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CORPORATE INFORMATION

Board of Directors
Mr. FUNG Ka Pun
(Executive Co-chairman)
Dato' WONG Sin Just
(Executive Co-chairman)
Mr. ONGPIN Roberto V
(Independent Non-executive Director)
Mr. CHUNG Cho Yee, Mico
(Independent Non-executive Director)
Mr. HO Kwan Tat
(Independent Non-executive Director)
Dr. HUI Ka Wah, Ronnie
(Independent Non-executive Director)

Company Secretary
Mr. CHEUNG Chung Wai, Billy

Solicitors
Mallesons Stephen Jaques
Woo, Kwan, Lee & Lo, Solicitors

Auditors
PricewaterhouseCoopers

Principal Bankers
The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank
Standard Chartered Bank (HK) 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
46th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

Registered Office
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Principal Place of Business in Hong Kong
43/F, Jardine House
One Connaught Place
Central
Hong Kong

Website
www.e2capital.com

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 2005. The consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30 June 2005 and the consolidated balance sheet as at 30 June 2005 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 13 to 49 of this report.

INTERIM DIVIDEND

The directors have decided to declare an interim dividend of 2.5 HK cents per share for the six months ended 30 June 2005 (2004: 5 HK cents) which will be payable on Friday, 23 September 2005 to those persons registered as shareholders of the Company on Tuesday, 20 September 2005. The Register of Members will be closed from Thursday, 15 September 2005 to Tuesday, 20 September 2005, both days inclusive during which period no transfer of share will be effected. In order to qualify for the proposed distribution, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited of 46/F., Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on Wednesday, 14 September 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

The investment environment during the first half of the year proved to be challenging with rising interest rates and higher energy prices. However, the Group nevertheless managed to achieve a positive return during this period of a profit attributable to shareholders of HK$30.1 million (2004: HK$31.9 million) contributed mainly by sales from the Group's properties division and steady performance of the manufacturing division.

We recognize the importance of financial resources flexibility in an uncertain market and the Group is liquid with a strong quick ratio of 5.33 times as compared with 6.23 times at 31 December 2004, calculated on the basis of total bank and cash balance, short term investments in securities and accounts receivable over total current liabilities. Although cash proceeds from the sales of investment securities and properties were reinvested to further Group activities, Group bank and cash balances after distributing the 2004 final dividend of HK$20 million, stayed at a comfortable level of HK$201 million at 30 June 2005 (31 December 2004: HK$223 million) with the Parent Company remaining debt free and keeping its cash and bank balance at HK$120 million as at 30 June 2005 (31 December 2004: HK$190 million).

Consolidated shareholders' funds and net tangible assets per share increased to HK$585 million and HK$1.46, respectively, at 30 June 2005 (31 December 2004: HK$567 million and HK$1.41 respectively), as a result of earnings retained for the six months ended 30 June 2005, adjusted for the distribution of the 2004 final dividend of HK$20 million.

Financial Services

HK/CHINA

Although there has been a welcome recovery in equity prices both in Hong Kong and overseas, this was mainly confined to larger companies. Due to investors caution over smaller enterprises, this has inadvertently adversely affected the performance of our investment banking division. As a result, the Hong Kong/China division, SBI E2-Capital China Holdings Limited, recorded a net loss before tax of HK$3.8 million for the six months ended 30 June 2005 (2004: a net profit before tax of HK$3.4 million).

As well, the lack of volatility in the Hang Seng index in the first half of 2005 also led to the decline in securities and derivatives trading activities of our clients.

Notwithstanding these unfavourable factors, we have completed several share placements during the period, which included China Fire Safety Enterprise Group Holdings Limited and SunCorp Technologies Limited, as well as the pre-IPO fund raising of HK$100 million for Asian Citrus Holdings Limited, which has since been listed on London's Alternative Investment Market in early August 2005.

The upgrading of our management information system was completed early this year and with further tightening of our credit policy, our provision for bad and doubtful debts continues to be adequate and no material provision is considered necessary for the first half of 2005.

We are pleased to report that SBI E2-Capital has been recognized in the financial services sector for the second consecutive year as the Best Local Brokerage House – Hong Kong 2003 and 2004 as well as the Best Domestic Equity House – Hong Kong 2004 and 2005 by *Asiamoney*. This is a testimony of the quality of our research products and reception by the market. Our research team has further expanded during the period with increased coverage on China related stocks and larger companies.

The recent revaluation of Renminbi in late July 2005 is expected to have a positive impact on the China/Hong Kong markets. We are hopeful that this will encourage further investments in this region with an increase in market activities in the second half of 2005, which should help the brokerage business for the later part of this year.

SBI CROSBY

SBI CROSBY Limited ("SBI CROSBY"), a 50/50 joint venture of our 49% owned financial services unit, has successfully obtained the licenses from the Hong Kong Securities and Futures Commission in the first quarter of 2005. During the first half of 2005, SBI CROSBY has provided corporate advisory services in relation to pre-IPO fund-raisings and IPO sponsorships and has achieved a revenue of HK$8.8 million and recorded a net profit before tax of HK$1.6 million. The management believes that SBI CROSBY will continue to facilitate the performance of the Group's Greater China business with a wider network to originate new mandates in the region.

SINGAPORE/MALAYSIA

Concurrent with the disposal of the equity interest in our former associated company in Singapore, Westcomb Financial Group Limited, which was completed in January 2005, the Group has set its focus on the development of its established SBI E2-Capital brand name in Singapore and Malaysia in view of the growing importance of these regional economies in the Asia Pacific region. We are pleased to report that, on 16 August 2005, SBI E2-Capital Asia Securities Pte. Ltd. ("SECA"), a subsidiary of our financial services joint venture, was granted a Capital Market Services licence by the Monetary Authority of Singapore ("MAS") to deal in securities and provide corporate finance advisory services. SECA has also been admitted as a clearing member of the Singapore Exchange on 18 August 2005 and has since commenced operations to provide its services to investors in the region. We believe that SECA is well positioned to play a vital role in the Singapore/Malaysia financial services sector linking investors in those markets with China/Hong Kong enterprises and vice versa.

Direct Investments

As previously mentioned, the Group will continue to focus on increasing shareholders wealth through prudent management and selective investments. We have since embarked on our initiative to focus our direct investment activities similar to a "fund of funds". Our direct investments totaled HK$72.5 million as at 30 June 2005 (31 December 2004: HK$65.4 million) comprising a portfolio of listed securities and equity derivatives in the more developed markets, pre-IPO equity participations, investments in the emerging markets as well as diversified hedge funds and international bonds. The results of this portfolio have been encouraging and the Group has recorded a turnover and a gain of HK$67.1 million and HK$5.1 million respectively for the six months period under review.

