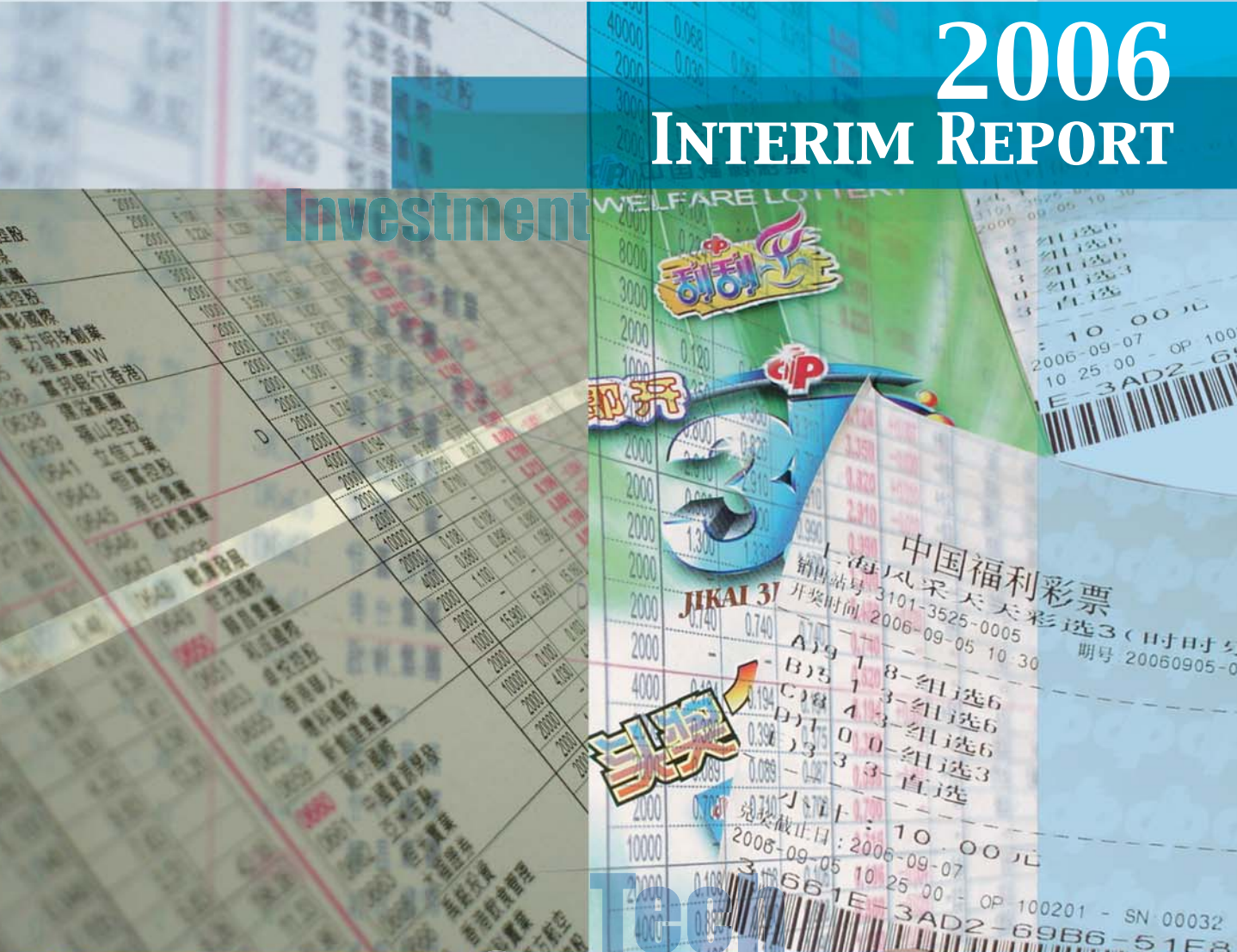




Softbank Investment  
International (Strategic) Limited  
(Stock Code: 648)

# 2006 INTERIM REPORT

Investment



Strategy



Multi-Media

## 2006 INTERIM REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2006

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors:*

YU Kam Kee, Lawrence BBS, MBE, JP (*Chairman*)

Dato' WONG Sin Just DIMP

(*Vice Chairman and Chief Executive Officer*)

WONG Kean Li

YU Chung Hang, Lucian

FU Yan

#### *Non-executive Director:*

YU Kam Yuen, Lincoln

#### *Independent Non-executive Directors:*

LO Wing Yan, William JP

CHAN Kai Yu, Rudy

Raja Datuk Karib Shah BIN SHAHRUDIN

SIMP, PSD, DSAP, SAP

### AUDIT COMMITTEE

LO Wing Yan, William JP

CHAN Kai Yu, Rudy

Raja Datuk Karib Shah BIN SHAHRUDIN

SIMP, PSD, DSAP, SAP

YU Kam Yuen, Lincoln

### REMUNERATION COMMITTEE

LO Wing Yan, William JP

CHAN Kai Yu, Rudy

YU Kam Yuen, Lincoln

### EXECUTIVE COMMITTEE

YU Kam Kee, Lawrence BBS, MBE, JP

Dato' WONG Sin Just DIMP

WONG Kean Li

YU Chung Hang, Lucian

### COMPANY SECRETARY

WONG Kean Li CANTAB MA

### QUALIFIED ACCOUNTANT

CHIU Yu To, Alan CPA

### PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Industrial and Commercial Bank of China (Asia) Ltd

Mizuho Corporate Bank, Ltd

### AUDITORS

PricewaterhouseCoopers

### SHARE REGISTRARS

Tengis Limited

26th Floor, Tesbury Centre

28 Queen's Road East, Wanchai

Hong Kong

### REGISTERED OFFICE

3rd to 5th Floors

SBI Centre

56 Des Voeux Road Central

Hong Kong

### WEBSITE

[www.softbank.com.hk](http://www.softbank.com.hk)

### STOCK CODE

648

## MANAGEMENT COMMENTARY

### TO THE SHAREHOLDERS

On behalf of the board of directors (the “Directors” or the “Board”) of Softbank Investment International (Strategic) Limited (the “Company”), I hereby announce the unaudited interim results of the Company and its subsidiaries (the “Group”), and its jointly controlled entities for the six months ended 30 June 2006.

### CONSOLIDATED FINANCIAL REVIEW

For the six months ended 30 June 2006, the Company recorded a consolidated turnover of HK\$75,481,000, representing an increase of approximately 48% over the corresponding period last year. The increase was mainly contributed from the financial services group under SBI E2-Capital Limited (“SBI E2”).

The loss attributable to shareholders for the period was HK\$13,549,000, representing an improvement of HK\$21,791,000 from a loss of HK\$35,340,000 for the corresponding period last year.

Basic loss per share was HK0.30 cents (six months ended 30 June 2005: HK0.82 cents).

### BUSINESS REVIEW

During the period under review, the Directors and the management of the Group have worked tirelessly and made significant efforts towards building upon its existing areas of strength while at the same time forging new frontiers both geographically and in terms of its investment opportunities. This invigorating transformation in investment strategy has, amongst others, culminated in the Group’s entry into the PRC welfare lottery-related business, establishing what the Group considers to be the foundation for future growth.

Despite recording a loss of HK\$13,549,000 for the period under review, this represents a significant improvement in performance compared with the same period last year, and corroborates the Group’s belief that its previous readjustment of objectives and strategies to capitalise on the reviving market environment has firmly laid the foundations for a turnaround in prospects and will ultimately bear fruit.

#### 1. Investment Holding Division

The Investment Holding Division contributed towards approximately 8% of the Company’s consolidated turnover. It recorded a turnover of HK\$6,101,000 (six months ended 30 June 2005: HK\$1,795,000) and an operating loss of HK\$18,386,000 for the six months ended 30 June 2006 (six months ended 30 June 2005: loss of HK\$12,027,000). The loss was mainly attributed to the expensing of share-based benefits of approximately HK\$11,210,000.

The Group has maintained its vision in developing strong and diversified investment and venture capital businesses in greater China and the Asia Pacific region through direct investments, involvement in funds managed by the Company and continual proactive participation in the overall strategic planning and business development of investee companies. During the period under review, perhaps the most exciting event has been the Group's entry into the PRC welfare lottery-related business; namely, the acquisition of 20% equity interest in China Gloria Consultants (Shanghai) Limited ("CGC (Shanghai)", formerly Noble World International Limited and thereafter China Gloria Consultants Limited).

