

The 2003 final results cover the 12-month period from 1 January 2003 to 31 December 2003.

RESULTS AND DIVIDENDS

The Group's overall turnover for the year ended 31 December 2003 amounted to HK\$171,597,000 (18-months ended 31 December 2002: HK\$334,296,000). The consolidated loss attributable to shareholders for the year was HK\$118,424,000 (18-months ended 31 December 2002: HK\$497,464,000), and loss per share of HK\$0.04 (18-months ended 31 December 2002: HK\$0.21). The Board has resolved not to pay any final dividend to shareholders (18-months ended 31 December 2002: nil).

BUSINESS REVIEW

It has again been a year of consolidation and rationalisation. Although there were signs of recovery towards the end of the 2003 financial year, the economic environment remained difficult for the most part of the year. We have maintained a prudent and conservative approach to our accounting policy and daily operations, adopting stringent and rational measures to continue reducing cost, streamlining processes and enhancing efficiency in order to weather the downturn, and prepare ourselves for the ensuing gradual market recovery.

The Group has also maintained its policy of strengthening corporate governance and strategic reorganisation. Apart from meeting regularly to monitor the performance of the various Group companies, the members of the Board, as well as the management, have also taken a proactive approach in supporting investee companies to maximize their performance, increase returns and shareholders' value. The Board and management have also continued to focus on the greater China and Asia-Pacific regions to seek further rewarding prospects for the Group in the near future. In addition, the Group undertook a review of the value of its investment portfolio during the year ended 31 December 2003. Based on the results of this review, the Group concluded that a provision for impairment loss of HK\$58,869,000 should be made in respect of its investments in non-trading securities.

1. Investment Holding Division

The Investment Holding Division contributed approximately 2% of the Group's turnover. Operating loss was HK\$113,458,000 for the year ended 31 December 2003 (18-months ended 31 December 2002: HK\$151,830,000). The loss was mainly attributed to the provision for impairment loss of HK\$50,818,000 for non-trading securities, and a provision of HK\$30,000,000 in respect of an amount provisionally paid for the proposed acquisition of 30% equity interest in a PRC entity.

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

Direct Investment

In February 2003, the Group converted 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 Hong Kong Stock Exchange.

In March 2003, agreements were entered into between, inter alia, Westcomb Profits Ltd. (“Westcomb”), Mr K. B. Fung and SIIS Capital Holdings Limited (“SIIS CH”, formerly known as SBIIS Capital Holdings Limited), whereby Westcomb and Mr K. B. Fung agreed to purchase approximately 7% and 3% interest respectively in the issued share capital of SBI E2-Capital Holdings Ltd (formerly known as SBI E2-Capital Holdings Pte Ltd) at a consideration of S\$1,400,000 and S\$600,000 respectively (equivalent to approximately HK\$6,270,000 and HK\$2,690,000 respectively). A capital gain of approximately HK\$6,500,000 was recognised in the profit and loss account for the year ended 31 December 2003.

In October 2003, the Group disposed an aggregate of 500,000,000 ordinary shares in the capital of Wing On Travel (Holdings) Limited (formerly known as Ananda Wing On Travel (Holdings) Limited). The disposal represented approximately 2.73% of the issued share capital of Wing On Travel (Holdings) Limited and the Company’s shareholding in Wing On Travel (Holdings) Limited was reduced from 8.11% to 5.38%. The consideration of the disposal amounted to HK\$13,056,000 and a loss of approximately HK\$5,100,000 was recognised in the profit and loss account for the year ended 31 December 2003.

In November 2003, the Group disposed an aggregate of 45,000,000 shares, representing the Group’s entire investment, in the capital of Vertex Communications & Technology Limited. The consideration of the disposal amounted to HK\$12,740,000 and a loss of approximately HK\$5,300,000 was recognised in the profit and loss account for the year ended 31 December 2003.

In November 2003, the Group completed the acquisition of 3,875,002 ordinary shares (representing the entire issued share capital) in the capital of SIIS Investment Management Limited (formerly known as Softbank China Venture Investments Limited) at a consideration of US\$945,000 (equivalent to approximately HK\$7,465,500).

Subsequent Events

In December 2003, the Group entered into a subscription agreement for the subscription of redeemable convertible notes due 2007 in the principal amount of HK\$13,000,000 at an initial coupon rate of 5% per annum (subject to adjustment) issued by Zhongtian International Limited (“Zhongtian”). The subscription was completed in January 2004.