Industrial

The Group's industrial business, operated through Cheung Wah Ho Dyestuff Company Limited and Lancerwide Company Limited, remained steady with a contribution of HK$10.7 million (2004: HK$17.6 million) to the Group's turnover. However, with the uncertainties in the textile quota issues and keen competition in the region, the dyestuff business reported a profit before tax of HK$47,000 (2004: loss before tax of HK$550,000) for the six months ended 30 June 2005. The trading of dyestuff is expected to remain challenging in the rest of the year.

Winbox Company Limited ("Winbox"), an associated company of the Group which operated its packaging business principally out of China, remained stable and profitable. For the six months ended 30 June 2005, its revenue and net profit before tax stood at HK$65 million and HK$19 million respectively (2004: HK$50 million and HK$15 million respectively). Its French division performed satisfactorily during the period, and with the provision of direct services to customers in France as well as steady production capacity of its factory in the PRC, contribution from Winbox is expected to improve in the second half of this year.

Digital Consumer Products

The sourcing and distribution of digital music players business, operated through our wholly owned subsidiary, NAPA Global Limited ("NAPA Global"), has contributed HK$1.1 million revenue to the Group during the period. We expect the division's performance will improve in the second half of 2005 as a result of anticipated growth in demand for the digital consumer products in the global markets. As we work closely with our customers and orders are closely monitored, no undue inventory risk was taken. Going forward, we are exploring to develop the South East Asia markets with more mature products which should allow us to take advantages of economies of scale and lower the cost of procurements.

Property

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

The Group has acquired a residential site at No 21 Grampian Road in Kowloon Tong. The transaction was completed in May 2005. It lies within a traditional prime residential area with an established network of schools. The site area is 11,935 sq ft. and can be redeveloped to a high-rise luxurious residential building. On 28 June 2005, the Group has entered into an agreement with the owners of 106/120th shares of Section A of New Kowloon Inland Lot. no 1418 and the extension thereto (Nos 23 and 25 Grampian Road) for the consideration of HK$110.5 million, and it is expected to complete on or before 14 September 2005.

Greenery Gardens, the residential development developed by GPL at Fairview Park Boulevard in Yuen Long, was recognized as one of the best villa developments in the vicinity. GPL will develop Greenery Gardens Phase II at an adjacent site into a low-density luxurious villas development. Site assembly and planning are currently in progress.

Due to revived interest in industrial property, the Group sold its property at Nos 12 – 16 Fui Yiu Kok Street in Tsuen Wan. The transaction was completed in June 2005 and the Group received net cash of HK$48.5 million from this transaction with a gain of HK$29.7 million.

The single residence development at Tso Wo Hang in Sai Kung, consisting of a detached house with a total floor area of 1,300m^2 and a 3,200m^2 garden, is in progress. This development is expected to complete in 2006 and will enable the Group to further meet demand for such quality development.

The Group has increased its interest to 13.35% (June 2004: 12.50%) in the Shanghai Tianma Project which comprises 200 luxurious villas, a 27-hole golf course and a country club in the vicinity of the She Shan National Resort District, Shanghai, China. The golf course and the country club are in full operation, with positive contribution to the project. It has been recognized as one of the best golf clubs in China by many magazines including China Golf Magazine and Golf Digest for many years. Also, it has achieved a significant progress in villas and club memberships sales. We believe the macro economic austerity measures in China will favour those capable property developers in the market, particularly in the Shanghai luxurious property market. Under the current economic situation, it is expected that this project will make further progress in the coming year.

Owing to the recovery of the economy and limited supply of residential flats in the next few years, the Hong Kong property market is likely to become more active. In order to capture this business opportunity, GPL will continue to seek opportunities to expand its land bank in Hong Kong. As well, GPL will explore more business opportunities in the PRC.

GPL is also participating in other property and environmental related projects, including a centralized drinking water filtration system, which has been installed in several popular developments in Guangdong, e.g. Clifford Estate, the largest residential development in China. The current number of customers is more than 15,000 households. As part of its business extension, this company has started the bottled water business. This project is expected to further contribute towards the Group's profitability in the years to come when additional systems are installed at other major cities in Guangdong province, China.

Liquidity and financial resources

As at 30 June 2005, the Group's cash and other short-term investments in securities totaled HK$273 million (31 December 2004: HK$288 million). Of the total borrowings of HK$115 million, approximately 99% are loans secured by leasehold land and properties for development located in Hong Kong, with the balance secured by mortgage loans receivable. Of these borrowings, HK$24 million is repayable within one year.

Liquidity of the Group is kept at a healthy position with a quick ratio of 5.33 times as at 30 June 2005 as compared with 6.23 times as at 31 December 2004, calculated on the basis of total bank and cash balance, short term investments in securities and accounts receivable over current liabilities. Long term gearing at 30 June 2005, calculated on the basis of long term debt over shareholders' fund, is 15.5% with 0.28% at 31 December 2004.

With the current level of cash and marketable securities on hand as well as available banking facilities, the Group's liquidity position remains strong and it has sufficient financial resources to meet its current commitments and working capital requirement.

The Company has provided corporate guarantees for banking facilities extended to group companies, further details are described in the section under "Contingent Liabilities".

Capital structure of the group

The Group's assets and liabilities are primarily denominated in Hong Kong dollar. When seeking to optimise the returns on its funds available for investment, the Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

The Group's borrowings are 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.

Changes in composition of the Group during the period

There was no material change in the composition of the Group during the period.

Number and remuneration of employees, remuneration policies, bonus and share option schemes and training schemes

As at 30 June 2005, the Group and the jointly controlled entity employed a total of 40 and 66 full-time employees respectively. 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$8.3 million for the six months ended 30 June 2005. The Group ensures that the remunerations paid to employees remain competitive and employees are rewarded within the general framework of the Group's salary and bonus system.

Details of the charges on group assets

As at 30 June 2005, leasehold land and land use rights and properties for sale/development with an aggregate value of approximately HK$212 million have been pledged to secure banking facilities of HK$113 million granted to Group companies for these developments.

Contingent Liabilities

During the period, corporate guarantees were given to financial institutions for working capital facilities of associated companies and a jointly controlled entity. The aggregate amount of such facilities utilized by these companies at 30 June 2005 amounted to HK$9.4 million.

During the period, all the corporate guarantees given to financial institutions for third party were discharged.

Exposure to fluctuations in exchange rates and related hedges

As at 30 June 2005, the Group's assets and liabilities are primarily denominated in Hong Kong dollars. When seeking to optimise the returns on its funds available for investment, the Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

Prospects

We expect the second half of 2005 will continue to be challenging with the uncertainty in interest rates and high energy prices. However, the Group's management is well placed to face the challenge with its conservative management of financial resources. We will continue to take a prudent approach in allocating resources into projects with high return and limited capital outlay. As Asia, and China in particular, is expected to lead the global economy in the coming years, management will set its focus on identifying and converting viable business opportunities to deliver long term values to our shareholders, partners, employees and customers.