Pursuant to a consultancy agreement dated 20 March 2006 (the "Consultancy Agreement"), CGC (Shanghai) has been appointed as an exclusive consultant to China Gloria Investment & Management Co., Ltd. ("CGIM") for the provision of capital management, finance, marketing and public relations services. CGIM engages in the promotion, sales agency and marketing, operational management and consultancy in the lottery business, and is unique insofar as it is one of the very few organisations that is authorised to provide lottery marketing/sales agency services in the PRC, unlike other players in the industry, whom are technology providers. CGIM have currently signed long term strategic cooperation contracts with five provinces/cities in the PRC; namely, the cities of Shanghai, Haikou, Chongqing and Wuhan as well as the province of Heilongjiang.

Welfare lottery is one of the two PRC government authorised streams of betting in China, the other being sports lottery, and ties in with the ongoing reforms promulgated by the Chinese Ministry of Finance to eradicate illegal lottery and underground casinos.

On 27 March 2006, SIIS Welfare Limited (formerly Enter Dragon Investments Limited), an indirect wholly-owned subsidiary of the Company, entered into an agreement with (inter alia) the vendors, pursuant to which SIIS Welfare Limited agreed to purchase 10% of the equity interest in CGC (Shanghai) at a consideration of HK\$15,000,000, to be satisfied by way of consideration shares issued by the Company.

Subsequently on 29 May 2006, SIIS Welfare Limited and CGC (Shanghai) entered into a share subscription agreement (the "Share Subscription Agreement") whereby SIIS Welfare Limited agreed to subscribe for an additional 10% equity interest in CGC (Shanghai) at a consideration of HK\$46,000,000; such that immediately upon completion of the said subscription, SIIS Welfare Limited shall possess 20% of the total equity interest in CGC (Shanghai). The consideration has been satisfied by way of cash. At the same time, the Consultancy Agreement shall be amended such that CGC (Shanghai) will be remunerated by way of a consultancy and services fee representing and/or equivalent to 1.5% of gross lottery revenue for Shanghai made in relation to the 'Lottery Sales Agency Promotion and Strategic Cooperation Services Agreement' signed by and between the Shanghai Welfare Lottery Issue Centre with CGIM, with the previous cap of RMB150 million (cumulative) removed, such that there shall be no limit or cap.

Whereas it was also a term of the Share Subscription Agreement that SIIS Welfare Limited shall be granted the option to, but shall not be obliged to, acquire such number of new shares in CGC (Shanghai) so as to possess 50% of the overall equity interest in CGC (Shanghai) for a further consideration of HK\$454 million (the "Option"), subsequently, on 21 July 2006, SIIS Welfare Limited, CGC (Shanghai) and CG Representative Limited, a company wholly beneficially owned by Mr. Xu Litian, agreed to restructure the Option such that CGC (Shanghai) will be used solely as an entity relating to CGIM's Shanghai operations, and for the Option to be exercised via newly created entities in respect of each of CGIM's operations in Heilongjiang, Chongqing, Haikou, and its online lottery operations; namely, China Gloria Consultants (Heilongjiang) Limited ("CGC Heilongjiang"), China Gloria Consultants (Chongqing) Limited ("CGC Chongqing"), China Gloria Consultants (Haikou) Limited ("CGC Haikou") and China Gloria Consultants (Online) Limited ("CGC Online"). Accordingly, the former China Gloria Consultants Limited has been renamed "China Gloria Consultants (Shanghai) Limited".

In May 2006, the Company has successfully placed 500,000,000 new shares at HK\$0.1 per share and raised a net proceed of approximately HK\$49,155,000. Of which, HK\$46,000,000 have been used to acquire an additional 10% equity interest in CGC (Shanghai) as mentioned above, and the remaining balance of approximately HK\$3,155,000 has been retained as general working capital.

#### **Subsequent Event**

On 21 July 2006, the Group entered into various investment agreements whereby the Group will subscribe for shares in CGC Heilongjiang, CGC Chongqing, CGC Haikou and CGC Online and additional shares in CGC (Shanghai) for a total consideration of HK\$454,000,000 so as to possess 50% of the overall equity interest in each of these companies. The completion of the subscriptions shall be subject to the approval of the Directors and shareholders of the Company as well as future fund raising.

## **2. Financial Services Division**

The performance of the Financial Services Division comprises of the fund management business, which is operated by SIIS Investment Management Limited, and the financial services group under SBI E2.

The Financial Services Division contributed approximately 46% of the Company's consolidated turnover. It recorded a turnover of HK\$34,426,000 (six months ended 30 June 2005: HK\$13,354,000) and an operating profit of HK\$10,275,000 for six months ended 30 June 2006 (six months ended 30 June 2005: operating loss of HK\$4,589,000).

## Financial Services Group

### *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 SBI E2-Capital China Holdings Limited), recorded a net profit of HK\$12,100,000 during the six months ended 30 June 2006 (six months ended 30 June 2005: net loss of HK\$3,800,000). 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.

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 has been recognised 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 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 period, the Group via its subsidiary of our financial services joint venture, SBI E2-Capital Asia Securities Pte Ltd (“SECA Securities”) continued to focus on the development of the branding of “SBI E2-Capital” in Singapore and Malaysia. SECA Securities 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 Securities earned approximately SGD1,000,000 from these two engagements. SECA Securities also earned SGD1,000,000 from a financial advisory engagement during the same period.

The total revenue for the first-half of 2006 was SGD2,700,000 and the expenses incurred are in line with the budget. The net profit for the six-month period amounted to SGD1,200,000.

The prospect of SECA Securities 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 Securities 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\$5,900,000 (six months ended 30 June 2005: HK\$8,800,000) and recorded a net loss of HK\$1,300,000 (six months ended 30 June 2005: net profit HK\$1,600,000). In July 2006, SBI CROSBY has successfully joint sponsored and jointly 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.

### 3. Media, Consulting, Marketing and Technology Services Division

The Division mainly comprises the education technology services operated by Sun-Tech International Group Limited (“Sun-Tech”), which has since been disposed, and media business operated by iMediaHouse Asia Limited (“IMHA”), an associated company of the Company, and the sale and provision of IT technology products by Supresoft Imagis Inc., an associated company of the Company.

The Division contributed approximately 4% of the Company’s consolidated turnover. Its turnover was HK\$2,700,000 (six months ended 30 June 2005: HK\$8,259,000) and the operating profit was HK\$943,000 for the six months ended 30 June 2006 (six months ended 30 June 2005: operating loss of HK\$3,980,000). The decrease in turnover was mainly due to the deconsolidation of Sun-Tech following the completion of the restructuring of its corporate structure in March 2006. In addition, the Group disposed 1,666 shares in IMHA to the other venturer on 15 July 2005. Following the disposal, the Group reclassified IMHA as an associated company. Prior to 15 July 2005, IMHA was a jointly controlled entity of the Company and its results had been proportionately consolidated. Within the Division, share of losses of associated companies amounted to HK\$2,622,000 for the six months ended 30 June 2006 as compared to HK\$14,667,000 for the same period in 2005, reflecting the absence of a one-off goodwill impairment of HK\$13,428,000 which had been made in the first half of 2005.

In June 2006, the Group began the process of divesting its investment in Sun-Tech by selling its 19.2% effective equity interest in Sun-Tech. Following the disposal, the Group’s effective equity interest in Sun-Tech has reduced to 1.6%. The Division also recognised a capital gain on disposal of approximately HK\$397,000 in the profit and loss account for the six months ended 30 June 2006.

### 4. Garment Manufacturing Division

The Garment Manufacturing Division is operated by our 51% owned subsidiary, Foshan Chande Knitting Enterprise Company, Limited, which is located in Foshan City, Guangdong province. The Division accounted for approximately 37% of the Company’s consolidated turnover. For the six months ended 30 June 2006, it recorded a turnover of HK\$28,317,000 (six months ended 30 June 2005: HK\$24,684,000) and an operating profit of HK\$751,000 (six months ended 30 June 2005: HK\$379,000). Despite the tight competition, the Division was able to maintain a steady contribution to the Group.

### 5. Property Holding Division and Others

The Property Holding Division and others accounted for approximately 5% of the Company’s consolidated turnover. The Division’s turnover amounted to HK\$3,937,000 (six months ended 30 June 2005: HK\$3,054,000) and an operating profit of HK\$2,207,000 (six months ended 30 June 2005: HK\$807,000) was recorded for the six months ended 30 June 2006, in which HK\$2,200,000 (six months ended 30 June 2005: HK\$1,210,000) was attributed to the gain arising from the revaluation of investment properties.



