



E2 - Capital
GROUP

2006

Interim Report

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TRANSFORMATION TO **DELIVER**
SHAREHOLDER VALUE

CORPORATE INFORMATION

Board of Directors

Executive Directors:

Mr. FUNG Ka Pun

(Executive Co-chairman)

Dato' WONG Sin Just

(Executive Co-chairman)

Independent Non-executive Directors:

Mr. ONGPIN Roberto V

Mr. CHUNG Cho Yee, Mico

Mr. HO Kwan Tat

Dr. HUI Ka Wah, Ronnie

Audit Committee

Mr. HO Kwan Tat *(Chairman)*

Mr. CHUNG Cho Yee, Mico

Dr. HUI Ka Wah, Ronnie

Remuneration Committee

Dr. HUI Ka Wah, Ronnie *(Chairman)*

Mr. HO Kwan Tat

Company Secretary

Mr. CHEUNG Chung Wai, Billy

Qualified Accountant

Mr. WONG Kin Fai, Kenny

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited

Hang Seng Bank

Standard Chartered Bank (HK) Limited

Solicitors

Mallesons Stephen Jaques

Woo, Kwan, Lee & Lo, Solicitors

Auditors

PricewaterhouseCoopers

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

43rd Floor, Jardine House

One Connaught Place

Central

Hong Kong

Website

www.e2capital.com

Stock Code

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We are pleased to present herewith the Interim Report of E2-Capital (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") together with the condensed financial statements for the six months ended 30 June 2006. The condensed income statement, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30 June 2006 and the consolidated balance sheet as at 30 June 2006 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 14 to 39 of this report.

INTERIM DIVIDEND

By a written board resolution dated 10 May 2006, the board had resolved and declared to pay to the Shareholders a conditional interim dividend pro rata to their respective shareholdings in the Company which was satisfied wholly by a distribution in specie of the shares of Winbox International (Holdings) Limited ("Winbox") which the Company held 38% indirect interest after the re-organisation of the Winbox group prior to its listing on the Stock Exchange of Hong Kong Limited ("SEHK"). About 38 Winbox Shares were distributed for every 100 Shares held by the Shareholders whose names appeared on the register of members of the Company as at 29 May 2006 and based on the net asset value of the Winbox shares, an interim dividend of approximately \$0.149 per share was paid to our Shareholders. Alternatively, based on the issue price of Winbox shares, an interim dividend of approximately HK\$0.2087 was paid to our Shareholders.

After consultation with legal advisers and in accordance with the bye-law 146 of the Bye-laws of the Company, the Board had resolved that no distribution would be made to the Shareholders whose addresses on the register of members of the Company were outside Hong Kong and Bermuda as at 29 May 2006 where in the absence of a registration statement or other special formalities, such distribution would or might, in the opinion of the Board, be unlawful or impracticable. In the circumstances, arrangements were made to sell these Winbox Shares in the market upon commencement of dealings of Winbox Shares, and net proceeds of sale were distributed to such Shareholders on a pro rata basis provided that such amount was not less than HK\$100 otherwise the proceeds were retained by the Company. Fractional shares were not issued but fractional entitlements were aggregated and disposed of for the benefit of the Company. The shares of Winbox were listed on the Main Board of the SEHK on 6 June 2006 and the distribution was completed in June 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

The Hong Kong and China economy continued to perform well during the first half of 2006 despite the rising interest rates and higher energy prices. With the effort of management, the Group managed to achieve a positive return during this period with a profit attributable to shareholders of HK\$18.2 million (2005: HK\$30.1 million) as a result of the steady performance of the investment and financial services divisions.

FINANCIAL REVIEW

The Group maintained a quick ratio of 4.11 times at 30 June 2006 as compared with 4.52 times at 31 December 2005, calculated on the basis of total bank and cash balances, short term investments in securities and accounts receivable over total current liabilities. Since cash proceeds from the sales of investment securities and properties were reinvested to further Group activities, Group bank and cash balances after distributing the 2005 final dividend of HK\$20 million, still stayed at a comfortable level of HK\$82 million at 30 June 2006 (31 December 2005: HK\$96 million) with the Parent Company remaining debt free and keeping its cash and bank balances at HK\$37 million as at 30 June 2006 (31 December 2005: HK\$69 million).

Consolidated shareholders' funds and net tangible assets per share remained at HK\$563 million and HK\$1.41 respectively at 30 June 2006 (31 December 2005: HK\$594 million and HK\$1.48 respectively), as a result of earnings retained for the six months period ended 30 June 2006, adjusted for the distribution of the 2005 final dividend of HK\$20 million and distribution in specie of our entire interest in Winbox which amounted to HK\$59.9 million.

BUSINESS REVIEW

In the first half of the year, we continued to focus on our belief "Delivering Shareholder Value" and our target to become an integrated investment house and regional financial services group in Asia Pacific. The Company has successfully managed to sustain its profitability through prudent treasury management and selective investments. In the second half of 2006, we will continue to strengthen our investment management initiatives and keep up the organic growth of our financial services operations in the region.

Financial Services

Hong Kong/China

Despite investors' caution over small cap companies, the division performed well in the first half of 2006. The Hong Kong/China division, SBI E2-Capital Asia Securities Limited (formerly known as SBI E2-Capital China Holdings Limited), recorded a net profit of HK\$12.1 million during the six months period ended 30 June 2006 (2005: net loss of HK\$3.8 million). During the period, we have completed several share placements which included Ko Yo Ecological Agrotech (Group) Limited and Pico Far East Holdings Ltd. Regarding IPOs, we were the joint bookrunner and joint lead manager in the listing of DBA Telecommunication (Asia) Holdings Limited, the joint sponsor in the listing of Jilin Qifeng Chemical Fiber Co., Ltd as well as the lead manager in the listing of Hembly International Holdings Limited.