DISCLOSURE OF INTERESTS

Directors' and Chief Executives' Interests in the Shares of the Company or any Other Associated Corporation

As at 30 June 2005, the interests of each Director and Chief Executive and their associates in the shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) in Hong Kong as recorded in the register maintained by the Company 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 (the "Model Code"), were as follows:

Name of Director	Relevant entity	Nature of interest/ capacity	Number of ordinary shares *(Long position)*	Percentage of the issued share capital of the Company or associated corporation
Mr. Fung Ka Pun	The Company	Beneficial owner	3,640,197	0.91%
	The Company	Interest of controlled corporation *(note 1)*	106,018,484	26.46%
	Boxmore Limited	Interest of spouse *(note 2)*	1,477,880	20.00%
Dato' Wong Sin Just	The Company	Beneficiary of a trust *(note 3)*	104,335,000	26.04%
	The Company	Beneficial owner	2,310,000	0.57%
	SBI E2-Capital Limited	Beneficial owner	6	2.00%

Notes:

(1) Mr. Fung Ka Pun has beneficial interests in Bo Hing Limited and Goodwill International (Holdings) Limited ("Goodwill International"), which were interested in 1,862,303 shares and 104,156,181 shares respectively in the Company as at 30 June 2005, representing 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' Interests in the Shares of the Company".

(2) The spouse of Mr. Fung Ka Pun has a beneficial interest in 1,477,880 shares, representing 20% in the issued share capital of Boxmore Limited.

(3) Dato' Wong Sin Just has beneficial interests in e2-Capital Inc., which was interested in 104,335,000 shares in the Company as at 30 June 2005, 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' Interests in the Shares of the Company".

Other than as disclosed above, as at 30 June 2005, none of the Directors and Chief Executive and their associates had any other interests in shares of the Company or any of its associated corporations which was required to be recorded under section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

At 30 June 2005, there was no share option scheme adopted by the Company.

Substantial Shareholders' Interests in the Shares of the Company

As at 30 June 2005, the following entities, other than Directors or Chief Executive of the Company have interests and short positions of 5% or more in the issued shares of the Company which were recorded in the Register of Substantial Shareholders maintained under Section 336 of the SFO or had otherwise notified to the Company:

Name of shareholder	Capacity	Number of ordinary shares – long positions	Percentage of issued share capital	Remarks
e2-Capital Inc.	Beneficial owner	104,335,000	26.04%	
Coutts (Cayman) Limited	Trustee	104,335,000	26.04%	} Duplication of e2-Capital Inc.'s holding
Goodwill International	Beneficial owner	104,156,181	26.00%	
Kua Phek Long	Beneficial owner	25,376,750	6.33%	
Softbank Investment International (Strategic) Limited ("Softbank Strategic")	Beneficial owner	22,750,000	5.68%	
Strategic Capital Holdings Limited	Beneficial owner	22,722,000	5.67%	
Newmark Capital Corporation Limited	Beneficial owner	44,620,588	11.13%	
Newmark Capital Holdings Limited	Interest of controlled corporation	44,620,588	11.13%	Duplication of Newmark Capital Corporation Limited's holding
Ng Poh Meng	Interest of controlled corporation	44,620,588	11.13%	

Other than as disclosed above, as at 30 June 2005, no person (other than Directors or Chief Executive of the Company) has interests or short positions in the shares or underlying shares of the Company which were recorded in the Register of substantial shareholders maintained under Section 336 of the SFO.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

Effective on 1 January 2005, the Group has adopted the Code of Corporate Governance Practices ("the Code") as stipulated under Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"). Throughout the financial period under review, the Group has complied with the Code, except for Code Provision A.2.1 which stipulates that the roles of the Chairman and the Chief Executive Officer should be separate and should not be performed by the same individual.

The Board has two executive co-chairmen who have the executive responsibilities and provide leadership to the Board in terms of establishing policies and business directions. In light of maintaining a lean corporate structure which is conducive to strong and effective leadership, the Board opines that it is not necessary to appoint a Chief Executive Officer.

Directors' Securities Transactions

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors securities transactions. Based on specific enquiry of the directors of the Company, the directors have complied with the required standard as set out in the Model Code.

Purchase, Sale or Redemption of the Company's Shares

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of listed securities of the Company during the six months ended 30 June 2005.

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 2005 with the Directors and external auditors.

OTHER DISCLOSURES

In compliance with continuing disclosure obligations of the Listing Rules, the following information is disclosed:

1) *Connected Transaction*

   Throughout the six months ended 30 June 2005, the following transaction which constituted a connected transaction under the Listing Rules persisted and is therefore disclosed in accordance with Chapter 14A of the Listing Rules.

   On 17 December 2004 the Company executed a guarantee in favour of a financial institution in the sum of HK$143 million plus interest and charges in respect of the granting of certain banking facilities to three affiliated companies in which the Company beneficially owns a 34.3% equity interest namely, SBI E2-Capital Securities Limited, SBI E2-Capital Brokerage Limited and SBI E2-Capital Commodities Limited (hereafter collectively refer as "Affiliated Companies") in relation to the general working capital and the business needs of the Affiliated Companies after obtaining independent shareholders approval at the Special General Meeting on 16 December 2004. The provision of the guarantee constituted a connected transaction of the Company under Rule 14A.13(3) of the Listing Rules.

2) *Disclosure Pursuant to Rule 13.22 of the Listing Rules*

As stated in the earlier section headed "Connected Transaction", the Company has executed a guarantee in favour of a financial institution regarding the provision of certain banking facilities to the Affiliated Companies on 17 December 2004.

As at 30 June 2005, a guarantee executed in favour of a financial institution for the benefit of the "Affiliated Companies" by the Company in sum of HK$143,000,000 represented approximately 46.36% of the Company's market capitalisation of approximately HK$308,487,577 as at 30 June 2005 (the "Market Capitalisation"). The Market Capitalisation was based on the total number of 400,633,217 shares in issue as at 30 June 2005 and the average closing price of HK$0.77 per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately proceeding 30 June 2005. The pro forma combined balance sheet of the Affiliated Companies as at 30 June 2005 and the Group's attributable interest therein are set out as follows:

	Pro forma combined balance sheet of Affiliated Companies HK$'000	Group's attributable interest HK$'000
Non-current assets	55,866	19,162
Current assets	84,883	29,115
Current liabilities	(30,314)	(10,398)
Net current assets	54,569	18,717
Total assets less current liabilities	110,435	37,879
Non-current liabilities	—	—
Net assets	110,435	37,879
Issued capital	55,000	
Reserves	55,435	
Capital and reserves	110,435	