## PROSPECTS

The Group has maintained its vision in developing strong and diversified investment and venture capital businesses in Greater China and the Asia Pacific region through direct investments, involvement in funds managed by the Company and continual proactive participation in the overall strategic planning and business development of investee companies. In the recent past, the Directors and the management of the Group have worked tirelessly and made significant efforts to build upon its existing areas of strength while at the same time forging new frontiers both geographically and in terms of its investment opportunities. Perhaps the most exciting event has been the Group's entry into the PRC welfare lottery-related business; namely, the acquisition of 20% equity interest in CGC (Shanghai), a company primarily engaged in the provision of capital management, finance, marketing and public relations services, particularly in the fields of lottery, gaming and entertainment.

CGC (Shanghai) has been appointed as an exclusive consultant to CGIM for the provision of capital management, finance, marketing and public relations services. CGIM engages in the promotion, sales agency and marketing, operational management and consultancy in the lottery business, and is unique insofar as it is one of the very few organisations that is authorised to provide lottery marketing/sales agency services in the PRC, unlike other players in the industry, whom are technology providers. CGIM have currently signed long term strategic cooperation contracts with five provinces/cities in the PRC; namely, the cities of Shanghai, Haikou, Chongqing and Wuhan as well as the province of Heilongjiang.

The PRC lottery market is still in its infancy, with lottery revenue per capita still far below the level seen in developed lottery markets, pointing to huge potential growth in the coming years as China upgrades its traditional lottery services to newer services such as Video Lottery Terminals (VLT's) and Keno. In addition, the Group can also leverage on the existing expertise of its portfolio investee companies in further developing Internet and mobile strategy and technologies for CGIM, which can be synergistic.

Whereas the investment into CGC (Shanghai) will be the highlight of the Group's portfolio, the Group will continue to seek out new investment opportunities as well as maintain a prudent approach towards its entire operations, adopting stringent and rational measures to continue reducing costs, streamlining processes and enhancing efficiency.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2006, the Company's consolidated bank and cash balances totalled HK\$91,780,000 (31 December 2005: HK\$83,133,000). Of the consolidated bank and cash balances, HK\$52,607,000 is attributable to the jointly controlled entities (31 December 2005: HK\$35,726,000).

On 28 August 2002, the Company, through its wholly-owned subsidiary, SIIS Treasury Limited, issued 5% guaranteed convertible notes due 2005 (the "2005 Notes"). On 25 August 2005, the Group entered into a supplemental agreement with the noteholder whereby the maturity date of the outstanding 2005 Notes in the principal amount of HK\$5,000,000 has been extended from 29 August 2005 to 28 August 2008. Save as the extension of the maturity date, all other terms and conditions remain unchanged. There was no conversion during the six months ended 30 June 2006.

On 2 February 2004 and 13 February 2004, the Company, through its wholly-owned subsidiary SII Treasury Limited, issued 5% guaranteed convertible notes (collectively the “2006 Notes”) with principal amounts of HK\$33,200,000 and HK\$14,800,000, which are due on 2 February 2006 and 13 February 2006 respectively. As at 31 December 2005, the outstanding principal amounts of the 2006 Notes were HK\$15,000,000. On 2 February 2006, the Group entered into a new subscription agreement with a noteholder under which the Group agreed to the issuance of HK\$14,000,000 6% guaranteed new convertible notes due in February 2009 to replace the 2006 Notes with the same principal amount. The remaining outstanding principal amounts of HK\$1,000,000 of 2006 Notes were fully redeemed on 13 February 2006. There was no conversion during the six months ended 30 June 2006.

In March 2006, the Company issued 150,000,000 new shares at HK\$0.1 per share as consideration for the acquisition of 10% equity interest in CGC (Shanghai). Subsequently in May 2006, the Company has successfully placed 500,000,000 new shares at HK\$0.1 per share and raised net proceeds of approximately HK\$49,155,000. Of which, HK\$46,000,000 have been used to acquire an additional 10% equity interest in CGC (Shanghai), and the remaining balance of approximately HK\$3,155,000 has been retained as general working capital.

As at 30 June 2006, the Company’s total outstanding consolidated borrowings (excluding the above mentioned convertible notes) amounted to HK\$75,036,000 (31 December 2005: HK\$72,897,000). The total borrowings will be repayable, as to approximately HK\$3,883,000 within one year and the remainder of approximately HK\$71,153,000 between two to five years. Included in the total borrowings are amounts denominated in Japanese yen and Renminbi which were equivalent to HK\$71,153,000 and HK\$3,883,000 respectively. The borrowings denominated in Japanese yen were borrowed from former group companies in Japan against which the Company does not hedge the related foreign exchange fluctuation risk. Owing to this foreign exchange fluctuation, the Company recorded a HK\$2,102,000 exchange loss on translation for the six months ended 30 June 2006 (six months ended 30 June 2005: exchange gain of HK\$5,465,000).

As at 30 June 2006, the consolidated equity totalled HK\$314,991,000, and the gearing ratio was 24% (31 December 2005: 33%), calculated by dividing the total borrowings, excluding convertible notes, of HK\$75,036,000 (31 December 2005: HK\$72,897,000) by the consolidated equity of HK\$314,991,000 (31 December 2005: HK\$221,148,000).

## **CHARGES ON GROUP ASSETS**

As at 30 June 2006, the Group’s banking facilities were secured by properties of the Group with net book value of HK\$5,355,000 (31 December 2005: HK\$5,363,000).

## **CONTINGENT LIABILITIES**

Details of contingent liabilities are set out in note 17 to the accounts.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2006, the total number of employees of the Group was approximately 720 (excluding employees of jointly controlled entities). The employees are offered discretionary bonuses based on merit and performance. The Group also encourages and subsidises employees to enrol in external training courses and seminars organised by professional bodies. Employees of the Group are eligible to be granted share options under the Company’s share option scheme at the discretion of the Board. The Group also provides other benefits to the employees including retirement benefits and medical scheme.

## SHARE OPTION SCHEME

On 30 October 2001, at the annual general meeting, the Company adopted a share option scheme (the "Scheme") under which the Board may, at its discretion, invite any full time and part time employees, directors, consultants or advisors of any of the companies within the Group to take up options to subscribe for ordinary shares of the Company at any time during ten years from the date of adoption. The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company shall not exceed such number of shares as shall represent 30% of the issued share capital of the Company from time to time. Other details of the Scheme were disclosed in the circular dated 28 September 2001.

Details of the movements in share options granted under the Scheme during the period were as follows:

Grantee	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options				At 30 June 2006
				At 1 January 2006	Granted during the period	Exercised during the period	Lapsed during the period	
<b>Directors</b>								
Yu Kam Kee,	21-02-2002	21-02-2002 to 20-02-2012	0.28	24,402,000	—	—	—	24,402,000
Lawrence	03-11-2003	03-11-2003 to 02-11-2013	0.10	35,000,000	—	—	—	35,000,000
	24-05-2004	24-05-2004 to 23-05-2014	0.10	1,632,000	—	—	—	1,632,000
	10-04-2006	10-04-2006 to 09-04-2016	0.10	—	43,112,000 <sup>2</sup>	—	—	43,112,000
Wong Sin Just	21-02-2002	21-02-2002 to 20-02-2012	0.28	24,402,000	—	—	—	24,402,000
	03-11-2003	03-11-2003 to 02-11-2013	0.10	35,000,000	—	—	—	35,000,000
	24-05-2004	24-05-2004 to 23-05-2014	0.10	1,632,000	—	—	—	1,632,000
	10-04-2006	10-04-2006 to 09-04-2016	0.10	—	43,112,000 <sup>2</sup>	—	—	43,112,000
Wong Kean Li	21-02-2002	21-02-2002 to 20-02-2012	0.28	6,000,000	—	—	—	6,000,000
	03-11-2003	03-11-2003 to 02-11-2013	0.10	35,000,000	—	—	—	35,000,000
	24-05-2004	24-05-2004 to 23-05-2014	0.10	1,632,000	—	—	—	1,632,000
	10-04-2006	10-04-2006 to 09-04-2016	0.10	—	43,112,000 <sup>2</sup>	—	—	43,112,000
Yu Chung Hang, Lucian	29-03-2005	29-03-2005 to 28-03-2015	0.10	10,000,000 <sup>7</sup>	—	—	—	10,000,000
	10-04-2006	10-04-2006 to 09-04-2016	0.10	—	43,112,000 <sup>2</sup>	—	—	43,112,000
Fu Yan	28-04-2006	28-04-2006 to 27-04-2016	0.104	—	37,466,000 <sup>3</sup>	—	—	37,466,000
Yu Kam Yuen, Lincoln	03-11-2003	03-11-2003 to 02-11-2013	0.10	20,000,000	—	—	—	20,000,000
	24-05-2004	24-05-2004 to 23-05-2014	0.10	15,000,000	—	—	—	15,000,000
	10-04-2006	10-04-2006 to 09-04-2016	0.10	—	21,556,000 <sup>2</sup>	—	—	21,556,000