Although the upgrading of our management information system was completed last year, we continued to focus on enhancing operational efficiency and risk management. With further tightening of our credit policy, the provision for impairment loss continues to be kept at a low level and no material provision is considered necessary for the period.

Our research team has further expanded during the period with increased coverage on China related stocks and larger companies. We will continue to keep up the quality of our research products, especially as SBI E2-Capital has been recognized as the Best Local Brokerage House – Hong Kong since 2003 and the Best Domestic Equity House since 2004 by Asiamoney.

The revaluation of Renminbi since the second half of 2005 and the coming reforms in the China Stock Market are 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 2006, which should help the financial services business in the second half of the year.

Singapore/Malaysia

During the first half of 2006, the Group via its subsidiary of our financial services joint venture, SBI E2-Capital Asia Securities Pte Ltd. ("SECA") continued to focus on the development of the branding of SBI E2-Capital in Singapore and Malaysia. SECA participated as primary sub-placement agent for the China Fishery IPO and as the co-manager, underwriter and placement agent for Sino-Environment IPO. SECA earned approximately SGD1 million from these two engagements. SECA also earned SGD1 million from a financial advisory engagement during the same period.

The total revenue for the first-half of 2006 is SGD2.7 million and the expenses incurred are in line with budget. The net profit for the six-month period amounted to SGD1.2 million.

The prospect of SECA is promising for the next six months as the local investment environment remains positive on the economic outlook despite the recent market correction in July 2006. SECA expects to end the year with a profitable position.

SBI CROSBY

During the first half of 2006, SBI CROSBY Limited ("SBI CROSBY"), a 50/50 joint venture of our 49% owned financial services unit, has achieved a revenue of HK\$5.9 million (2005: HK\$8.8 million) and recorded a net loss of HK\$1.3 million (2005: net profit HK\$1.6 million). In July 2006, SBI CROSBY has successfully joint sponsored and joint co-led the listing of Hembly International Holdings Limited and we believe that SBI CROSBY will continue to facilitate the performance of the Group's Greater China business in the second half of the year.

Fund of Funds

With the uncertainty in interest rates and the risk of stagflation in the US as well as elevated energy prices, the Company will remain cautious in managing investment risks and to capture market opportunities for any new market development in the region. Winslow Asset Management Limited ("Winslow"), a Limited Partnership type of investment vehicle has built up a portfolio up to HK\$121.1 million investment in hedge funds and venture capital as at 30 June 2006 (31 December 2005: HK\$100.4 million), performed well and contributed a turnover and operating profit of HK\$104.8 million and HK\$35.8 million respectively to the Group (2005: HK\$67.1 million and HK\$5.1 million respectively). In fact, we have already set up partnerships with certain institutional funds via investing in funds such as Axix Asia Absolute Fund and CM Investment Advisers (Singapore) Pte Ltd. We will

invest in 3 to 5 funds in the second half of 2006 or early next year and expect they can contribute a fruitful result to the Group in the forthcoming years.

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\$15.8 million revenue to the Group and recorded a loss of HK\$2.6 million during the period (2005: HK\$1.1 million and HK\$0.7 million respectively). We expect the division's performance will further improve in the second half of 2006 as the demand of digital consumer products keeps steady in the global markets. As we work closely with our customers and orders are closely monitored, no undue inventory risk was taken. The Group will continue to explore potential markets such as the South East Asia so as to capture the growth of the economies in the region.

Industrial

Due to the increase in fuel costs and the pressure on operating expenses as exerted by Renminbi appreciation, the Group's dyestuff business, operated through Cheung Wah Ho Dyestuff Company Limited and Lancerwide Company Limited, recorded a loss of HK\$2.3 million with turnover of HK\$9.3 million for the six months ended 30 June 2006 (2005: profit of HK\$47,000 and HK\$10.7 million respectively). We expect that the trading of dyestuff will remain challenging in the second half of the year.

In order to raise the corporate profile and to broaden the shareholders' base, Winbox, an associated company of the Group which operated its packaging business principally out of China, was successfully listed on the Main Board of the Hong Kong Stock Exchange in June 2006. Our entire interest in Winbox has been distributed to our shareholders by way of dividend in specie and Winbox ceased to be an associated company of the Group thereafter. Winbox remained stable and profitable in the five months ended 31 May 2006 as its revenue and net profit before tax stood at HK\$55 million and HK\$7 million respectively (six months period ended 30 June 2005: HK\$65 million and HK\$19 million respectively).

Property

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

No 21 Grampian Road and the majority share of Nos 23 & 25 Grampian Road in Kowloon Tong, the two residential sites that we acquired last year, lie within a traditional prime residential area with many famous schools in the vicinity. The site areas are 11,935 sq ft. and 10,230 sq ft respectively. They will be redeveloped to a medium-rise luxurious residential building.

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. The Hong Kong Institute of Surveyors has granted an award "2005 Top 10 Flat Layout" to GPL. GPL will develop Greenery Gardens Phase II at an adjacent site into a low-density luxurious villas development. Site assembly and planning application are currently in progress.

The Shanghai Tianma Project, which was 13.35% held by the Group (2005: 13.35%), 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 membership sales. The development works for a new phase of villas have commenced and we expect pre-selling will start by late 2006 or early next year. We believe the macro economic austerity measures in China will favour those capable property developers in the market, particularly in the Shanghai luxurious villas 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 sites and flats, the Hong Kong property market is likely to become more active. After the disposal of industrial building at 12 – 16 Fui Yiu Kok Street in Tsuen Wan and the residential site at Tso Wo Hang in Sai Kung, the Group has more financial resources to participate in more sizeable new projects with higher profitability and return. In order to capture more business opportunities, GPL is very active in seeking opportunities in expanding its land bank in Hong Kong as well as exploring 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.