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Note	Unaudited Six months ended 30 June 2005	 2004 (restated)
		HK$'000	HK$'000
Turnover	5	90,546	316,837
Cost of sales	7	(69,933)	(280,598)
Gross profit		20,613	36,239
Other (losses)/revenues		(812)	1,762
Gain on disposal of fixed assets		29,661	—
Write back of provision for impairment of leasehold land and land use rights	14	9,827	—
Write back of provision for impairment of property	14	173	—
Unrealised loss on other financial assets at fair value through profit or loss (net)	6	(411)	—
Unrealised loss on other investments (net)	6	—	(184)
Gain on deemed disposal of associated companies		—	2,806
Gain on disposal of associated companies		—	17
Distribution costs	7	(147)	(304)
General and administrative expenses	7	(34,616)	(19,163)
Operating profit		24,288	21,173
Finance costs	8	(768)	(1,134)
Share of profits less losses of associated companies		6,216	13,703
Profit before taxation		29,736	33,742
Taxation	9	—	(3,675)
Profit after taxation		29,736	30,067
Minority interests		322	1,792
Profit attributable to shareholders		30,058	31,859
Dividends	10	10,016	20,032
Basic earnings per share	11	HK cents 7.50	HK cents 7.95

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2005 AND 31 DECEMBER 2004

	Note	Unaudited 30 June 2005	Audited 31 December 2004 (restated)
		HK$'000	HK$'000
ASSETS			
Non-current assets			
Intangible assets	12	1	—
Fixed assets	13	7,168	25,324
Leasehold land and land use rights	14	204,867	43,000
Properties for development	14	6,949	—
Interests in associated companies	15	62,360	105,570
Available-for-sale financial assets	17	52,554	—
Investments in securities	22	—	47,567
Loans receivable from investee companies		1,894	1,894
Mortgage loans receivable – due after one year	18	26,349	29,624
Other non-current assets		5,102	2,192
		367,244	255,171
Current assets			
Leasehold land and land use rights	14	29,600	20,000
Properties for sale	14	453	64
Inventories		6,824	7,834
Trade and other receivables	19	71,753	49,364
Other financial assets at fair value through profit or loss	21	72,466	—
Investments in securities	22	—	65,408
Mortgage loans receivable – current portion	18	378	2,916
Pledged bank deposits		490	—
Bank balances and cash		200,828	222,925
		382,792	368,511
Total assets		750,036	623,682

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2005 AND 31 DECEMBER 2004

	Note	Unaudited 30 June 2005	Audited 31 December 2004 (restated)
		HK$'000	HK$'000
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Share capital	23	400,633	400,633
Reserves	24	184,309	166,118
		584,942	566,751
Minority interests		10,125	1,126
Total equity		595,067	567,877
LIABILITIES			
Non-current liabilities			
Borrowings	25	90,537	1,577
Deferred taxation		28	—
		90,565	1,577
Current liabilities			
Trade and other payables	26	36,433	26,018
Taxation payable		184	—
Borrowings	25	24,267	24,267
Loan from a minority shareholder of a subsidiary		3,520	3,943
		64,404	54,228
Total liabilities		154,969	55,805
Total equity and liabilities		750,036	623,682
Net current assets		318,388	314,283
Total assets less current liabilities		685,632	569,454

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Share capital	Other reserves	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2004, as previously reported as equity	572,333	(52,342)	—	519,991
Balance at 1 January 2004, as previously separately reported as minority interests	—	—	161	161
Balance at 1 January 2004, as restated	572,333	(52,342)	161	520,152
Capital reorganization	(171,700)	171,700	—	—
Others	—	—	(954)	(954)
Profit for the period	—	31,859	(1,792)	30,067
Balance at 30 June 2004	400,633	151,217	(2,585)	549,265
Balance at 1 January 2005, as previously reported as equity	400,633	166,118	—	566,751
Balance at 1 January 2005, as previously separately reported as minority interests	—	—	1,126	1,126
Opening adjustment for the adoption of HKAS 39	—	8,872	—	8,872
Effect of adopting proportionate consolidation of a joint venture	—	—	9,573	9,573
Balance at 1 January 2005, as restated	400,633	174,990	10,699	586,322
Dividend	—	(20,032)	—	(20,032)
Dividend paid to minority shareholders	—	—	(252)	(252)
Exchange difference	—	(707)	—	(707)
Profit for the period	—	30,058	(322)	29,736
Balance at 30 June 2005	400,633	184,309	10,125	595,067

CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2005

	Unaudited Six months ended 30 June 2005 HK$'000	2004 HK$'000
Net cash inflow from operating activities	**3,733**	195,871
Net cash outflow from investing activities	**(115,852)**	(45,053)
Net cash inflow/(outflow) from financing	**67,493**	(105,127)
(Decrease)/Increase in cash and cash equivalents	**(44,626)**	45,691
Effect of adopting proportionate consolidation of a joint venture	**22,529**	—
Cash and cash equivalents at 1 January	**222,925**	154,518
Cash and cash equivalents at 30 June	**200,828**	200,209
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	**200,828**	200,209

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

1. **Basis of preparation and accounting policies**

   This unaudited condensed consolidated financial information has been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

   These condensed consolidated financial information should be read in conjunction with the 2004 annual financial statements.

   The accounting policies and methods of computation used in the preparation of these condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

   This interim financial information has been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing this information (August 2005). The HKFRS standards and interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

   The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 2 below.

2. Changes in accounting policies

(a) Effect of adopting new HKFRS

In 2005, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payments

The adoption of new/revised HKASs 1, 2, 7, 10, 16, 21, 23, 24, 27, 28, 33 and HKAS-Int 15 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.

- HKASs 2, 7, 10, 16, 23, 27, 28, 33 and HKAS-Int 15 had no material effect on the Group's policies.

- HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

2. Changes in accounting policies (continued)

(a) Effect of adopting new HKFRS (continued)

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at fair value or cost less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the income statement as part of other income. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of HKAS 38. No adjustment resulted from this reassessment.

2. **Changes in accounting policies** (continued)

(a) **Effect of adopting new HKFRS** (continued)

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

- HKAS 39 which does not permit the Group to recognize, derecognize and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities and also to hedge relationships for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognized at 1 January 2005.

- HKAS 40 since the Group has adopted the fair value model and therefore there is no requirement for the Group to restate the comparative information. Any adjustment should be made to the retained earnings as at 1 January 2005, including the reclassification of any amount held in revaluation surplus for investment property.

- HKAS-Int 15 which does not require the recognition of incentives for leases beginning before 1 January 2005.

(i) The adoption of revised HKAS 17 resulted in:

	30 June 2005	31 December 2004
	HK$'000	HK$'000
Increase in leasehold land and land use rights	**234,467**	63,000
Decrease in properties for development/sale	**234,467**	63,000

	Year ended	**Six months ended**	
	31 December 2004	**30 June 2005**	30 June 2004
	HK$'000	**HK$'000**	HK$'000
Increase in administrative expenses	1,432	**1,360**	716
Decrease in provision for impairment	1,432	**—**	716
Decrease in basic earnings per share	—	**HK cent 0.34**	—

2. Changes in accounting policies (continued)

(a) Effect of adopting new HKFRS (continued)

(ii) The adoption of HKAS 39 resulted in an increase in opening reserves at 1 January 2005 by HK$8,872,000 and the details of the adjustments to the balance sheet for the adoption of HKAS 39 at 30 June 2005 are as follows:

	30 June 2005
	HK$'000
Increase in available-for-sale financial assets	52,554
Decrease in non-current investments in securities	47,567
Increase in other financial assets at fair value through profit or loss	72,466
Decrease in current investments in securities	65,408
Increase in retained earnings	1,550
Increase in other reserve	7,322

There was no impact on basic earnings per share from the adoption HKAS 39.