Grantee	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options				
				At 1 January 2006	Granted during the period	Exercised during the period	Lapsed during the period	At 30 June 2006
<b>Directors (continued)</b>								
Lo Wing Yan, William	03-11-2003	03-11-2003 to 02-11-2013	0.10	3,632,000	—	—	—	3,632,000
	10-04-2006	10-04-2006 to 09-04-2016	0.10	—	4,310,000 <sup>2</sup>	—	—	4,310,000
Chan Kai Yu, Rudy	03-11-2003	03-11-2003 to 02-11-2013	0.10	3,632,000	—	—	—	3,632,000
	10-04-2006	10-04-2006 to 09-04-2016	0.10	—	4,310,000 <sup>2</sup>	—	—	4,310,000
Raja Datuk Karib Shah bin Shahrudin	10-04-2006	10-04-2006 to 09-04-2016	0.10	—	4,310,000 <sup>2</sup>	—	—	4,310,000
<b>Employees</b>								
	21-02-2002	21-02-2002 to 20-02-2012	0.28	11,800,000	—	—	—	11,800,000
	03-11-2003	03-11-2003 to 02-11-2013	0.10	24,372,000	—	(1,856,000) <sup>4</sup>	(1,500,000)	21,016,000
	24-05-2004	24-05-2004 to 23-05-2014	0.10	68,800,000	—	(300,000) <sup>4</sup>	(3,000,000)	65,500,000
	10-04-2006	10-04-2006 to 09-04-2016	0.10	—	100,000,000 <sup>2</sup>	—	—	100,000,000
<b>Consultants</b>								
	21-02-2002	21-02-2002 to 20-02-2012	0.28	17,000,000 <sup>8</sup>	—	—	—	17,000,000
	03-11-2003	03-11-2003 to 02-11-2013	0.10	62,750,000 <sup>8</sup>	—	(2,750,000) <sup>5</sup>	—	60,000,000
	26-01-2004	26-01-2004 to 25-01-2014	0.12	5,000,000	—	—	—	5,000,000
	24-05-2004	24-05-2004 to 23-05-2014	0.10	241,632,000 <sup>8</sup>	—	(10,000,000) <sup>6</sup>	—	231,632,000
	29-03-2005	29-03-2005 to 28-03-2015	0.10	14,000,000	—	—	—	14,000,000
	10-04-2006	10-04-2006 to 09-04-2016	0.10	—	86,738,000 <sup>2</sup>	—	—	86,738,000

**Notes:**

- (1) No share option was cancelled during the period under review.
- (2) At the date immediately before these options were granted, the closing price per share was HK\$0.069.
- (3) At the date immediately before these options were granted, the closing price per share was HK\$0.103.
- (4) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK\$0.127.
- (5) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK\$0.138.
- (6) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK\$0.142.
- (7) Options previously classified under "Employees" were re-classified under "Directors" as a result of the appointment of Mr Yu Chung Hang, Lucian as Director of the Company on 1 January 2006.
- (8) 15,000,000 options (granted on 21 February 2002), 35,000,000 options (granted on 3 November 2003) and 1,632,000 options (granted on 24 May 2004) previously classified under "Directors" were re-classified under "Consultants" as a result of the resignation of Mr Wang Ruiping as Director of the Company on 1 January 2006 and his appointment as consultant of the Group immediately thereafter.
- (9) Options granted to Directors are immediately vested on the date of grant or on a later date in which the grantee became a Director of the Company (as the case may be).

(10) Options granted to employees are vested as follows:

<b>Date of grant</b>	<b>Vesting date</b>	<b>No. of share options vested</b>
21-02-2002	21-02-2002	375,000
	01-11-2002	375,000
	21-02-2003	2,575,000
	01-11-2003	750,000
	21-02-2004	2,575,000
	21-02-2005	5,150,000
03-11-2003	03-11-2003	5,222,000
	03-11-2004	6,050,000
	03-11-2005	13,100,000
24-05-2004	24-05-2004	17,200,000
	26-01-2005	17,200,000
	26-01-2006	34,400,000
10-04-2006	10-04-2006	25,000,000
	10-04-2007	25,000,000
	10-04-2008	50,000,000

(11) Options granted to consultants are vested as follows:

<b>Date of grant</b>	<b>Vesting date</b>	<b>No. of share options vested</b>
21-02-2002	03-08-2002	2,000,000
	17-08-2002	3,750,000
	17-08-2003	3,750,000
	03-10-2003	7,500,000
03-11-2003	03-11-2003	41,250,000
	03-11-2004	6,500,000
	03-11-2005	15,000,000
26-01-2004	26-01-2004	5,000,000
24-05-2004	24-05-2004	211,632,000
	26-03-2005	10,000,000
	26-03-2006	20,000,000
29-03-2005	29-03-2005	11,000,000
	29-03-2006	1,000,000
	29-03-2007	2,000,000
10-04-2006	10-04-2006	73,803,500
	10-04-2007	4,311,500
	10-04-2008	8,623,000

- (12) In assessing the fair value of the share options granted during the period, the Black-Scholes option pricing model (the "Black-Scholes Model") has been used. The Black-Scholes Model is one of the generally accepted methodologies used to calculate the fair value of options and is one of the recommended option pricing models set out in Chapter 17 of The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The variables of the Black-Scholes Model include expected life of the options, risk-free interest rate, expected volatility and expected dividend rate (if any) of the Company's shares.

The variables of the Black-Scholes Model used in assessing the fair value of the share options granted during the period and the estimated fair values are listed as follows:

Grantee	Date of grant	Expected life	Risk-free rate	Expected volatility	Expected dividend yield	Estimated fair value per option HK\$
Directors	10-04-2006	5 years	4.553%	64.91%	0%	0.0258
	28-04-2006	5 years	4.576%	79.38%	0%	0.0694
Employees	10-04-2006	5 years	4.553%	64.91%	0%	0.0258
Consultants	10-04-2006	5 years	4.553%	64.91%	0%	0.0258

- (a) The expected life is measured from the date of grant (the "Measurement Date").
- (b) The risk-free rate applied to the Black-Scholes Model represents the yield of the Hong Kong Exchange Fund Notes at the Measurement Date corresponding to the expected life of the options as at the Measurement Date.
- (c) The expected volatility used in the calculation is based on the standard deviation of the returns of the daily closing prices of the Company's shares for the last twelve months from the Measurement Date.
- (d) Based on historic pattern, it is assumed that no dividend would be paid out during the expected life of the options.

Using the Black-Scholes Model in assessing the fair value of share options granted during the period, the options would have an aggregate estimated fair value of approximately HK\$12,756,878, calculated as follows:

Grantee	Date of grant	Number of share options granted during the period	Estimated fair value of options granted during the period HK\$
<b>Directors</b>			
Yu Kam Kee, Lawrence	10-04-2006	43,112,000	1,112,289.60
Wong Sin Just	10-04-2006	43,112,000	1,112,289.60
Wong Kean Li	10-04-2006	43,112,000	1,112,289.60
Yu Chung Hang, Lucian	10-04-2006	43,112,000	1,112,289.60
Yu Kam Yuen, Lincoln	10-04-2006	21,556,000	556,144.80
Lo Wing Yan, William	10-04-2006	4,310,000	111,198.00
Chan Kai Yu, Rudy	10-04-2006	4,310,000	111,198.00
Raja Datuk Karib Shah bin Shahrudin	10-04-2006	4,310,000	111,198.00
Fu Yan	28-04-2006	37,466,000	2,600,140.40
<b>Employees</b>	10-04-2006	100,000,000	2,580,000.00
<b>Consultants</b>	10-04-2006	86,738,000	2,237,840.40
		Total	<u>12,756,878.00</u>

In assessing the aggregate estimated fair value of the share options, no adjustment has been made for possible future forfeiture of the options. Prior to 1 January 2005, no amounts were recognised when grantees were granted share options to acquire shares of the Company. If the grantees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2005, in order to comply with HKFRS 2, the Company recognises the fair value of such share options as an expense in the profit and loss account. A corresponding increase is recognised in the share option reserve under equity. Where the grantees are required to meet vesting conditions before they become entitled to the share options, the Group recognises the fair value of the share options granted as an expense over the vesting period.