Community Relations

E2-Capital Group continued to actively participate in community service under the SBI E2-Capital brand name in 2006 and maintained a close partnership with the Hong Kong Community Chest.

We were the patron of Victoria Prison Open Day (12 March 2006) which supported the Chest's "Aftercare Services for Ex-drug users & Ex-offenders". We were also a Silver Patron of the Outward Bound Annual Ball 2006 (12 May 2006).

Our commitment to community service will continue in the second half of the year as we have signed up for The Dress Special Day (scheduled for 29 September 2006) to support the Chest's "Family and Child Welfare Services". Our commitment toward our community will extend to other parts of the Asia region when SBI E2-Capital Asia Securities Pte Ltd becomes a Diamond Bull Sponsor of The Bull Run to be held in Singapore (scheduled for 10 November 2006) to support needy children and youths.

Liquidity and financial resources

As at 30 June 2006, the Group's cash and other short-term investments in securities totaled HK\$203 million (31 December 2005: HK\$211 million). Of the total borrowings of HK\$175 million (31 December 2005: HK\$175 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\$1 million is repayable within one year.

Liquidity of the Group is kept at a healthy position with a quick ratio of 4.11 times as at 30 June 2006 as compared with 4.52 times as at 31 December 2005, calculated on the basis of total bank and cash balances, short term investments in securities and accounts receivable over current liabilities. Long term gearing at 30 June 2006, calculated on the basis of long term debt over shareholders' funds, is 37.36% as compared with 35.43% at 31 December 2005.

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 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.

The Group's borrowings are denominated in Hong Kong dollars 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 2006, the Group and the jointly controlled entity employed a total of 29 and 70 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\$11.8 million for the period ended 30 June 2006. The Group ensures that the remuneration 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 2006, leasehold land and land use rights and properties for sale/development with an aggregate value of approximately HK\$356 million have been pledged to secure banking facilities of HK\$172 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 2006 amounted to HK\$132.4 million (31 December 2005: HK\$125.8 million).

Exposure to fluctuations in exchange rates and related hedges

As at 30 June 2006, 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 2006 will continue to be challenging since there are factors ahead that could affect the global investment sentiment. E2-Capital will continue to identify potential opportunities despite the uncertainties in interest rates and the possibility of an economic slowdown in the US. Going forward, we will continue to enhance and develop our revenue streams and simultaneously to take a prudent approach in allocating financial and human resources into projects with high return and limited capital outlay. E2-Capital will continue to transform itself into an integrated financial services provider and investment firm and set its focus on identifying and converting viable business opportunities to deliver long term and sustainable value to our shareholders, partners, employees and customers.

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company and Associated Corporation

As at 30 June 2006, the interests of each Director and Chief Executive and their associates in the shares of the Company and any of its associated corporation (within the meaning of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and 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 Transaction by Directors of Listed Companies ("Model Code"), were as follows:

Number of ordinary shares of the Company held-long positions

Name of director	Personal interests	Corporate interests	Other Interests	Total
Mr. Fung Ka Pun	3,443,197	106,898,484 (Note 1)	—	110,341,681
Dato' Wong Sin Just	2,310,000	—	105,395,000 (Note 2)	107,705,000

Number of ordinary shares of the associated corporation held-long positions

Name of associated corporation	Name of director	Personal interests	Other Interests
SBI E2-Capital Limited	Dato' Wong Sin Just	6	— (Note 3)
Boxmore Limited	Mr. Fung Ka Pun	—	2,000 (Note 4)

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 105,036,181 shares in the Company respectively as at 30 June 2006, representing approximately 26.68% 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 and Short Positions in the Shares of the Company".
- (2) Dato' Wong Sin Just has beneficial interests in e2-Capital Inc., which was interested in 105,395,000 shares in the Company as at 30 June 2006, representing approximately 26.31% 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 and Short Positions in the Shares of the Company".
- (3) Dato' Wong Sin Just holds 6 shares, representing approximately 2% in the issued share capital of SBI E2-Capital Limited.
- (4) On 12 May 2006, Boxmore Limited had subdivided its every issued and unissued share of US\$1.00 into 100 shares of US\$0.01 each, and its issued share capital had reduced by US\$7,389,300 by cancelling 738,930,000 shares of US\$0.01. The spouse of Mr. Fung Ka Pun has beneficial interest in 2,000 shares, representing 20% in the issued share capital of Boxmore Limited.

Other than as disclosed above, as at 30 June 2006, none of the Directors and Chief Executive and their associates had any other interests in shares in, or debentures of, the Company or any of its associated corporation which had been entered in the register maintained by the Company 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 2006, there was no share option scheme adopted by the Company.

Substantial Shareholders' Interests and Short Positions in the Shares of the Company

As at 30 June 2006, the following entities have interests or 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 were as follows:

Name of shareholder	Number of ordinary shares - long positions	Capacity	Percentage of issued share capital	Note
e2-Capital Inc.	105,395,000	Beneficial owner	26.31	
Couits (Cayman) Limited	105,395,000	Trustee	26.31	
Goodwill International	105,036,181	Beneficial owner	26.22	
Newmark Capital Corporation Limited	48,160,588	Beneficial owner	12.02	1
Newmark Capital Holdings Limited	48,160,588	Interest of controlled corporation	12.02	1
Ng Poh Meng	48,160,588	Interest of controlled corporation	12.02	1
Lawson Holdings Limited	25,376,750	Beneficial owner	6.33	2
Clariden Trust (Cayman) Limited	25,376,750	Trustee	6.33	2
Benson Equities Inc.	25,376,750	Nominee	6.33	2
Kua Phek Long	25,376,750	Founder of a discretionary trust	6.33	
Softbank Investment International (Strategic) Limited	22,750,000	Beneficial owner	5.68	
Strategic Capital Holdings Limited	22,722,000	Beneficial owner	5.67	

Other than as disclosed above, as at 30 June 2006, 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.