(b) New Accounting Policies

The accounting policies used for the condensed financial information for the six months ended 30 June 2005 are the same as those set out in note 1 to the 2004 annual financial statements except for the following:

2.1 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the guidance issued by the International Valuation Standards Committee. These valuations are reviewed annually by external valuers. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

2. Changes in accounting policies (continued)

(b) New Accounting Policies (continued)

2.1 Investment properties (continued)

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognized as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognized in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

2.2 Impairment of assets

Assets that have an indefinite useful life are not subject to amortization, but are at least tested annually for impairment and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.3 Investments

From 1 January 2004 to 31 December 2004:

The Group classified its investments in securities, other than subsidiaries, associates and jointly controlled entities, as current and non-current investment in securities.

(a) Non-current investment in securities

Investments which were held for non-trading purpose were stated at fair value at the balance sheet date. Changes in the fair value of individual securities were credited or debited to the investment revaluation reserve until the security was sold, or was determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, was dealt with in the income statement.

Where there was objective evidence that individual investments were impaired the cumulative loss recorded in the revaluation reserve was taken to the income statement.

2. **Changes in accounting policies** (continued)

(b) **New Accounting Policies** (continued)

2.3 **Investments** (continued)

(b) **Current investment in securities**

Investments which were held for trading purpose were stated at fair value. At each balance sheet date, the net unrealized gains or losses arising from the changes in fair value of trading securities were recognized in the income statement. Profits or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, were recognized in the income statement as they arose.

From 1 January 2005 onwards:

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) **Financial assets at fair value through profit or loss**

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

(b) **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

2. Changes in accounting policies (continued)

(b) New Accounting Policies (continued)

2.3 Investments (continued)

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. For unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

2.4 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

2. Changes in accounting policies (continued)

(b) New Accounting Policies (continued)

2.5 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3. Financial risk management

3.1 Financial risk factors

(a) Foreign exchange risk

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rates relating to investments denominated in foreign currencies. The Group's assets and liabilities are primarily denominated in Hong Kong dollars. When seeking to optimise the returns on its funds available for investment, the Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

(b) Equity and commodity price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk.

(c) Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made and services are provided to customers with an appropriate credit history. Impairment provisions are made for losses that have been incurred at the balance sheet date.

3. Financial risk management (continued)

3.1 Financial risk factors (continued)

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group aims to maintain flexibility in funding by keeping committed credit lines available and sufficient bank deposits to meet short term cash requirements.

(e) Cash flow interest rate risk

The Group's interest-rate risk arises from borrowings, bank deposits and mortgage loans receivable. Borrowings obtained at variable rates expose the Group to cash flow interest-rate risk. The Group's borrowings are based on Prime or HIBOR interest rates. Details of the Group's borrowings are set out in note 25. Bank deposits are primarily short term in nature and mortgage loans are priced based on Prime +1% p.a..

3.2 Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows.

The nominal value less estimated credit adjustments of trade receivables and payables is assumed to approximate its fair value. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

(i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences.

(ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

(b) Estimate of fair value of unlisted securities

Certain unlisted securities included in available-for-sale financial assets and other financial assets at fair value through profit or loss are stated at cost at the balance sheet date as the Group determines the fair value of such assets closely approximated to the cost. For the unlisted securities valued at fair value, the Group uses the discounted cashflows valuation method and makes assumptions that are based on market conditions existing at each balance date for the determination of the fair value.

4. Critical accounting estimates and judgements (continued)

4.2 Critical judgements in applying the entity's accounting policies

Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In marking its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

5. Turnover and Segment information

Primary reporting format – business segments

The Group is organized on a regional basis into six main business segments:

- Broking Services – securities broking and provision of margin financing, commodities, options and futures broking
- Investment Banking – provision of corporate finance services
- Direct Investments – securities trading and investments
- Industrial and Management Operating Services – manufacture of quality plastic and paper boxes for luxury consumer goods, and trading of dyestuffs
- Digital Consumer Products – sourcing and distribution of digital consumer products
- Property – property development and holding

Secondary reporting format – geographical segments

Although the Group's six business segments are managed on a regional basis, they operate in two main geographical areas:

The People's Republic of China including Hong Kong – broking services, investment banking, direct investments, industrial and management operating services and property.

Europe – digital consumer products.

There are no sales between the geographical segments.

5. Turnover and Segment information (continued)

Primary reporting format – business segments (continued)

	Six months ended 30 June 2005 HK$'000						
	Broking Services (Note (a))	Investment Banking (Note (a))	Direct Investments (Note (b))	Industrial & Management Operating Services	Digital Consumer Products	Property	Group
Revenues	4,732	5,571	67,130	10,717	1,150	1,246	90,546
Segment results	(1,615)	(556)	5,068	47	(713)	34,240	36,471
General corporate expenses							(12,183)
Operating profit							24,288
Finance costs	(38)	—	51	(21)	—	(760)	(768)
Share of profits less losses of associated companies	—	—	—	6,216	—	—	6,216
Profit before taxation							29,736
Taxation							—
Profit after taxation							29,736
Minority interests							322
Profit attributable to shareholders							30,058

Notes:

(a) SBI E2-Capital Limited ("SBI E2"), formerly an associated company of the Group, became a 49% owned joint venture on 1 January 2005 (note 16). The results of SBI E2 is proportionate consolidated and classified under Broking Services and Investment Banking of the Group.

(b) In 2005, the Group considers direct investment activities as one of the business segments. The sales proceeds of the investments and trading results, which represent the difference between the net sales proceeds and the carrying amounts, is included in the revenue and segment results of Direct Investments accordingly. The results of this segment represents net realised/unrealised gain on investments. The comparative figures have been amended to correspond with this new presentation.

5. Turnover and Segment information (continued)

Primary reporting format – business segments (continued)

	Six months ended 30 June 2004 HK$'000					
	Broking Services	Investment Banking	Direct Investments	Industrial & Management Operating Services	Property	Group
Revenues	—	—	27,608	17,644	271,585	316,837
Segment results	—	—	6,193	(550)	19,305	24,948
Gain on deemed disposal and disposal of associated companies	—	—	2,823	—	—	2,823
General corporate expenses						(6,598)
Operating profit						21,173
Finance costs	—	—	—	—	(1,134)	(1,134)
Share of profits less losses of associated companies	1,715	6,352	—	5,404	232	13,703
Profit before taxation						33,742
Taxation						(3,675)
Profit after taxation						30,067
Minority interests						1,792
Profit attributable to shareholders						31,859

5. Turnover and Segment information (continued)

Secondary reporting format – geographical segments

	Turnover Six months ended 30 June 2005	2004	Operating profit Six months ended 30 June 2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000
Geographical segments:				
The Peoples' Republic of China including Hong Kong	89,396	316,837	24,991	21,173
Europe	1,150	—	(703)	—
	90,546	316,837	24,288	21,173

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

As the total carrying amount of segment assets and the total cost incurred during the year to acquire segment assets for each geographical segment other than the Peoples' Republic of China including Hong Kong are less than 10% of the total assets of all geographical segments, no separate disclosure is shown for segment assets by geographical segments.