If a grantee chooses to exercise options, the respective amount in the share option reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised, the related share option reserve is transferred directly to another equity to reflect that the share options are no longer outstanding.

The new accounting policy has been applied retrospectively with comparatives restated in accordance with HKFRS 2, except that the Company has taken advantage of the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies have not been applied to the following grants of options:

- (i) all options granted to grantees on or before 7 November 2002; and
- (ii) all options granted to grantees after 7 November 2002 but which had vested before 1 January 2005.

It should be noted that the value of options calculated using the Black-Scholes Model is based on various assumptions and is only an estimate of the fair value of share options granted during the period. It is possible that the financial benefit accruing to the grantee of an option will be considerably different from the value estimated using the Black-Scholes Model at the Measurement Date.

## DIRECTORS' INTERESTS IN SHARES AND OPTIONS

As at 30 June 2006, the following Directors of the Company were interested in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listing Companies:

### (A) Interests in the Company

#### (1) Shares

Name of Director	Number of ordinary shares of HK\$0.10 each			Approximate percentage of the issued shares
	Personal interest	Corporate interest	Total	
Yu Kam Kee, Lawrence	162,918,026	4,882,965 <i>(Note)</i>	167,800,991	3.37%
Fu Yan	75,000,000	—	75,000,000	1.51%
Yu Kam Yuen, Lincoln	12,083,885	—	12,083,885	0.24%
Wong Sin Just	3,002,000	—	3,002,000	0.06%

*Note:* Mr Yu Kam Kee, Lawrence has a shareholding of 60% in Henway Enterprises Limited, the beneficial owner of 4,882,965 shares of the Company.

#### (2) Share options

Details of the share options granted to the Directors by the Company and outstanding as at 30 June 2006 are set out under the section “Share Option Scheme” above.



*(B) Interests in the shares in associated corporations*

Name of associated corporation	Name of Director	Number of ordinary shares		Approximate percentage of the issued shares
		Personal interest	Corporate interest	
Eastern Capital Inc. <i>(Note 1)</i>	Yu Kam Kee, Lawrence	—	13,332	33.33%
SBI E2-Capital Limited <i>(Note 2)</i>	Wong Sin Just	6	—	2%
SBI E2-Capital (HK) Limited <i>(Note 3)</i>	Wong Sin Just	—	5,100,000	51%

*Notes:*

- (1) Mr Yu Kam Kee, Lawrence holds 100% equity interest in Brightplus Group Limited which in turn holds 13,332 shares of US\$1.00 each in the capital of Eastern Capital Inc. (representing 33.33% of its issued shares), a company incorporated in the British Virgin Islands in which the Company has a 50.0038% indirect interest.
- (2) Dato' Wong Sin Just holds 6 shares of HK\$1.00 each in the capital of SBI E2-Capital Limited (representing 2% of its issued shares), a company incorporated in the Cayman Islands in which the Company has a 49% indirect interest.
- (3) Dato' Wong Sin Just indirectly holds 50% equity interest in Goodwill SBI Limited which in turn holds 5,100,000 shares of HK\$1.00 each in the capital of SBI E2-Capital (HK) Limited (representing 51% of its issued shares), a company incorporated in Hong Kong in which the Company has a 24.01% indirect interest.

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

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2006, the following persons had an interest in the shares and underlying shares of the Company as recorded in the register kept under section 336 of the SFO being 5% or more of the issued shares of the Company:

Name of substantial shareholder	Interest in shares	Interest in shares underlying equity derivatives	Approximate percentage of the issued shares
Deutsche Bank Aktiengesellschaft	697,344,000 <i>(Note 1)</i>	—	14.01%
PMA Capital Management Limited	480,058,000 <i>(Note 2)</i>	—	9.65%
E2-Capital (Holdings) Limited <i>(Note 3)</i>	202,600,000	185,454,545 <i>(Note 4)</i>	7.80%

*Notes :*

- (1) This includes 257,194,000 shares beneficially owned and 440,150,000 shares held as security interest by Deutsche Bank Aktiengesellschaft.
- (2) The 480,058,000 shares were held by PMA Capital Management Limited as investment manager.
- (3) Dato' Wong Sin Just, an executive Director of the Company, is also an executive director of E2-Capital (Holdings) Limited.
- (4) This refers to the interest in the underlying shares derived from full conversion of the guaranteed convertible notes in the total principal amount of HK\$19 million issued by SIIS Treasury Limited, a wholly-owned subsidiary of the Company.

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

## PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company.

## CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2006, except for the following deviation:

### *Code provision A.4.1*

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election.

None of the existing non-executive Directors of the Company is appointed for a specific term. This constitutes a deviation from the code provision. However, all the non-executive Directors of the Company are subject to retirement by rotation at the annual general meetings pursuant to the articles of association of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG Code.

## AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30 June 2006. At the request of the Audit Committee, the Group’s external auditors have carried out a review of the unaudited interim accounts in accordance with Statement of Auditing Standards 700 “Engagements to review interim financial reports” issued by the Hong Kong Institute of Certified Public Accountants.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct regarding securities transactions by the Directors.

Having made specific enquiry of all Directors, each of them has confirmed that they have complied with the required standard as set out in the Model Code for the six months ended 30 June 2006.

By Order of the Board

**DATO’ WONG SIN JUST**

*Vice Chairman & Chief Executive Officer*

Hong Kong, 20 September 2006

**CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT**

		(Unaudited)	
		Six months ended 30 June	
	Note	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
TURNOVER	3	75,481	51,146
COST OF SALES		<b>(34,547)</b>	(28,794)
GROSS PROFIT		<b>40,934</b>	22,352
OTHER REVENUES		2,226	1,601
DISTRIBUTION COSTS		(10)	(30)
ADMINISTRATIVE EXPENSES		(47,217)	(41,942)
OTHER OPERATING (EXPENSES)/ INCOME		(1,289)	9,908
IMPAIRMENT LOSSES OF ASSETS	5	(1,928)	(11,827)
GAIN ON REVALUATION OF INVESTMENT PROPERTIES		2,200	1,210
OPERATING LOSS		<b>(5,084)</b>	(18,728)
FINANCE COSTS		<b>(3,026)</b>	(1,784)
SHARE OF RESULTS OF ASSOCIATED COMPANIES		<b>(2,833)</b>	(14,667)
LOSS BEFORE TAXATION	4	<b>(10,943)</b>	(35,179)
TAXATION	6	<b>(2,369)</b>	(294)
LOSS FOR THE PERIOD		<b>(13,312)</b>	(35,473)
ATTRIBUTABLE TO:			
SHAREHOLDERS OF THE COMPANY		<b>(13,549)</b>	(35,340)
MINORITY INTERESTS		237	(133)
		<b>(13,312)</b>	(35,473)
		<i>HK cents</i>	<i>HK cents</i>
LOSS PER SHARE			
Basic	8	<b>(0.30)</b>	(0.82)
Diluted	8	—	—