Notes:

- (1) Newmark Capital Corporation Limited is wholly-owned by Newmark Capital Holdings Limited which in turn is wholly owned by Mr. Ng Poh Meng.
- (2) Lawson Holdings Limited is wholly owned by Clariden Trust (Cayman) Limited and Benson Equities Inc is the nominee of Lawson Holdings Limited.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES

None of the directors of the Company is aware of any information which would reasonably indicate that the Company is not, or was not for any part throughout the period ended 30 June 2006, in compliance with the Code on Corporate Governance Practices ("CG Code") as set out in Appendix 14 of the Listing Rules, save for the CG Code Provision A.2.1 that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. However the problem of over concentration of roles and responsibilities on one individual does not exist since the Board is co-managed by two Executive Directors who are the Executive Co-Chairmen of the Company.

The Company is committed to the establishment of good corporate governance practices and procedures. The corporate governance principles of the Company emphasize a quality board, sound internal control, transparency and accountability to all shareholders.

Directors' Securities Transactions

The Company has adopted the Model Code of Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transaction. Based on specific enquiry of all the directors of the Company, the directors have complied with the required standard as set out in the Model Code for the period ended 30 June 2006.

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 2006.

Audit Committee

The Company has established an Audit Committee with reference to "A Guide for the Formation of an Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The terms of the Audit Committee are consistent with the provisions set out in the relevant section of the CG Code and are available on the Company's website.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters including a review of the unaudited condensed interim financial statements for the six months ended 30 June 2006 with the Directors and external auditors.

OTHER DISCLOSURES

As at 30 June 2006, the aggregate amount of the financial assistance and guarantees provided by the Group to its affiliated companies namely, SBI E2-Capital Securities Limited, SBI E2-Capital Brokerage Limited and SBI E2-Capital Commodities Limited (hereafter collectively refer as "Affiliated Companies") as defined in the Listing Rules exceeded the relevant percentage ratio of 8% under the Listing Rules. In accordance with Rule 13.22 of the Listing Rules, the pro forma combined balance sheet of the Affiliated Companies as at 30 June 2006 and the Group's attributable interest therein are set out as follows:

	Pro forma combined balance sheet of Affiliated Companies <i>HK\$'000</i>	Group's attributable interest <i>HK\$'000</i>
Non-current assets	62,789	30,767
Current assets	151,646	74,306
Current liabilities	(85,456)	(41,873)
Net current assets	66,190	32,433
Total assets less current liabilities	128,979	63,200
Non-current liabilities	—	—
Net assets	128,979	63,200
Issued capital	55,000	
Reserves	73,979	
Capital and reserves	128,979	

As at 30 June 2006, the aggregate amount of the financial assistance and guarantees provided by the Group to SECA, an affiliated company as defined in the Listing Rules exceeded the relevant percentage ratio of 8% under the Listing Rules. In accordance with Rule 13.22 of the Listing Rules, the pro forma balance sheet of SECA as at 30 June 2006 and the Group's attributable interest therein are set out as follows:

	Proforma balance sheet of an Affiliated Company <i>HK\$'000</i>	Group's attributable interest <i>HK\$'000</i>
Non-current assets	3,083	2,140
Current assets	60,698	42,124
Current liabilities	(28,797)	(19,985)
Net current assets	31,901	22,139
Total assets less current liabilities	34,984	24,279
Non-current liabilities	—	—
Net assets	34,984	24,279
Issued capital	32,794	
Reserves	2,190	
Capital and reserves	34,984	

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2006**

	Note	Unaudited	
		Six months ended 30 June	
		2006	2005
		HK\$'000	HK\$'000
Revenue	5	155,635	90,546
Cost of sales		(123,303)	(69,933)
Gross profit		32,332	20,613
Other revenues/(losses)		6,014	(812)
Gain on disposal of fixed assets		1,810	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
Realized gain on other financial assets at fair value through profit or loss	6	7,062	—
Unrealised gain/(loss) on other financial assets at fair value through profit or loss (net)	6	18,379	(411)
Distribution costs		(92)	(147)
General and administrative expenses		(44,705)	(34,616)
Impairment loss on investment deposit		(5,000)	—
Operating profit	7	15,800	24,288
Finance costs	8	(2,091)	(768)
Share of profits less losses of associated companies		5,755	6,216
Profit before taxation		19,464	29,736
Taxation	9	(1,249)	—
Profit after taxation		18,215	29,736
Minority interests		2	322
Profit attributable to shareholders		18,217	30,058
Dividends	10	59,850	10,016
Basic earnings per share	11	HK cents 4.55	HK cents 7.50

The notes on pages 19 to 39 form an integral part of this condensed financial information.

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2006 AND 31 DECEMBER 2005

		Unaudited 30 June 2006	Audited 31 December 2005
	Note	<u>HK\$'000</u>	<u>HK\$'000</u>
ASSETS			
Non-current assets			
Intangible assets	12	1	1
Fixed assets	13	1,676	2,818
Investment property	13	888	10,000
Leasehold land and land use rights	14	333,139	336,884
Properties for development/sale	14	22,755	19,800
Interests in associates	15	26,281	76,019
Available-for-sale financial assets	17	97,906	36,854
Mortgage loans receivable			
– non-current portion	18	10,745	20,893
Other non-current assets		4,395	4,208
		<u>497,786</u>	<u>507,477</u>
Current assets			
Inventories		6,304	6,429
Available-for-sale financial assets	17	—	14,000
Other financial assets at fair value through profit or loss	20	121,084	100,384
Mortgage loans receivable			
– current portion	18	235	1,802
Trade and other receivables	19	80,027	86,608
Bank deposits under conditions		56,250	57,988
Cash and cash equivalents		81,844	96,314
		<u>345,744</u>	<u>363,525</u>
Total assets		<u><u>843,530</u></u>	<u><u>871,002</u></u>

The notes on pages 19 to 39 form an integral part of this condensed financial information.