6. Investment losses

	Six months ended 30 June 2005	30 June 2004
	HK$'000	HK$'000
Other financial assets at fair value through profit or loss:		
- fair value losses (unrealised)	(4,857)	—
- fair value gains (unrealised)	4,446	—
Unrealised losses on other investments	—	(3,826)
Unrealised gains on other investments		3,642
	(411)	(184)

7. Expenses by nature

Expenses included in cost of sales, distribution costs and general and administrative expenses are analysed as follows:

	Six months ended 30 June 2005	30 June 2004
	HK$'000	HK$'000
Cost of sales of securities	59,122	20,798
Cost of sales of properties	—	246,956
Cost of sales of goods	7,769	12,662
Brokerage costs	2,188	—
Amortisation for leasehold land	1,360	716
Depreciation	1,019	718
Staff costs		
Wages and salaries	18,364	8,662
Pension costs – defined contribution plans	251	185
Operating lease rentals in respect of land and buildings	1,327	554
Provision for impairment of doubtful receivables	1,500	5,267

8. Finance costs

	Six months ended 30 June 2005	30 June 2004
	HK$'000	HK$'000
Interest on bank loans		
Wholly repayable within five years	735	1,086
Interest on other loans		
Not wholly repayable within five years	33	48
	768	1,134

9. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profit 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 to the consolidated income statement represents:

	Six months ended 30 June 2005	30 June 2004
	HK$'000	HK$'000
Hong Kong profits tax	—	3,675
	—	3,675

10. Dividends

	Six months ended 30 June 2005	30 June 2004
	HK$'000	HK$'000
Interim dividend proposed of 2.5 HK cents (2004: 5 HK cents) per ordinary share	**10,016**	20,032

At a meeting held on 31 August 2005, the Directors declared an interim dividend of 2.5 HK cents per share for the year ending 31 December 2005. This dividend is not reflected as a dividend payable in these condensed financial statements, but will be reflected as an appropriation of the Company's retained earnings for the year ending 31 December 2005.

11. Basic earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK$30,058,000 (2004: HK$31,859,000).

The basic earnings per share is based on the weighted average of 400,633,217 (2004: 400,633,217) ordinary shares in issue during the period.

12. Intangible Assets

	30 June 2005	31 December 2004
	HK$'000	HK$'000
Trading rights on The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited, at nominal cost	**1**	—

13. Fixed Assets

	Investment property	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures & equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Opening net book amount as at 1 January 2005	4,500	19,634	134	411	645	25,324
Effect of adopting proportionate consolidation of a joint venture	—	—	319	873	—	1,192
Additions	—	—	—	49	—	49
Disposals	—	(18,294)	(60)	(24)	—	(18,378)
Depreciation	—	(441)	(177)	(241)	(160)	(1,019)
Closing net book amount as at 30 June 2005	4,500	899	216	1,068	485	7,168
Opening net book amount as at 1 January 2004	4,500	19,572	228	206	981	25,487
Additions	—	969	—	24	—	993
Depreciation	—	(419)	(65)	(47)	(187)	(718)
Closing net book amount as at 30 June 2004	4,500	20,122	163	183	794	25,762
Additions	—	(47)	15	289	11	268
Disposals	—	—	—	(1)	—	(1)
Depreciation	—	(441)	(44)	(60)	(160)	(705)
Closing net book amount as at 31 December 2004	4,500	19,634	134	411	645	25,324

14. Leasehold land and land use rights/Properties for development/sale

	Leasehold land and land use rights	Properties for development	Properties for sale
	HK$'000	HK$'000	HK$'000
Opening net book amount as at 1 January 2005	63,000	—	64
Additions	163,000	6,949	216
Amortisations	(1,360)	—	—
	224,640	6,949	280
Write back of provision for impairment of land and property	9,827	—	173
Closing net book amount as at 30 June 2005	234,467	6,949	453
Current portion	(29,600)	—	(453)
Non-current portion	204,867	6,949	—
Cost	289,733	31,819	14,825
Provision	(39,618)	(24,870)	(14,372)
Accumulated amortisation	(15,648)	—	—
Closing net book amount as at 30 June 2005	234,467	6,949	453
Opening net book amount as at 1 January 2004	190,000	—	104,911
Disposals	(127,000)	—	(104,911)
Amortisations	(716)	—	—
Write back of provision for impairment of land and property	716	—	—
Closing net book amount as at 30 June 2004	63,000	—	—
Additions	—	—	64
Amortisations	(716)	—	—
Write back of provision for impairment of land and property	716	—	—
Closing net book amount as at 31 December 2004	63,000	—	64
Cost	126,733	24,870	14,436
Provision	(44,098)	(24,870)	(14,372)
Accumulated amortisation	(19,635)	—	—
Closing net book amount as at 31 December 2004	63,000	—	64

15. **Interests in associated companies**

	30 June 2005	31 December 2004
	HK$'000	HK$'000
Share of net assets	**62,360**	105,570
Loans to associated companies (note (a))	**3,288**	2,611

(a) The loans to associated companies are unsecured, interest free and have no fixed terms of repayment.

(b) At 30 June 2005, the Group held interests in the following associated companies:

Name	Place of incorporation/ registration	Principal activities	Interest held indirectly %
Winbox Company Limited	Hong Kong	Manufacture and sale of quality plastic and paper boxes for luxury consumer goods	38%
Guangzhou Science Compile & Flourish Environmental Protective Technic Development Co Limited	The People's Republic of China	Provision of drinking water filtration services and supply of bottled water	36%

The principal place of operation of each company listed above is the same as its place of incorporation/ registration.

(c) The summary of financial information of Winbox Company Limited ("Winbox") for the period ended 30 June 2005 is as follows:

	Winbox
	HK$'000 (Note)
Consolidated income statement	
Turnover	64,689
Profit before taxation	18,657
Consolidated balance sheet	
Total assets	188,651
Total liabilities	(20,493)
Total net assets	168,158

Note: Winbox has a financial accounting period at 31 March which is not coterminous with the Group.