In January 2004, the Group entered into a subscription agreement and a shareholders agreement with independent third parties with regards to the shareholding of M DREAM (CHINA) HOLDINGS LTD (“M DREAM CHINA”). Along with the equity interests of Softbank Asia Net-Trans Fund Limited (which is managed by the Group), the Group now controls 35% of M DREAM CHINA. M DREAM CHINA is the 100% holding company of Hangzhou M Dream Co., Ltd., a company which specializes in the development, manufacturing of and provision of services for mobile entertainment games software which are currently available over China Mobile and China Unicom mobile platforms in China. The Directors believe that the mobile games sector in China has tremendous growth opportunity and that M DREAM CHINA has the potential to be the dominant player within this field.

MANAGEMENT DISCUSSION & ANALYSIS

In February 2004, the Group entered into a shareholders agreement with Xybernaut Corporation for the formation of a new joint venture company, Xybernaut China Limited (“Xybernaut China”). The Group and Xybernaut Corporation own 40% and 60% of the shareholding in Xybernaut China, respectively. The joint venture will focus primarily on delivering wearable/mobile computing technology to Mainland China and Hong Kong. The joint venture has the exclusive rights to exploit over 600 patents (registered or pending worldwide) controlled by Xybernaut Corporation within the territories, and the Directors believe that there is a substantial market there that would require Xybernaut’s solutions and products.

In February 2004, the Group began the process of divesting its entire shareholding in Lai Fai International Holdings Limited. The sale is due to complete by the end of March 2004 and will raise approximately HK\$9,000,000.

Also in February 2004, the Group successfully raised HK\$46,500,000 (net) from the issuance of convertible notes due 2006 for up to an aggregate principal amount of HK\$48,000,000.

Investment Management

A milestone was reached as the Group commenced 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.” (the “JV”). However, the fund raising process was pushed back due to the outbreak of SARS and the Group has commenced raising funds amounting to US\$30 million in early 2004, along with a further RMB100 million already committed by Shenzhen Capital. The JV aims to invest in innovative companies in Mainland China with high-growth prospects whilst the Group will focus on its investment management role.

2. Financial Services Division

The Financial Services Division contributed towards approximately 39% of the Group’s turnover. The division recorded a turnover of HK\$67,434,000 for the year ended 31 December 2003 (18-months ended 31 December 2002: HK\$147,646,000), and an operating loss of HK\$3,085,000 (18-months ended 31 December 2002: HK\$16,362,000 before the amortisation and impairment loss of the attributable goodwill which amounted to HK\$18,502,000 and HK\$225,112,000 respectively).

The results of the Financial Services Division mainly reflect the performance of SBI E2-Capital Limited (“SBI E2-Capital”) and its subsidiaries (collectively the “SBI E2-Capital Group”). On 26 November 2003, the Group entered into a sale and purchase agreement with Mr Wong Sin Just, a Director of the Company, under which the Group agreed to sell 2% of its equity interest in SBI E2-Capital to Mr Wong Sin Just at a consideration of HK\$1,405,000. The disposal was completed on 17 December 2003 and a loss of HK\$438,000 was recognised. Following the completion, the Group’s equity interest in SBI E2-Capital has been reduced from 51% to 49%. Accordingly, the Group ceased consolidating the accounts of SBI E2-Capital and its accounts have since been equity accounted for in the Group accounts.

HK/China

Notwithstanding a very difficult first half in 2003 for the brokerage and investment banking industry in Hong Kong, the division achieved substantial improvement in its operating performance for the year ended 31 December 2003 on the back of a strong rebound in the second half of the year. The average daily turnover on the Main and GEM boards has improved by 57%, from HK\$6.6 billion in 2002 to HK\$10.4 billion in 2003. As a result of the strong performance of the equity capital markets, which contributed to increased activities in our equity placements and broking businesses, the division's operating profit before tax for the year ended 31 December 2003 reached HK\$11.2 million (18-months ended 31 December 2002: loss of HK\$15.5 million). Notwithstanding a significant increase in turnover, the division continues to exercise vigilance over its operating costs. We are pleased that our clients have recognised our contribution and are honoured to have been awarded Best Local Broker in Hong Kong by Asiamoney in November 2003 and Top Hong Kong/China Local Brokerage House First Runner Up by The Asset Magazine in November 2003.

Stock And Futures Broking

Gross commission from securities and futures broking was HK\$46.2 million for the year ended 31 December 2003 (18-months ended 31 December 2002: HK\$58.4 million) which helped the division turn around from a loss of HK\$11.3 million for the 18-months ended 31 December 2002 to a profit of HK\$7.2 million for the year ended 31 December 2003 following the quick recovery of market turnover and equity placement activities in the second half of 2003. In addition, the hectic China IPOs and trading activities have pushed the market to a high in the fourth quarter. Additionally, business volume was boosted by the pick up in equity derivative activities, 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.