**CONDENSED CONSOLIDATED BALANCE SHEET**

	Note	(Unaudited) 30 June 2006 HK\$'000	(Audited) 31 December 2005 HK\$'000
<b>NON-CURRENT ASSETS</b>			
PROPERTY, PLANT AND EQUIPMENT	9	53,599	54,982
INVESTMENT PROPERTIES	9	42,520	40,320
LEASEHOLD LAND AND LAND USE RIGHTS	9	11,196	11,257
OTHER ASSETS		2,443	2,744
INTERESTS IN ASSOCIATED COMPANIES	10	68,241	10,165
INVESTMENT SECURITIES – AVAILABLE-FOR-SALE		97,334	90,177
		<u>275,333</u>	<u>209,645</u>
<b>CURRENT ASSETS</b>			
INVENTORIES		7,569	8,025
TRADE RECEIVABLES	11	68,859	55,239
OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS		24,935	29,119
INVESTMENT SECURITIES – AVAILABLE-FOR-SALE		47,382	25,540
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		3,064	—
CASH AND BANK BALANCES		91,780	83,133
		<u>243,589</u>	<u>201,056</u>
<b>CURRENT LIABILITIES</b>			
TRADE PAYABLES	12	58,266	47,687
OTHER PAYABLES AND DEPOSITS RECEIVED		41,511	38,907
GUARANTEED CONVERTIBLE NOTES	16	—	15,325
TAX PAYABLE		1,216	1,255
BORROWINGS	13	3,883	3,846
		<u>104,876</u>	<u>107,020</u>
<b>NET CURRENT ASSETS</b>		<u>138,713</u>	<u>94,036</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>414,046</u>	<u>303,681</u>
<b>FINANCED BY:</b>			
SHARE CAPITAL	14	497,629	431,138
RESERVES	15	(214,632)	(243,818)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<u>282,997</u>	<u>187,320</u>
MINORITY INTERESTS		31,994	33,828
<b>TOTAL EQUITY</b>		<u>314,991</u>	<u>221,148</u>
<b>NON-CURRENT LIABILITIES</b>			
GUARANTEED CONVERTIBLE NOTES	16	17,237	4,567
BORROWINGS	13	71,153	69,051
PROVISION FOR LIABILITIES		8,915	8,915
DEFERRED TAXATION		1,750	—
		<u>99,055</u>	<u>82,533</u>
		<u>414,046</u>	<u>303,681</u>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

	(Unaudited)	
	Six months ended 30 June	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from/(used in) operating activities	5,341	(7,796)
Net cash (used in)/generated from investing activities	(47,276)	1,327
Net cash generated from financing activities	50,582	119
Increase in cash and cash equivalents upon proportionate consolidation of SBI E2-Capital Limited ("SBI E2") on 1 January	—	22,528
Net increase in cash and cash equivalents	<u>8,647</u>	<u>16,178</u>
Cash and cash equivalents at 1 January	<u>83,133</u>	<u>66,670</u>
Cash and cash equivalents at 30 June	<u><u>91,780</u></u>	<u><u>82,848</u></u>
Analysis of cash and cash equivalents:		
Cash and bank balances as shown in the consolidated balance sheet	<u><u>91,780</u></u>	<u><u>82,848</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	(Unaudited)	
	2006 HK\$'000	2005 HK\$'000
Balance at 1 January	221,148	238,892
Prior period adjustments arising from changes in accounting policies:		
Minority interests previously reported as liabilities	—	29,142
Effect of initial adoption of HKAS 31	—	7
At restated, before opening balance adjustments	221,148	268,041
Opening balance adjustments arising from changes in accounting policies:		
Effect of initial adoption of HKAS 39	—	686
At 1 January, after prior period and opening balance adjustments	<u>221,148</u>	<u>268,727</u>
Net income/(expenses) recognised directly in equity		
Fair value gains (net) – available-for-sale investment securities	29,897	6,865
Investment revaluation reserve transferred to consolidated profit and loss account upon impairment	—	4,085
Investment revaluation reserve transferred to consolidated profit and loss account upon disposal	—	101
Currency translation difference	800	(3)
	<u>30,697</u>	<u>11,048</u>
Net loss for the period		
Attributable to shareholders of the Company	(13,549)	(35,340)
Attributable to minority interests	237	(133)
	<u>(13,312)</u>	<u>(35,473)</u>
Total recognised income and expenses for the period	<u>17,385</u>	<u>(24,425)</u>
Movement in shareholders' equity		
Issue of ordinary shares	66,491	5,755
Share issue expenses	(845)	(31)
Net movement in convertible notes – equity component	1,668	—
Released upon repayment of convertible notes	5	—
Fair value of share options credited to share option reserve	11,210	2,558
	<u>78,529</u>	<u>8,282</u>
Movement in minority interests		
Effect of initial adoption of HKAS 39	—	9,573
Capital contribution	936	—
Currency translation difference	543	—
Dividend paid	(346)	(1,048)
Deemed disposal of subsidiaries	(3,204)	—
	<u>(2,071)</u>	<u>8,525</u>
Balance as at 30 June	<u>314,991</u>	<u>261,109</u>

## NOTES TO THE CONDENSED INTERIM ACCOUNTS

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated financial information for the six months ended 30 June 2006 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

This condensed consolidated financial information should be read in conjunction with the 2005 annual accounts.

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2005, as described in the annual financial statements for the year ended 31 December 2005.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2006.

HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 & HKFRS 4 (Amendment)	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Agreement contains a Lease

The adoption of new/revised HKAS 21 (Amendment), 39 (Amendment), HKFRS 4 (Amendment) and HK(IFRIC)-Int 4 did not result in substantial changes to the Group’s accounting policies.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2006 and have not been early adopted:

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives

### 2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial information requires the use of estimates and assumptions about future conditions. In this connection, management believes that the areas where management’s judgement is necessary are those in relation to expensing of share options (note 14(c)), valuation and impairment of goodwill, loan receivable and investments (note 5) and the potential clawback of performance fee earned. 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. It should be noted that actual results could differ from those estimates and as such, the consolidated results of the Company are sensitive to the underlying assumptions and estimates.



### 3. TURNOVER AND SEGMENT INFORMATION

The Group and its jointly controlled entities are principally engaged in investment holding, financial services, the provision of media, consulting, marketing and technology services, garment manufacturing, and property holding.

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

#### Primary reporting format – Business segments

For the six months ended 30 June 2006

	Investment holding HK\$'000	Financial services HK\$'000	Media, consulting, marketing & technology services HK\$'000	Garment manufacturing HK\$'000	Property holding & others HK\$'000	Group total HK\$'000
Turnover						
Segment turnover	2,078	34,426	2,731	28,317	3,937	71,489
Inter-segment	(2,046)	—	(31)	—	—	(2,077)
Total	32	34,426	2,700	28,317	3,937	69,412
Dividend income	6,069					6,069
						75,481
Segment results						
Segment total	(22,895)	10,643	943	751	2,207	(8,351)
Impairment losses of assets	(1,560)	(368)	—	—	—	(1,928)
Segment results	(24,455)	10,275	943	751	2,207	(10,279)
Dividend income	6,069					6,069
Unallocated income						1,228
Unallocated expenses						(2,102)
Finance costs						(3,026)
Share of results of associated companies		(211)	(2,622)			(2,833)
Loss before taxation						(10,943)
Taxation						(2,369)
Loss for the period						(13,312)
Attributable to:						
Shareholders of the Company						(13,549)
Minority interests						237
						(13,312)

For the six months ended 30 June 2005

	Investment holding <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Media, consulting, marketing & technology services <i>HK\$'000</i>	Garment manufacturing <i>HK\$'000</i>	Property holding & others <i>HK\$'000</i>	Group total <i>HK\$'000</i>
Turnover						
Segment turnover	2,394	13,354	8,294	24,684	3,054	51,780
Inter-segment	(2,146)	—	(35)	—	—	(2,181)
Total	248	13,354	8,259	24,684	3,054	49,599
Dividend income	1,547					1,547
						<u>51,146</u>
Segment results						
Segment total	(5,589)	(747)	(3,980)	379	807	(9,130)
Impairment losses of assets	(7,985)	(3,842)	—	—	—	(11,827)
Segment results	(13,574)	(4,589)	(3,980)	379	807	(20,957)
Dividend income	1,547					1,547
Unallocated income						682
Finance costs						(1,784)
Share of results of associated companies			(14,667)			(14,667)
Loss before taxation						(35,179)
Taxation						(294)
Loss for the period						<u>(35,473)</u>
Attributable to:						
Shareholders of the Company						(35,340)
Minority interests						(133)
						<u>(35,473)</u>

## Secondary reporting format – Geographical segments

	Six months ended 30 June			
	2006		2005	
	Turnover HK\$'000	Segment result HK\$'000	Turnover HK\$'000	Segment result HK\$'000
Hong Kong	30,355	(13,502)	19,003	(21,006)
Mainland China	31,219	(60)	26,765	(500)
Other countries	7,838	3,283	3,831	549
	<u>69,412</u>	<u>(10,279)</u>	<u>49,599</u>	<u>(20,957)</u>

## 4. LOSS BEFORE TAXATION

Loss before taxation is stated after crediting and charging the following:

	(Unaudited)	
	Six months ended 30 June	
	2006 HK\$'000	2005 HK\$'000
Crediting:		
Write back of impairment of doubtful debts and loan receivables	13	509
Net exchange gain	—	5,486
Gain on disposal of available-for-sale investment securities	—	277
Net realised and unrealised gain on financial assets at fair value through profit or loss	—	795
Gain on disposal of investment properties	—	3
Gain on disposal of an associated company	397	—
Dividend income from available-for-sale investment securities		
— Listed investments	6,069	1,547
	<u>6,069</u>	<u>1,547</u>
Charging:		
Amortisation of prepaid operating lease payment	169	165
Depreciation of owned property, plant and equipment	1,872	2,651
Cost of goods sold	27,298	24,343
Staff costs (including directors' emoluments)		
— Retirement benefit costs	1,032	891
— Share option expenses	9,051	1,251
— Salaries, wages and other benefits	23,203	21,216
	<u>33,286</u>	<u>23,358</u>
Net realised and unrealised loss on financial assets at fair value through profit or loss	897	—
Impairment of doubtful debts and other receivables	—	740
Net exchange loss	1,776	—
	<u>1,776</u>	<u>—</u>

## 5. IMPAIRMENT LOSSES OF ASSETS

	(Unaudited)	
	Six months ended 30 June	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
In respect of:		
Loans receivable	1,928	3,900
Goodwill	—	3,842
Available-for-sale investment securities	—	4,085
	<u>1,928</u>	<u>11,827</u>

## 6. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 June 2005: 17.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rate of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	(Unaudited)	
	Six months ended 30 June	
	2006	2005
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current taxation		
Hong Kong profits tax	—	214
PRC taxation	171	102
Overseas taxation	580	—
Overprovision in prior periods	(104)	(22)
Deferred taxation	1,722	—
	<u>2,369</u>	<u>294</u>

## 7. DIVIDEND

The Directors have resolved not to pay any interim dividend in respect of the six months ended 30 June 2006 (six months ended 30 June 2005: nil).

## 8. LOSS PER SHARE

Basic loss per share was calculated based on the loss attributable to shareholders of HK\$13,549,000 (six months ended 30 June 2005: net loss of HK\$35,340,000) and the weighted average number of 4,483,507,802 (six months ended 30 June 2005: 4,295,682,291) ordinary shares in issue during the period.

The diluted loss per share for the six months ended 30 June 2006 and 2005 was not shown as the effect of the assumed conversion of the Group's outstanding convertible notes and the exercise of the share options granted by the Company would be regarded as anti-dilutive.

## 9. CAPITAL EXPENDITURE ON TANGIBLE ASSETS

	<b>Property, plant and equipment</b>	<b>Investment properties</b>	<b>Leasehold land and land use rights</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost or valuation:			
At 31 December 2005	132,355	40,320	15,059
Additions	532	—	—
Disposals	(644)	—	—
Deemed disposal of subsidiaries	(1,701)	—	—
Valuation increase during the period	—	2,200	—
Exchange adjustments	1,198	—	145
At 30 June 2006	<u>131,740</u>	<u>42,520</u>	<u>15,204</u>
Depreciation/amortisation:			
At 31 December 2005	77,373	—	3,802
Charge for the period	1,872	—	169
Disposals	(601)	—	—
Deemed disposal of subsidiaries	(1,115)	—	—
Exchange adjustments	612	—	37
At 30 June 2006	<u>78,141</u>	<u>—</u>	<u>4,008</u>
Net book value:			
At 30 June 2006	<u>53,599</u>	<u>42,520</u>	<u>11,196</u>
At 31 December 2005	<u>54,982</u>	<u>40,320</u>	<u>11,257</u>

## 10. INTERESTS IN ASSOCIATED COMPANIES

	(Unaudited) 30 June 2006 HK\$'000	(Audited) 31 December 2005 HK\$'000
Share of net assets	72,108	14,065
Amounts due to associated companies	(3,867)	(3,900)
	<u>68,241</u>	<u>10,165</u>

In March 2006, the Group entered into an agreement to purchase 10% of the equity interest in China Gloria Consultants (Shanghai) Limited ("CGC (Shanghai)", formerly Noble World International Limited and thereafter China Gloria Consultants Limited) at a consideration of HK\$15,000,000, to be satisfied by way of consideration shares issued by the Company (note 14a(i)).

Subsequently in May 2006, the Group entered into a share subscription agreement whereby the Group agreed to subscribe for an additional 10% equity interest in CGC (Shanghai) at a cash consideration of HK\$46,000,000.

## 11. TRADE RECEIVABLES

	(Unaudited) 30 June 2006 HK\$'000	(Audited) 31 December 2005 HK\$'000
Trade receivables arising from the ordinary course of business of dealing in securities, options and futures contracts (note a)	51,224	39,781
Trade receivables from securities margin clients (note b)	1,104	453
Trade receivables arising from garment manufacturing (note c)	14,626	12,136
Trade receivables arising from media, consulting, marketing and technology services (note d)	21	2,134
Other trade debtors	1,884	735
	<u>68,859</u>	<u>55,239</u>

Notes:

- (a) The settlement terms of trade receivables arising from the ordinary course of business of dealing in securities are two days after trade date, whereas the settlement terms for those arising from the ordinary course of business of dealing in options and futures contracts are one day after trade date.
- (b) Trade receivables from securities margin clients are secured by clients' pledged securities, and are payable on demand and bear interest at commercial rates.
- (c) The credit terms of trade receivables arising from garment manufacturing range from 30 days to 180 days.

- (d) The credit terms of trade receivables arising from media, consulting, marketing and technology services range from 30 days to 60 days.
- (e) The aging analysis of the trade receivables balance is as follows:

	(Unaudited) 30 June 2006 HK\$'000	(Audited) 31 December 2005 HK\$'000
Within one month	59,825	47,484
Over one month but not exceeding three months	5,764	4,792
Over three months but not exceeding six months	2,751	2,560
Over six months	519	403
	<u>68,859</u>	<u>55,239</u>

- (f) The carrying amounts of trade receivables approximated their fair values.
- (g) There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers.

## 12. TRADE PAYABLES

	(Unaudited) 30 June 2006 HK\$'000	(Audited) 31 December 2005 HK\$'000
Trade payables arising from the ordinary course of business of dealing in securities, options and futures contracts	51,162	41,512
Trade payables arising from garment manufacturing and operation of a country club	7,099	5,715
Trade payables arising from media, consulting, marketing and technology services	—	410
Other trade creditors	5	50
	<u>58,266</u>	<u>47,687</u>

The aging analysis of the trade payables balance is as follows:

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2006</b>	2005
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within one month	55,998	45,436
Over one month but not exceeding three months	1,874	1,705
Over three months but not exceeding six months	239	182
Over six months	155	364
	<u>58,266</u>	<u>47,687</u>

The carrying amounts of trade payables approximated their fair values.

### 13. BORROWINGS

	<b>(Unaudited)</b>	(Audited)
	<b>30 June</b>	31 December
	<b>2006</b>	2005
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Non-Current</b>		
— Loan from a former intermediate holding company (note a)	10,223	9,921
— Loan from a former fellow subsidiary (note b)	60,930	59,130
	<u>71,153</u>	69,051
<b>Current</b>		
— Secured bank loans (note c)	3,883	3,846
	<u>75,036</u>	<u>72,897</u>



The maturity of the borrowings is as follows:

	<b>(Unaudited)</b> <b>30 June</b> <b>2006</b> <b>HK\$'000</b>	<b>(Audited)</b> <b>31 December</b> <b>2005</b> <b>HK\$'000</b>
Within one year	<b>3,883</b>	3,846
Between two and five years	<b>71,153</b>	69,051
	<b><u>75,036</u></b>	<b><u>72,897</u></b>

Notes:

- (a) The balance represents a loan due to a former intermediate holding company of the Company. The loan, denominated in Japanese Yen, is unsecured, interest bearing at 2.375% per annum and subordinated to the convertible notes (note 16).
- (b) The balance represents a loan due to a former fellow subsidiary. The loan, denominated in Japanese Yen, is unsecured, interest bearing at 2.375% per annum and subordinated to the convertible notes (note 16).
- (c) Bank loans are secured by the leasehold land and land use rights and buildings of the Group of HK\$5,355,000 (2005: HK\$5,363,000). The effective interest rate as at 30 June 2006 for secured bank loans as at 30 June 2006 was 7.66% per annum.
- (d) The carrying amounts of borrowings approximated their fair value.