16. Interest in joint venture

On 1 January 2005, a contractual agreement was signed between the shareholders of SBI E2-Capital Limited ("SBI E2"), a former associated company of the Group, and SBI E2 became a 49% owned joint venture afterwards. SBI E2 was incorporated in Cayman Islands, which is engaged in the provision of corporate finance services, securities broking and margin financing. The Group adopted the proportionate consolidation under HKAS 31 to account for its interest in SBI E2 effective on 1 January 2005. In previous years, SBI E2 was accounted for as an associated company under equity accounting. The following amounts represent the Group's 49% share of the assets and liabilities, and sales and results of SBI E2 and are included in the consolidated balance sheet and income statement:

	30 June 2005
	HK$'000
Assets	
Non-current assets	3,819
Current assets	69,662
	73,481
Liabilities	
Long-term liabilities	9,025
Current liabilities	16,692
	25,717
Net assets	47,764

	Six months ended 30 June 2005
	HK$'000
Income	11,219
Expenses	(12,881)
Net loss	(1,662)

16. Interest in joint venture (continued)

The proportionate results of the financial services segment for the six months ended 30 June 2004, assuming that SBI E2 was proportionate consolidated since 1 January 2004 are as follows:

	31 December 2004
	HK$'000
Assets	
Non-current assets	5,471
Current assets	77,706
	83,177
Liabilities	
Long-term liabilities	9,624
Current liabilities	24,128
	33,752
Net assets	49,425

	Six months ended 30 June 2004
	HK$'000
Income	15,339
Expenses	(12,445)
Net income	2,894

17. Available-for-sale financial assets

	30 June 2005
	HK$'000
At 1 January 2005	—
Effect of adopting HKAS 39	54,889
Disposals	(2,335)
At 30 June 2005	52,554

Impairment provision on available-for-sale financial assets in 2005 is nil (2004: nil).

Available-for-sale financial assets include the following:

	30 June 2005
	HK$'000
Unlisted securities	
– Debt securities – Hong Kong	19,000
– Equity securities – Overseas	33,554
	52,554

18. Mortgage loans receivable

The fair values of mortgage loans receivable are as follows:

	30 June 2005	31 December 2004
	HK$'000	HK$'000
Due within one year	378	2,916
Due after one year	27,849	31,174
	28,227	34,090
Less: Provision for impairment of doubtful receivables	(1,500)	(1,550)
	26,727	32,540

The mortgage loans receivable are secured by sub-mortgages of second ranking on certain residential properties in Hong Kong and bear interest at Prime + 1% p.a..

The fair values are based on cash flows discounted using the effective interest rate of Prime + 1% p.a. (2004: Prime + 1% p.a.).

19. Trade and other receivables

The fair value of trade and other receivables are as follows:

	30 June 2005 HK$'000	31 December 2004 HK$'000
Trade receivables	**8,645**	17,509
Accounts receivable arising from the ordinary course of business of dealing in securities	**24,655**	—
Due from associated companies	**3,288**	2,611
Other receivables, prepayments and deposits *(note)*	**35,165**	29,244
	71,753	49,364

Note: Included in the balance was HK$2,015,000 (2004: Nil) equity compensation interests for the Share Scheme of SBI Asia *(note 20)*.

The Group allows an average credit period of 61-90 days for trade debtors. As at 30 June 2005 and 31 December 2004, the ageing analysis of the trade receivables were as follows:

	30 June 2005 HK$'000	31 December 2004 HK$'000
0-60 days	**3,744**	8,597
61-90 days	**1,746**	3,439
Over 90 days	**3,155**	5,473
	8,645	17,509

There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

20. Equity compensation scheme

On 19th December 2003, an equity participation scheme ("the Share Scheme") had been adopted by SBI E2-Capital Asia Limited ("SBI Asia"), a jointly controlled-entity of the Company, in order to provide additional performance incentives to its and its subsidiaries' directors, employees, consultants and advisors (collectively referred to as "Eligible Persons"). Under the Share Scheme, SBI Asia set aside 30% interests in SBI E2-Capital China Holding Limited ("SBI China"), a wholly owned subsidiary of SBI Asia ("the Interests") to a newly incorporated vehicle for the purpose of enabling Eligible Persons to participate in equity interests of SBI China. The vesting of these Interests by the Eligible Persons is generally subject to their fulfilment of a prescribed service period with SBI Asia, although a portion of these Interests vested immediately upon their allotment to the Eligible Persons. The Share Scheme also provides that, upon ceasing as an Eligible Person, that person is required to transfer all of his/her vested Interests to SBI Asia or its nominee at a consideration equal 50% of the latest audited net asset value of those companies underlying such Interests.

21. Other financial assets at fair value through profit or loss

	30 June 2005
	HK$'000
Listed securities	
- Listed in Hong Kong	20,830
- Listed outside Hong Kong	8,050
	28,880
Unlisted securities	43,586
	72,466

22. Investments in securities

	31 December 2004
	HK$'000
Listed securities	
- Listed in Hong Kong	23,756
- Listed outside Hong Kong	31,069
	54,825
Unlisted securities	37,796
Unlisted debt securities	20,354
	112,975
Total investments in securities analysed for reporting purpose:	
Current	65,408
Non-current	47,567
	112,975

23. Share Capital

	Share capital	
	No. of shares	Nominal value US$'000
Authorized:		
At 31 December 2004 and 30 June 2005	750,000,000	750,000

	No. of shares	Nominal value HK$'000
Issued and fully paid:		
At 1 January 2004	572,333,168	572,333
Capital reduction (note (a))	—	(171,700)
Share consolidation (note (b))	(171,699,951)	—
At 31 December 2004 and 30 June 2005	400,633,217	400,633

	30 June 2005	31 December 2004
	HK$'000	HK$'000
Shown in the financial statements as	**400,633**	400,633

By a special resolution passed on 30 April 2004, the Company effected the following exercise (referred to as "Capital Reduction") on 3 May 2004 pursuant to which (all capitalised terms used in sub paragraphs (a) to (c) have the same meaning ascribed to them as stated in the circular issued by the Company dated 7 April 2004):

(a) the nominal value of all the issued Existing Shares will be reduced from HK$1.00 to HK$0.70 each by the cancellation of HK$0.30 of the paid-up capital on each issued Existing Share;

(b) every ten Reduced Shares in the Company will be consolidated into seven New Shares; and

(c) the credit of HK$171,699,951 arising from the Capital Reduction on the basis of 572,333,168 issued Existing Shares will be 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.

Share option scheme

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

24. Reserves

	Contributed surplus	Other reserve	Retained profits/ (Accumulated losses)	Revaluation reserve	Exchange reserve	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2004	82,445	3,369	(138,156)	—	—	(52,342)
Capital reorganization (Note 23(c))	171,700	—	—	—	—	171,700
Transfer from contributed surplus to accumulated losses (Note)	(171,700)	—	171,700	—	—	—
Profit for the period	—	—	31,859	—	—	31,859
At 30 June 2004	82,445	3,369	65,403	—	—	151,217
Dividend	—	—	(20,032)	—	—	(20,032)
Exchange difference	—	—	—	—	(270)	(270)
Profit for the period	—	—	35,203	—	—	35,203
At 31 December 2004	82,445	3,369	80,574	—	(270)	166,118
At 1 January 2005, as per above	82,445	3,369	80,574	—	(270)	166,118
Opening adjustment for the adoption of HKAS39	—	—	1,550	7,322	—	8,872
At 1 January 2005, as restated	82,445	3,369	82,124	7,322	(270)	174,990
Dividend	—	—	(20,032)	—	—	(20,032)
Exchange difference	—	—	—	—	(707)	(707)
Profit for the period	—	—	30,058	—	—	30,058
At 30 June 2005	82,445	3,369	92,150	7,322	(977)	184,309

Note:

HK$45,240,000 of the Group'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 from this financial statement thereafter. The balance of the Group's contributed surplus represents other realised capital reserves. 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.

