on 29 August 2005. The Notes carry a right to convert at any time from 28 August 2002 to 29 August 2005 (both days inclusive) into ordinary shares of the Company at an initial conversion price of HK\$0.31 per share which has been adjusted to HK\$0.12 per share (subject to adjustments) on the first anniversary date of 28 August 2003.

21. CONTINGENT LIABILITIES

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Guarantee of banking facilities granted to subsidiaries	-	2,536

In addition, as disclosed in note 23 (h) below, the Company provided undertakings to the Monetary Authority of Singapore in respect of the obligations and liabilities of SBI E2-Capital Pte Ltd and SBI E2-Capital Securities Pte Ltd, of which the Group has 18.56% and 34.45% effective equity interest respectively.

22. COMMITMENTS

(a) Capital commitments

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Contracted but not provided for		
– in respect of a capital contribution to form a joint venture in the PRC	–	7,800
– in respect of leasehold improvement	–	2,000
	–	9,800

(b) Operating leases

At 30 June 2003, the Group had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	30 June 2003 HK\$'000	31 December 2002 HK\$'000
Not later than one year	5,135	6,526
Later than one year and not later than five years	7,465	8,879
	12,600	15,405

23. RELATED PARTY TRANSACTIONS

Related parties refer to E2-Capital (Holdings) Limited ("E2-Capital") and its subsidiaries (collectively the "E2-Capital Group"), Softbank China Venture Investments Limited ("SBCVI"), Group companies in Japan as disclosed in notes 16, 17(a) and (b), Fung Choi Properties Limited ("Fung Choi") as disclosed in note (d), Mr Li Shui and Lai Fai International Holdings Limited ("Lai Fai"). E2-Capital is a company incorporated in Bermuda and listed on the Hong Kong Stock Exchange. The E2-Capital Group beneficially owns 49% equity 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 and a substantial shareholder of E2-Capital. SBCVI is a company incorporated in Hong Kong and a subsidiary of the Company's ultimate holding company, SOFTBANK CORP. Mr Wong Sin Just is also a director of SBCVI. Mr Li Shui, a non-executive director of the Company (resigned on 16 April 2003 and subsequently reappointed on 3 September 2003), is also a director and a substantial shareholder of Lai Fai.

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

		6-months ended 30 June 2003 HK\$'000	12-months ended 30 June 2002 HK\$'000	6-months ended 31 December 2001 HK\$'000
Management and consultancy fee income	(a)	–		
– E2-Capital Group			552	453
– SBCVI		809	1,616	778
Marketing service fee income	(b)	65	926	–
– E2-Capital Group				–
– Lai Fai		250	–	–
Back office expenses	(c)	–	(8,402)	(5,457)
Rental expenses	(d)	–	(3,563)	(1,781)
– E2-Capital Group				–
– Fung Choi		(833)	–	–
Interest expenses to an intermediate holding company, a fellow subsidiary, and a substantial shareholder	(e)	(1,156)	(697)	–
Advisory fee income from Lai Fai	(f)	526	–	–
Placing commission from Lai Fai	(f)	819	–	–
Services fee income from E2-Capital Group	(g)	500	–	–

Notes:

- (a) The Group received 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 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. The Group also received service income from Lai Fai for providing marketing and public relation 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. On 29 August 2002, the Company entered into a tenancy agreement with Fung Choi, 60% indirectly owned by Mr. Yu Kam Kee, Lawrence who is the vice chairman and executive director of the Company, whereby the Company agreed to lease from Fung Choi a premise as its headquarter office for a term of three years at a monthly rental of HK\$156,255 commencing from 1 January 2003 to 31 December 2005.
- (e) The Group paid interest expenses at 2.375% per annum on the loans from SBF, SB Titus Corporation and Softbank Investment Corporation (Notes 16 & 17).
- (f) During the six months period ended 30 June 2003, the Group received advisory fee and placing commission from Lai Fai at rates agreed in accordance with the agreements entered into by both parties.
- (g) The Group received reimbursement from E2-Capital Group for the provision of compliance and administrative services at an agreed amount.

- (h) Each of the Company and E2-Capital has agreed to, amongst other things, provide to the Monetary Authority of Singapore ("MAS") the undertakings, as required under the MAS Capital Markets Services Licence, pursuant to which each of the Company and E2-Capital undertakes to maintain each of SBI E2-Capital Pte Ltd and SBI E2-Capital Securities Pte Ltd in a sound position and pay and settle all obligations and liabilities of SBI E2-Capital Pte Ltd and SBI E2-Capital Securities Pte Ltd arising during the existence of the undertakings. The Company and E2-Capital have agreed between themselves that their respective responsibilities for the obligations and liabilities of each of SBI E2-Capital Pte Ltd and SBI E2-Capital Securities Pte Ltd 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 undertakings given to the MAS by E2-Capital and E2-Capital has agreed to indemnify the Company for 49% of any claim under the undertakings given to the MAS by the Company.
- (i) Total banking facilities of the Group guaranteed by E2-Capital Group as at 30 June 2003 amounted HK\$255 million (31 December 2002: HK\$255 million).
- (j) 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.