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2006 AND 31 DECEMBER 2005

	Note	Unaudited 30 June 2006 HK\$'000	Audited 31 December 2005 HK\$'000
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Share capital	21	400,633	400,633
Reserves	22	162,477	193,042
		<u>563,110</u>	<u>593,675</u>
Minority interests		1,133	1,135
		<u>564,243</u>	<u>594,810</u>
LIABILITIES			
Non-current liabilities			
Borrowings	23	173,732	173,738
Deferred taxation		28	28
Loan from a minority shareholder of a subsidiary		36,598	36,598
		<u>210,358</u>	<u>210,364</u>
Current liabilities			
Trade and other payables	24	66,286	61,407
Taxation payable		1,267	134
Borrowings	23	771	1,179
Loan from a minority shareholder of a subsidiary		605	3,108
		<u>68,929</u>	<u>65,828</u>
Total liabilities		<u>279,287</u>	<u>276,192</u>
Total equity and liabilities		<u>843,530</u>	<u>871,002</u>
Net current assets		<u>276,815</u>	<u>297,697</u>
Total assets less current liabilities		<u>774,601</u>	<u>805,174</u>

The notes on pages 19 to 39 form an integral part of this condensed financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2006

	Share capital	Other reserves	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
	<u>400,633</u>	<u>174,990</u>	<u>10,699</u>	<u>586,322</u>
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
	<u>400,633</u>	<u>184,309</u>	<u>10,125</u>	<u>595,067</u>
Balance at 30 June 2005	<u>400,633</u>	<u>184,309</u>	<u>10,125</u>	<u>595,067</u>
Balance at 1 January 2006, as previously reported as equity	400,633	193,042	1,135	594,810
Dividend	—	(20,032)	—	(20,032)
Dividend in specie	—	(59,850)	—	(59,850)
Exchange difference	—	2,109	—	2,109
Fair value gains on available-for-sale financial assets	—	28,991	—	28,991
Profit for the period	—	18,217	(2)	18,215
	<u>400,633</u>	<u>162,477</u>	<u>1,133</u>	<u>564,243</u>
Balance at 30 June 2006	<u>400,633</u>	<u>162,477</u>	<u>1,133</u>	<u>564,243</u>

The notes on pages 19 to 39 form an integral part of this condensed financial information.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2006**

	Unaudited	
	Six months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Net cash inflow from operating activities	<u>3,956</u>	<u>3,733</u>
Net cash inflow/(outflow) from investing activities	<u>5,382</u>	<u>(115,852)</u>
Net cash (outflow)/inflow from financing activities	<u>(23,808)</u>	<u>67,493</u>
Decrease in cash and cash equivalents	<u>(14,470)</u>	<u>(44,626)</u>
Effect of adopting proportionate consolidation of a joint venture	—	22,529
Cash and cash equivalents at 1 January	<u>96,314</u>	<u>222,925</u>
Cash and cash equivalents at 30 June	<u><u>81,844</u></u>	<u><u>200,828</u></u>
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	<u><u>81,844</u></u>	<u><u>200,828</u></u>

The notes on pages 19 to 39 form an integral part of this condensed financial information.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

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

The condensed consolidated financial information should be read in conjunction with the 2005 annual financial statements.

2. Accounting policies

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial information are consistent with those set out in note 2 to the annual financial statements for the year ended 31 December 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 2006). The HKFRS standards and interpretations that will be applicable at 31 December 2006, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

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 23. 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 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

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 sheet 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 making 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. Revenue 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. Revenue and Segment information (continued)

Primary reporting format – business segments (continued)

Six months ended 30 June 2006
HK\$'000

	Broking Services (Note (a))	Investment Banking (Note (a))	Direct Investments (Note (b))	Industrial & Management Operating Services	Digital Consumer Products	Property	Group
Revenues	20,343	4,639	104,809	9,299	15,795	750	155,635
Segment results	5,560	207	35,841	(2,252)	(2,624)	(4,667)	32,065
General corporate expenses							(16,265)
Operating profit							15,800
Finance costs	(1,158)	—	(16)	(58)	—	(859)	(2,091)
Share of profits less losses of associated companies	3,647	(211)	—	2,319	—	—	5,755
Profit before taxation							19,464
Taxation							(1,249)
Profit after taxation							18,215
Minority interests							2
Profit attributable to shareholders							18,217

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 are accounted for using proportionate consolidation 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.

5. Revenue 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

5. Revenue and Segment information (continued)

Secondary reporting format – geographical segments

	Revenue		Operating profit	
	Six months ended 30 June		Six months ended 30 June	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Geographical segments:				
The Peoples' Republic of China including Hong Kong	139,840	89,396	18,424	24,991
Europe	15,795	1,150	(2,624)	(703)
	<u>155,635</u>	<u>90,546</u>	<u>15,800</u>	<u>24,288</u>

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 gains/(losses)

	Six months ended	
	30 June 2006	30 June 2005
	HK\$'000	HK\$'000
Other financial assets at fair value through profit or loss:		
– fair value gains (realised)	7,062	—
	<u>7,062</u>	<u>—</u>
Other financial assets at fair value through profit or loss:		
– fair value losses (unrealised)	(1,749)	(4,857)
– fair value gains (unrealised)	20,128	4,446
	<u>18,379</u>	<u>(411)</u>

7. Operating profit

The following items have been charged/(credited) to the operating profit during the interim period:

	Six months ended	
	30 June 2006	30 June 2005
	HK\$'000	HK\$'000
Other financial assets at fair value through profit or loss:		
– fair value gains (realised)	(7,062)	—
– fair value losses (unrealised)	1,749	4,857
– fair value gains (unrealised)	(20,128)	(4,446)
Gain on disposal of fixed assets	(1,810)	(29,661)
Cost of sale of securities	96,178	59,122
Cost of sale of goods	21,828	7,769
Brokerage costs	4,965	2,188
Amortisation for leasehold land	3,745	1,360
Depreciation	388	1,019
Staff costs		
Wages and salaries	24,472	18,364
Pension costs – defined contribution plans	292	251
Operating lease rentals in respect of land and buildings	3,596	1,327
Provision for impairment of doubtful receivables	750	1,500
Provision for impairment of inventories	1,508	—
	<u> </u>	<u> </u>

8. Finance costs

	Six months ended	
	30 June 2006	30 June 2005
	HK\$'000	HK\$'000
Interest on bank loans		
Wholly repayable within five years	1,125	735
Interest on other loans		
Not wholly repayable within five years	966	33
	<u> </u>	<u> </u>
	<u>2,091</u>	<u>768</u>

9. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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 2006	30 June 2005
	HK\$'000	HK\$'000
Hong Kong profits tax	1,249	—
	<u>1,249</u>	<u>—</u>

10. Dividends

	Six months ended	
	30 June 2006	30 June 2005
	HK\$'000	HK\$'000
Interim dividend paid of 14.9 HK cents (2005: 2.5 HK cents) per ordinary share	59,850	10,016
	<u>59,850</u>	<u>10,016</u>

On 10 May 2006, the Board resolved to declare and pay to the shareholders an interim dividend of approximately HK\$0.2087 per share, which was satisfied wholly by a distribution in specie of Winbox International (Holdings) Limited ("Winbox") shares held by the Company representing 38% of the issued share capital of Winbox immediately prior to its listing. The value of approximately HK\$0.2087 per share has been determined by dividing the projected total market value of the Winbox shares to be held by the Company by the aggregate number of total issued shares of the Company. About 38 Winbox shares were distributed for every 100 shares held by the shareholders whose names appear on the register of members of the Company as at 29 May 2006. Since Winbox has been an associated company of the Group which was carried at book value, the dividend in specie based on the share of net asset value of Winbox was about HK\$0.149 per share.

11. Basic earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$18,217,000 (2005: HK\$30,058,000) and the weighted average of 400,633,217 (2005: 400,633,217) ordinary shares in issue during the period.

12. Intangible Assets

	30 June 2006	31 December 2005
	HK\$'000	HK\$'000
Trading rights on The Stock Exchange of Hong Kong Limited and Hong Kong Futures Exchange Limited, at nominal cost	<u>1</u>	<u>1</u>

13. Fixed Assets

	Investment property	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
Additions	—	—	—	105	871	976
Disposals	—	—	—	(1)	(330)	(331)
Depreciation	—	(11)	(125)	(215)	(145)	(496)
Fair value gains	5,500	—	—	—	—	5,500
Exchange difference	—	—	1	—	—	1
Closing net book amount as at 31 December 2005	10,000	888	92	957	881	12,818
Opening net book amount as at 1 January 2006	10,000	888	92	957	881	12,818
Additions	—	—	39	86	—	125
Disposals	(10,000)	—	—	—	—	(10,000)
Transfers	888	(888)	—	—	—	—
Depreciation	—	—	(39)	(201)	(148)	(388)
Exchange difference	—	—	—	9	—	9
Closing net book amount as at 30 June 2006	888	—	92	851	733	2,564

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	—	216
Amortisations	(1,360)	—	—
Write back of provision for impairment of land and property	9,827	—	173
	<u>234,467</u>	<u>—</u>	<u>453</u>
Closing net book amount as at 30 June 2005	234,467	—	453
Additions	117,500	—	16,400
Disposals	(29,600)	—	(14,313)
Amortisations	(3,367)	—	—
Write back of provision for impairment of land and property	17,884	3,400	13,860
	<u>17,884</u>	<u>3,400</u>	<u>13,860</u>
Closing net book amount as at 31 December 2005	<u>336,884</u>	<u>3,400</u>	<u>16,400</u>
Opening net book amount as at 1 January 2006	336,884	3,400	16,400
Additions	—	—	2,955
Amortisations	(3,745)	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
Closing net book amount as at 30 June 2006	333,139	3,400	19,355
Current portion	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>
Non-current portion	<u>333,139</u>	<u>3,400</u>	<u>19,355</u>

15. Interests in associates

	30 June 2006	31 December 2005
	HK\$'000	HK\$'000
Share of net assets	<u>26,281</u>	<u>76,019</u>
Loans to associates (note (a))	4,228	3,877
Loans from associates (note (a))	<u>(1,542)</u>	<u>(1,120)</u>

(a) The loans to/from associates are unsecured, interest free and repayable on demand.

(b) At 30 June 2006, the Group held interests in the following associates:

Name	Place of incorporation/ registration	Principal activities	Interest held %
SBI E2-Capital Asia Holdings Pte. Ltd. (Note i)	Singapore	Provision of corporate finance and brokerage services	69.4
SBI E2-Capital (HK) limited	Hong Kong	Provision of corporate finance services	24
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.

- (i) The Group holds a 69.4% effective interest in SBI E2-Capital Asia Holdings Pte. Ltd, 40% of which was held directly by the Group whereas the remaining 29.4% was held indirectly through a 49% owned joint venture, SBI E2-Capital Limited and the investment was accounted for as an associate.