Investment Banking

The investment banking arm of the division, SBI E2-Capital (HK) Limited, made a significant profit contribution to the Group with revenue standing at HK\$21.7 million for the year ended 31 December 2003 (18-months ended 31 December 2002: HK\$20.4 million) and an operating profit before tax of HK\$7.6 million (18-months ended 31 December 2002: HK\$1.6 million). Notwithstanding a difficult first half, SBI E2-Capital built a strong reputation and emerged as the leading player in the equity capital market for small and medium enterprises in Hong Kong/China.

Margin Financing

We continued to adopt a cautious approach to this business and limited the extension of our facilities to quality clients. As at 31 December 2003, the margin loan receivable remained at a low level with less than HK\$9 million outstanding, and furthermore, no significant provision was made for bad and doubtful debts for margin clients.

Research

SBI E2-Capital continues to strive to be the leading Hong Kong/China small cap research house. Our efforts were endorsed by the Asiamoney Brokers Poll 2003 and The Asset Brokers Poll 2003 in which SBI E2-Capital was voted by institutional investors as the best Hong Kong Local Brokerage House and second best Hong Kong/China Local Brokerage House respectively.

Singapore

The Singapore corporate finance division, held by the Group under the investment of SBI E2-Capital Holdings Limited (“SBI Singapore”) and which is classified under non-trading securities in the Group’s accounts, has maintained its position as an innovative corporate finance boutique in Singapore as it has lead-managed 16 out of 57 IPOs in Singapore’s capital markets for the year ended 31 December 2003, which accounted for 28.1% and 11.5% in terms of number of deals and funds raised respectively during the year. Revenue has reached HK\$63.2 million (18-months ended 31 December 2002: HK\$43.2 million) and an operating profit before tax of HK\$28.5 million (18-months ended 31 December 2002: HK\$18.6 million).

In May 2003, SBI Singapore acquired a 60% equity interest in Quattro Media, a joint venture with Quattro Communications, to provide IPO public relations and post-IPO investor relations services. In a bid to further increase services offered, SBI Singapore established a stockbroking arm, SBI E2-Capital Securities Pte Ltd, which successfully obtained the capital market services license in April 2003 to deal in securities. In July 2003, it launched its internet IPO share application website www.ePublicOffer.com, whose platform allows its registered members to apply for placement shares for IPOs managed by SBI Singapore and other issue managers on a first-come-first-served basis. By October 2003, SBI E2-Capital Securities Pte Ltd was admitted as a clearing member of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

In January 2004, SBI Singapore was successfully listed on the SESDAQ of SGX-ST and at the same time was conferred the “Best Small-Cap Equity House” award for 2003 by FinanceAsia in recognition of its achievements in the Singapore market for small-cap equity deals for 2003.

Subsequent Event

Following the successful listing on the SESDAQ of SGX-ST, the valuation of SBI Singapore has increased from the IPO price of S\$0.26 per share to S\$0.625 per share at the date of this report and such valuation movements will be accounted in the investment revaluation reserve of the Group for the six months ending 30 June 2004.

3. Consulting, Marketing and Technology Services Division

Consulting, marketing and technology services accounted for approximately 14% of the Group's turnover. For the year ended 31 December 2003, the division recorded a turnover of HK\$24,447,000 (18-months ended 31 December 2002: HK\$56,860,000) and an operating profit of HK\$1,056,000 before a provision of HK\$3,800,000 was made for impairment loss in respect of its investment in non-trading securities (18-months ended 31 December 2002: HK\$472,000 before impairment loss of non-trading securities and amortisation of goodwill amounted to HK\$25,400,000 and HK\$1,883,000 respectively).

Ebizal Marketing (Hong Kong) Limited is a holistic corporate marketing services agency specialising in devising marketing strategies to build both business and brand values for clients, orchestrate marketing consultation, implement public and investor relations with media advertising, as well as promotional marketing events.

Sun-Tech International Group Limited (formerly known as Sun-Tech Business Systems Limited) (www.suntechgroup.com), the education technology developer, has fulfilled its aim in 2003 of expanding its overseas market with increased sales owing largely to the successful establishment of service centres in North America, Europe, the Middle East and Asia. In 2004, new products will be launched, including wireless audience response systems and online videoconference systems, and will pursue the corporate market, as well as the education market, as target clients.

4. Garment Manufacturing Division

The garment manufacturing business accounted for approximately 39% of the Group's turnover. It recorded a turnover of HK\$67,843,000 (18-months ended 31 December 2002: HK\$87,957,000) and an operating profit of HK\$1,675,000 (18-months ended 31 December 2002: HK\$4,068,000) for the year ended 31 December 2003.