By a special resolution passed on 18 June 2003, the full amount of contributed surplus of the Company has been transferred to retained profits.

25. Borrowings

The carrying amounts and fair value of the borrowings are as follows:

	30 June 2005	31 December 2004
	HK$'000	HK$'000
Non-current		
Bank loans (secured)	89,000	—
Other loan (secured)	1,537	1,577
	90,537	1,577
Current		
Bank loans (secured)	24,190	24,190
Other loan (secured)	77	77
	24,267	24,267
Total borrowings	114,804	25,844

Bank loans are secured by the leasehold land and land use rights and properties for sale/development of the Group of HK$204,867,000 and HK$6,949,000 (2004: HK$43,000,000 and nil). Other loan is secured by mortgage loans receivable of HK$2,153,000 (2004: HK$2,211,000).

The Group's bank loans and other loan are repayable as follows:

	Bank loans		Other loan	
	30 June 2005	31 December 2004	30 June 2005	31 December 2004
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	24,190	24,190	77	77
In the second year	—	—	77	77
In the third to fifth year	89,000	—	231	231
After the fifth year	—	—	1,229	1,269
	113,190	24,190	1,614	1,654

The effective interest rate as at 30 June 2005 for bank loans repayable within one year is Prime + 0.5% p.a. (2004: Prime + 0.5% p.a.). The effective interest rate for bank loans repayable in the third to fifth year is HIBOR + 0.82% p.a..

Other loan is repayable by instalments from 1 January 2002 to 30 November 2018. Interest is charged on the outstanding balance at Prime + 1.5% p.a. (2004: Prime + 1.5% p.a.).

The carrying amounts of borrowings approximate their fair value.

25. **Borrowings** (continued)

The carrying amounts of the borrowings are denominated in the following currency:

	30 June 2005	31 December 2004
	HK$'000	HK$'000
Hong Kong dollar	114,804	25,844

The Group (excluding the joint venture) has the following undrawn borrowing facilities:

	30 June 2005	31 December 2004
	HK$'000	HK$'000
Floating rate		
- expiring within one year	29,500	29,500
- expiring beyond one year	55,000	—
	84,500	29,500

The facilities expiring within one year are annual facilities subject to review at various dates during 2006.

26. **Trade and other payables**

	30 June 2005	31 December 2004
	HK$'000	HK$'000
Trade payables	2,557	13,224
Accounts payable arising from the ordinary course of business of dealing in securities	11,715	—
Other accounts payables and accruals	22,161	12,794
	36,433	26,018

At 30 June 2005 and 31 December 2004, the ageing analysis of trade payables were as follows:

	30 June 2005	31 December 2004
	HK$'000	HK$'000
0-60 days	1,598	6,033
61-90 days	682	3,561
Over 90 days	277	3,630
	2,557	13,224

27. Contingent liabilities

(a) Corporate guarantees were given to financial institutions for working capital facilities of an associated company and a jointly controlled entity in addition to collaterals provided by these companies. The aggregate amount of such facilities utilised by these companies at 30 June 2005 were as follows:

	30 June 2005	31 December 2004
	HK$'000	HK$'000
Guarantees given to banks for loans to:		
Associated company	4,429	6,429
Jointly controlled entity	5,000	—
Third party	—	33,000
	9,429	39,429

During the period, all the corporate guarantees given to financial institutions for third party have been discharged.

(b) For the purpose of the banking facilities of the SBI E2-Capital Group, the Company provided a guarantee to a bank limited to HK$143 million.

28. Related party transactions

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

(i) Sales of services

	Six months ended 30 June 2005	30 June 2004
	HK$'000	HK$'000
Management fees paid (net) (note (a))	120	43
Financial advisory fees paid (note (b))	30	—
Services fees paid (note (c))	36	—

Notes:

(a) The Group and SBI E2-Capital Group in which the Group has a 49% interest as at 30 June 2005 performed certain administrative services for each other. Management fees were calculated on pre-agreed terms.

(b) The Group paid financial advisory fees to SBI Crosby Ltd, a 50% jointly controlled entity of SBI E2-Capital Group, for financial advisory services provided at agreed rates in accordance with the agreements entered into between the Group and SBI Crosby Ltd.

(c) The Group paid service fees to Softbank Investment International (Strategic) Ltd for IT support and maintenance services on pre-agreed terms.

28. Related party transactions (continued)

(ii) Key management compensation

	Six months ended 30 June 2005	30 June 2004
	HK$'000	HK$'000
Salaries and other short-term employee benefits	11,533	3,706
Share-based payments	705	—
	12,238	3,706

(iii) Amounts due from related parties

	Unaudited 30 June 2005	Audited 31 December 2004
	HK$'000	HK$'000
Associated companies (note (a))	3,288	2,611
Related company with common director (note (b))	6,930	—

Notes:

(a) The balances are unsecured, interest-free and have no fixed terms of repayment.

(b) The balances are unsecured and repayable on demand. Except for a loan of HK$3.5 million which bears interest at Hong Kong Dollor Prime Rate plus 1.5% per annum, the remaining balances are interest free.

(iv) As of 30 June 2005, the Group had investments in Softbank Investment International (Strategic) Ltd which was included in other financial assets at fair value through profit or loss of HK$14,207,000 and available-for-sale financial assets of HK$19,000,000.

29. Subsequent events

(a) On 12 July 2005, the independent shareholders of the Company approved the Company to provide a corporate guarantee with an amount of not more than S$25 million to a bank, which will provide guarantee in the same amount in favour of the Monetary Authority of Singapore on behalf of SBI E2-Capital Asia Securities Pte. Ltd, a subsidiary company of SBI E2-Capital Limited which is 69.4% indirectly held by the Group.

(b) On 29 July 2005, the Company announced that Oceanpass Holdings Limited ("Oceanpass"), a wholly owned subsidiary of the Company has reached an agreement with Apex Strategy Limited ("Apex Strategy"), a company wholly owned by Mr. Yu Kam Kee Lawrence, a director of two subsidiaries of the Group, in respect of the subscription of a 25% equity interest (the "Subscription") by Apex Strategy in Oceanpass. The Subscription is pending the independent shareholders approved in a special general meeting.

On behalf of the Board

Fung Ka Pun	Wong Sin Just
Executive Co-chairman	*Executive Co-chairman*

Hong Kong, 31 August 2005