15. **Interests in associates** (continued)

The summary of financial information of SBI E2-Capital Asia Holdings Pte Ltd ("SBI Singapore") and SBI E2-Capital (HK) Limited ("SBI HK") for the six months ended 30 June 2006 is as follows:

	SBI Singapore	SBI HK
	HK\$'000	HK\$'000
Income statement		
Revenue	13,248	499
Profit/(loss) before taxation	5,255	(892)
Balance sheet		
Total assets	63,781	8,553
Total liabilities	(28,797)	(236)
Total net assets	<u>34,984</u>	<u>8,317</u>

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 is incorporated in Cayman Islands, and is engaged in the provision of corporate finance services, securities broking and margin financing. The Group has accounted for its interest in SBI E2 using proportionate consolidation with effect from 1 January 2005. 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 2006	31 December 2005
	HK\$'000	HK\$'000
Assets		
Non-current assets	14,492	14,865
Current assets	88,743	83,683
	<u>103,235</u>	<u>98,548</u>
Liabilities		
Long-term liabilities	28	28
Current liabilities	46,100	45,811
	<u>46,128</u>	<u>45,839</u>
Net assets	<u>57,107</u>	<u>52,709</u>

16. Interest in joint venture (continued)

	Six months ended	
	30 June 2006	30 June 2005
	HK\$'000	HK\$'000
Income	25,712	11,219
Expenses	(21,314)	(12,881)
Net profit/(loss)	<u>4,398</u>	<u>(1,662)</u>

Corporate guarantees were given to financial institutions for working capital facilities of SBI E2. At 30 June 2006, HK\$5,000,000 (31 December 2005: HK\$5 million) of such facilities was utilized by SBI E2 (note 25).

17. Available-for-sale financial assets

	30 June 2006	31 December 2005
	HK\$'000	HK\$'000
Current portion	—	14,000
Non - current portion	<u>106,984</u>	<u>48,776</u>
	106,984	62,776
Less: Impairment provision	<u>(9,078)</u>	<u>(11,922)</u>
	<u>97,906</u>	<u>50,854</u>

Available-for-sale financial assets include the following:

	30 June 2006	31 December 2005
	HK\$'000	HK\$'000
Unlisted securities		
– Debt securities – Hong Kong	19,000	19,000
– Equity securities – Overseas	<u>43,776</u>	<u>43,776</u>
	62,776	62,776
Listed securities		
– Equity securities – Overseas	<u>44,208</u>	—
	<u>106,984</u>	<u>62,776</u>

18. Mortgage loans receivable

The fair values of mortgage loans receivable are as follows:

	30 June 2006	31 December 2005
	HK\$'000	HK\$'000
Due within one year	235	1,802
Due after one year	12,995	22,393
	<u>13,230</u>	<u>24,195</u>
Less: Provision for impairment of doubtful receivables	(2,250)	(1,500)
	<u>10,980</u>	<u>22,695</u>

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 carrying value of the mortgage loans receivable approximates the fair values based on cash flows discounted using the effective interest rate of Prime + 1% p.a. (31 December 2005: Prime + 1% p.a.).

19. Trade and other receivables

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

	30 June 2006	31 December 2005
	HK\$'000	HK\$'000
Trade receivables	8,468	7,841
Accounts receivable arising from the ordinary course of business of dealing in securities	45,225	51,924
Due from associates	4,228	3,877
Other receivables, prepayments and deposits	22,106	22,966
	<u>80,027</u>	<u>86,608</u>

The Group allows an average credit period of 61-90 days for trade debtors. As at 30 June 2006 and 31 December 2005, the ageing analysis of the trade receivables were as follows:

	30 June 2006	31 December 2005
	HK\$'000	HK\$'000
0-60 days	3,369	3,130
61-90 days	1,094	1,048
Over 90 days	4,005	3,663
	<u>8,468</u>	<u>7,841</u>

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

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

	30 June 2006	31 December 2005
	HK\$'000	HK\$'000
Listed securities		
– Listed in Hong Kong	29,447	21,336
– Listed outside Hong Kong	11,251	10,040
	<u>40,698</u>	<u>31,376</u>
Unlisted securities	80,386	69,008
	<u>121,084</u>	<u>100,384</u>

21. Share Capital

	No. of shares	Nominal value HK\$'000
Authorized:		
At 31 December 2005 and 30 June 2006	<u>750,000,000</u>	<u>750,000</u>
	No. of shares	Nominal value HK\$'000
Issued and fully paid:		
At 31 December 2005 and 30 June 2006	<u>400,633,217</u>	<u>400,633</u>
	30 June 2006	31 December 2005
	HK\$'000	HK\$'000
Shown in the financial statements as	<u>400,633</u>	<u>400,633</u>

Share option scheme

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

22. Reserves - Group

	Contributed surplus	Other reserve	Retained profits	Revaluation reserve	Exchange reserve	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2005	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
Dividend	—	—	(10,016)	—	—	(10,016)
Exchange difference	—	—	—	—	(4)	(4)
Fair value loss on available-for-sale financial assets	—	—	—	(1,700)	—	(1,700)
Profit for the period	—	—	20,453	—	—	20,453
At 31 December 2005	82,445	3,369	102,587	5,622	(981)	193,042
At 1 January 2006	82,445	3,369	102,587	5,622	(981)	193,042
Dividend	—	—	(20,032)	—	—	(20,032)
Dividend in specie	—	—	(59,850)	—	—	(59,850)
Exchange difference	—	—	—	—	2,109	2,109
Fair value gain on available-for-sale financial assets	—	—	—	28,991	—	28,991
Profit for the period	—	—	18,217	—	—	18,217
At 30 June 2006	82,445	3,369	40,922	34,613	1,128	162,477

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 dividends paid and payable 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.

23. Borrowings

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

	<u>30 June 2006</u>	<u>31 December 2005</u>
	HK\$'000	HK\$'000
Non-current		
Bank loans (secured)	172,440	172,440
Other loan (secured)	<u>1,292</u>	<u>1,298</u>
	<u>173,732</u>	<u>173,738</u>
Current		
Bank loans (secured)	716	1,102
Other loan (secured)	<u>55</u>	<u>77</u>
	<u>771</u>	<u>1,179</u>
Total borrowings	<u><u>174,503</u></u>	<u><u>174,917</u></u>

Bank loans are secured by the leasehold land and land use rights and properties for sale/development of the Group of HK\$333,139,000 and HK\$22,755,000 respectively (31 December 2005: HK\$336,884,000 and HK\$19,800,000 respectively). Other loan is secured by mortgage loans receivable of HK\$1,772,000 (31 December 2005: HK\$1,811,000).