5. Property Holding Division and Others

The Property Holding Division and others accounted for approximately 6% of the Group's turnover. The division's turnover amounted to HK\$8,801,000 (18-months ended 31 December 2002: HK\$17,284,000) and an operating profit of HK\$7,237,000 (18-months ended 31 December 2002: operating loss of HK\$18,138,000) was recorded for the year ended 31 December 2003.

Subsequent Event

In March 2004, the Group entered into a sale and purchase agreement with an independent third party under which the Group agreed to sell a property with a carrying amount of HK\$7,080,000 for a total consideration of HK\$7,500,000. The agreement is scheduled to complete on or before 26 April 2004.

PROSPECTS

The Group is cautiously optimistic regarding the general economic environment for the coming year. The latter half of 2003 did see minor signs of recovery; on the back of sustained growth of the Mainland's economy, a series of high profile listings received positive responses, while a notable increase in activity was recorded in both the property and stock markets. The retail markets were also inspired by increased sales driven by the increased number of Solo Tours and there was also a minor decrease in the local unemployment rate.

Despite this however, the Group will continue to maintain a prudent and conservative approach to our accounting policy and daily operations, adopting stringent and rational measures to continue reducing cost, streamlining processes and enhancing efficiency in order to prepare ourselves for the ensuing gradual market recovery.

The Group believes that it is now poised to fully transform into an investment holding company in order to fully focus and capitalise on its strengths. With the deconsolidation of accounts of its financial services arm and the possible further deconsolidation of other non-core units under the Group in the near future, the Directors note that such deconsolidation is likely to significantly reduce the amount of turnover that is consolidated into the Group's accounts.

Having now persevered over the past financial year to weather the downturn, we believe the Group is in a strong position to reap the benefits of the economic recovery in the subsequent financial year. The Group will first and foremost continue reinforcing its core areas of activities within the investment field. Indeed, the Group has been very active recently, with the Xybernaut China joint venture, M DREAM CHINA and Zhongtian investments being the more recent testimonies to this fact, and the divestment in Ctrip.com International Limited, through the investment in Softbank Asia Net-Trans Fund Limited, being an example of the kinds of financial return that can be generated from a successful investment. With the recent successful fundraising exercises, the Group is further pursuing other opportunities which the Directors believe will eventually bring to the Group a substantial increase in shareholder value.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2003, the Group's bank and cash balances totalled HK\$37,387,000.

On 28 August 2002, the Company, through its wholly-owned subsidiary SIIS Treasury Limited, issued HK\$156,400,000 5% Guaranteed Convertible Notes due 2005. During the year, the Convertible Notes with principal amounts of HK\$143,100,000 were converted into 1,192,499,994 Ordinary Shares of the Company. As at 31 December 2003, the Group's total outstanding borrowings (excluding the above mentioned Convertible Notes) amounted to HK\$82,802,000. The total borrowings will be due, as to approximately HK\$6,604,000 repayable within one year and the remaining of approximately HK\$76,198,000 repayable between two to five years. The Group's borrowings denominated in Japanese Yen and in Renminbi were equivalent to HK\$76,198,000 and HK\$6,604,000 respectively. The borrowings which are denominated in Japanese Yen were borrowed from former group companies in Japan, the Company is not hedging its foreign exchange fluctuation risk related to borrowings from these former group companies. Owing to this foreign exchange fluctuation, the Company recorded a HK\$8,923,000 exchange loss in relation to these loans for the year ended 31 December 2003.

As at 31 December 2003, the shareholders' funds of the Group totalled HK\$184,040,000, an increase of HK\$116,037,000 from HK\$68,003,000 at 31 December 2002, which further improved the gearing ratio resulting in a decrease from 173% at 31 December 2002 to 45% at 31 December 2003, calculated by dividing the total borrowings, excluding convertible notes, of HK\$82,802,000 (31 December 2002: HK\$117,611,000) by the shareholders' fund of HK\$184,040,000 (31 December 2002: HK\$68,003,000).

CHARGES ON GROUP ASSETS

As at 31 December 2003, the Group's banking facilities were secured by properties of the Group with a net book value of HK\$12,112,000 (31 December 2002:HK\$17,186,000).

NUMBER AND REMUNERATION OF EMPLOYEES

As at 31 December 2003, the total number of employees of the Group was approximately 800. The employees are offered discretionary bonuses based on merit and performance. Employee benefits amounted to approximately HK\$64,226,000 for the current year (18-months ended 31 December 2002: HK\$116,382,000). The Group also encourages and subsidises employees to enrol onto 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.

By order of the Board

WONG SIN JUST
*Vice Chairman &
Chief Executive Officer*

HONG KONG, 19 March 2004