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

	Bank loans		Other loan	
	<u>30 June 2006</u>	<u>31 December 2005</u>	<u>30 June 2006</u>	<u>31 December 2005</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	716	1,102	55	77
In the second year	172,440	172,440	55	77
In the third to fifth year	—	—	165	231
After the fifth year	<u>—</u>	<u>—</u>	<u>1,072</u>	<u>990</u>
	<u><u>173,156</u></u>	<u><u>173,542</u></u>	<u><u>1,347</u></u>	<u><u>1,375</u></u>

The effective interest rate as at 30 June 2006 for bank loans repayable within one year is Prime + 0.5% p.a. (31 December 2005: Prime + 0.5% p.a.). The effective interest rate for bank loans repayable in the second 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. (31 December 2005: Prime + 1.5% p.a.).

The carrying amounts of borrowings approximate their fair value.

23. Borrowings (continued)

The carrying amounts of the borrowings are denominated in Hong Kong dollars

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

	<u>30 June 2006</u>	<u>31 December 2005</u>
	HK\$'000	HK\$'000
Floating rate		
– expiring within one year	5,284	4,898
– expiring beyond one year	<u>94,000</u>	<u>55,000</u>
	<u><u>99,284</u></u>	<u><u>59,898</u></u>

The facilities expiring within one year are annual facilities subject to review at various dates during 2007.

24. Trade and other payables

	<u>30 June 2006</u>	<u>31 December 2005</u>
	HK\$'000	HK\$'000
Trade payables	1,960	2,524
Accounts payable arising from the ordinary course of business of dealing in securities	<u>37,464</u>	38,202
Due to associates	1,542	1,120
Other account payables and accruals	<u>25,320</u>	<u>19,561</u>
	<u><u>66,286</u></u>	<u><u>61,407</u></u>

At 30 June 2006 and 31 December 2005, the ageing analysis of trade payables were as follows:

	<u>30 June 2006</u>	<u>31 December 2005</u>
	HK\$'000	HK\$'000
0-60 days	1,147	1,639
61-90 days	667	276
Over 90 days	<u>146</u>	<u>609</u>
	<u><u>1,960</u></u>	<u><u>2,524</u></u>

25. Contingent liabilities

- (a) Corporate guarantees were given to financial institutions for working capital facilities of an associated company and a joint venture in addition to collateral provided by these companies. The aggregate amount of such facilities utilised by these companies at 30 June 2006 were as follows:

	<u>30 June 2006</u>	<u>31 December 2005</u>
	HK\$'000	HK\$'000
Guarantees given to banks for loans to:		
Associated company	127,413	120,779
Joint venture	<u>5,000</u>	<u>5,000</u>
	<u>132,413</u>	<u>125,779</u>

- (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.

26. 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	
	<u>30 June 2006</u>	<u>30 June 2005</u>
	HK\$'000	HK\$'000
Management fees received/(paid) (net) (note (a))	311	(120)
Financial advisory fees paid (note (b))	—	(30)
Services fees paid (note (c))	<u>(8)</u>	<u>(36)</u>

Notes:

- (a) The Group and SBI E2-Capital Group in which the Group has a 49% interest as at 30 June 2006 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.

26. Related party transactions (continued)

(ii) Key management compensation

	Six months ended	
	30 June 2006	30 June 2005
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	12,924	11,533
Share-based payments	—	705
	<u>12,924</u>	<u>12,238</u>

(iii) Amounts due from related parties

	Unaudited	Audited
	30 June 2006	31 December 2005
	HK\$'000	HK\$'000
Associated companies (net) (note (a))	2,686	2,757
Related company with common director (note (b))	7,140	7,019
Related party (note (c))	<u>(36,598)</u>	<u>(36,598)</u>

Notes:

- (a) The balances are unsecured, interest-free and repayable on demand.
- (b) The balances are unsecured and repayable on demand. Except for a loan of HK\$3.7 million which bears interest at Hong Kong Dollar Prime Rate plus 1.5% per annum, the remaining balances are interest free.
- (c) On 29 July 2005, Oceanpass Holdings Limited, a subsidiary of the Company which is incorporated with limited liability in the British Virgin Islands, entered into an Agreement with Apex Strategy Limited, a company wholly owned by Mr. Yu Kam Kee Lawrence in respect of the subscription of a 25% equity interest by Apex Strategy Limited in Oceanpass for the consideration of US\$250 together with the provision of a non interest bearing unsecured shareholder's loan from Apex Strategy Limited in the sum of HK\$36.6 million and the assumption of the liabilities by Mr. Yu and/or Apex Strategy Limited in respect of the banking facilities granted to Oceanpass group in the amount of HK\$36.6 million.
- (iv) As of 30 June 2006, 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\$23,096,000 and available-for-sale financial assets of HK\$18,344,000.
- (v) On 20 June 2006, Goodwill Investment (BVI) Limited, a wholly owned subsidiary of the Company, entered into a Sale and Purchase Agreement with ebizal (Holdings) Limited, a wholly owned subsidiary of Softbank Investment International (Strategic) Limited ("Softbank") which one of the Executive Directors of the Company namely Dato' Sin Just Wong is an Executive Director and Vice Chairman of Softbank, regarding the purchase of 24% interest in Draco Investment Limited for a consideration of about HK\$1.25 million. The subscription was completed in June 2006.

On behalf of the Board

Fung Ka Pun

Executive Co-chairman

Wong Sin Just

Executive Co-chairman

Hong Kong, 13 September 2006

E2-CAPITAL (HOLDINGS) LIMITED

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