#### 14. SHARE CAPITAL

Authorised:

	<b>Ordinary shares of HK\$0.10 each</b>	
	<b>No. of shares</b>	<b>HK\$'000</b>
At 31 December 2005 and 30 June 2006	<u>10,000,000,000</u>	<u>1,000,000</u>

Issued and fully paid:

	<b>For the six months ended 30 June</b>				<b>For the year ended 31 December 2005</b>	
	<b>2006</b>		<b>2005</b>			
	<b>No. of shares</b>	<b>HK\$'000</b>	<b>No. of shares</b>	<b>HK\$'000</b>	<b>No. of shares</b>	<b>HK\$'000</b>
At the beginning of the period	4,311,384,885	431,138	4,253,834,038	425,383	4,253,834,038	425,383
Issue of shares (note a)	650,000,000	65,000	33,050,847	3,305	33,050,847	3,305
Exercise of options (note c)	14,906,000	1,491	1,500,000	150	1,500,000	150
Issue of shares upon conversion of convertible notes (note b)	—	—	23,000,000	2,300	23,000,000	2,300
At the end of the period	<u>4,976,290,885</u>	<u>497,629</u>	<u>4,311,384,885</u>	<u>431,138</u>	<u>4,311,384,885</u>	<u>431,138</u>

## Notes:

- (a) (i) During the six months ended 30 June 2006, the Company issued:
- 150,000,000 ordinary shares at HK\$0.10 per share as consideration for the acquisition of 10% equity interest in CGC Shanghai; and
  - 500,000,000 ordinary shares at HK\$0.10 per share for cash amounting to HK\$50,000,000, of which HK\$46,000,000 was used to acquire an additional 10% equity interest in CGC Shanghai.
- (ii) During the six months ended 30 June 2005, the Company issued 33,050,847 ordinary shares at HK\$0.118 each as partial consideration for the Group's equity investment in a former jointly controlled entity.
- (b) During the six months ended 30 June 2005, the convertible notes due 2006 with principal amounts of HK\$2,300,000 were converted into 23,000,000 ordinary shares at a conversion price of HK\$0.10 per share.
- (c) The Company operates a share option scheme under which options on the Company's shares are granted. During the period, an aggregate of 431,138,000 share options (six months ended 30 June 2005: 24,000,000 share options) were granted under the scheme, 14,906,000 share options (six months ended 30 June 2005: 1,500,000 share options) were exercised to subscribe for 14,906,000 ordinary shares (six months ended 30 June 2005: 1,500,000 ordinary shares) of the Company and 4,500,000 share options were lapsed (six months ended 30 June 2005: nil). The total cash proceeds received by the Company was HK\$1,490,600 (six months ended 30 June 2005: HK\$150,000). These shares rank pari passu with the existing shares. As at 30 June 2006, the number of the share options outstanding was as follows:

Exercise price per share HK\$	Date of grant	Exercisable period	Number of outstanding options	
			30 June 2006	31 December 2005
0.28	21-02-2002	21-02-2002 to 20-02-2012	83,604,000	83,604,000
0.10	03-11-2003	03-11-2003 to 02-11-2013	213,280,000	219,386,000
0.12	26-01-2004	26-01-2004 to 25-01-2014	5,000,000	5,000,000
0.10	24-05-2004	24-05-2004 to 23-05-2014	317,028,000	330,328,000
0.10	29-03-2005	29-03-2005 to 28-03-2015	24,000,000	24,000,000
0.10	10-04-2006	10-04-2006 to 09-04-2016	393,672,000	—
0.104	28-04-2006	28-04-2006 to 27-04-2016	37,466,000	—
			<b>1,074,050,000</b>	<b>662,318,000</b>

Further details of the share options granted by the Company are disclosed under the paragraph "Share Option Scheme" in the section of "Management Commentary".

## 15. RESERVES

	(Unaudited)	
	2006 HK\$'000	2005 HK\$'000
<b>Share premium</b>		
At 1 January	646,960	646,991
Share issue expenses	(845)	(31)
Exercise of share options	207	—
At 30 June	<u>646,322</u>	<u>646,960</u>
<b>Capital redemption reserve</b>		
At 1 January and 30 June	<u>1,899</u>	<u>1,899</u>
<b>Investment revaluation reserve</b>		
At 1 January	7,158	(23,083)
Effect of initial adoption of HKAS 39	—	(483)
Fair value gains (net) – available-for-sale investment securities	29,897	6,865
Transferred to the consolidated profit and loss account upon impairment	—	4,085
Released upon repayment of convertible notes	5	—
Transferred to the consolidated profit and loss account upon disposal	—	101
At 30 June	<u>37,060</u>	<u>(12,515)</u>
<b>Exchange translation reserve</b>		
At 1 January	(5,874)	(6,527)
Currency translation difference	800	(3)
At 30 June	<u>(5,074)</u>	<u>(6,530)</u>
<b>Share option reserve</b>		
At 1 January	7,912	3,973
Expensing of share options	11,210	2,558
Lapse of share options	(197)	—
Exercise of share options	(207)	—
At 30 June	<u>18,718</u>	<u>6,531</u>
<b>Convertible notes – equity component</b>		
At 1 January	1,359	—
Effect of initial adoption of HKAS 39	—	1,169
Additions on renewal of convertible notes	1,668	—
Released upon maturity of convertible notes	(779)	—
At 30 June	<u>2,248</u>	<u>1,169</u>
<b>Accumulated losses</b>		
At 1 January	(903,232)	(809,737)
Loss for the period	(13,549)	(35,340)
Lapse of share options	197	—
Released upon maturity of convertible notes	779	—
At 30 June	<u>(915,805)</u>	<u>(845,077)</u>
	<u>(214,632)</u>	<u>(207,563)</u>

## 16. GUARANTEED CONVERTIBLE NOTES

On 28 August 2002, SIIS Treasury Limited, a wholly-owned subsidiary of the Company, issued HK\$156,400,000 5% guaranteed convertible notes due in August 2005 (the "2005 Notes"). The 2005 Notes bear a fixed interest of 5% per annum. The 2005 Notes carry a right to convert at any time from 28 August 2002 to 29 August 2005 (both dates inclusive) into ordinary shares of the Company at an initial conversion price of HK\$0.31 per share which has been adjusted to HK\$0.11 per share on the second anniversary date of 28 August 2004.

In August 2005, the Group entered into a supplemental agreement with the noteholder of 2005 Notes whereby the maturity date of the outstanding 2005 Notes has been extended from 29 August 2005 to 28 August 2008 (the "2008 Notes"). Save as the extension of the maturity date, all other terms and conditions remain unchanged. As at 30 June 2006, the outstanding principal amounts of the 2008 Notes were HK\$5,000,000 (30 June 2005: the outstanding principal amounts of HK\$5,000,000 of the 2005 Notes). During the six months ended 30 June 2006, there was no conversion of the 2008 Notes (six months ended 30 June 2005: Nil 2005 Notes).

On 2 February 2004 and 13 February 2004, SIIS Treasury Limited issued HK\$33,200,000 and HK\$14,800,000 5% guaranteed convertible notes (collectively the "2006 Notes") which are due on 2 February 2006 and 13 February 2006 respectively. The 2006 Notes bear a fixed interest of 5% per annum and carry a right to convert at any time from the date of issue to their respective maturity dates at a conversion price of HK\$0.10 per share.

As at 31 December 2005, the outstanding principal amounts of the 2006 Notes were HK\$15,000,000. On 2 February 2006, the Group entered into a new subscription agreement with a noteholder under which the Group agreed to the issuance of HK\$14,000,000 6% guaranteed new convertible notes due on 2 February 2009 to the noteholder (the "2009 Notes") to replace the 2006 Notes in the principal amount of HK\$14,000,000. The remaining 2006 Notes in the principal amount of HK\$1,000,000 was fully redeemed on 13 February 2006. During the six months ended 30 June 2006, there was no conversion of the 2006 Notes and the 2009 Notes (six months ended 30 June 2005: a principal amount of HK\$2,300,000 of the 2006 Notes were converted into 23,000,000 new ordinary shares of the Company).

Pursuant to the terms of the above mentioned guaranteed convertible notes, the due and punctual discharge of all obligations of SIIS Treasury Limited under the guaranteed convertible notes will be unconditionally and irrevocably guaranteed by the Company.

The fair values of the liability component and the equity conversion component were determined at issuance of the convertible notes.

The fair value of the liability component, included in current and non-current liabilities, was calculated using a market interest rate for a similar non-convertible note. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in convertible notes – equity component reserves (note 15).

The fair value of the liability component of the 2009 Notes and 2008 Notes at 30 June 2006 amounted to HK\$12,575,000 and HK\$4,662,000 respectively. The fair value is calculated using cash flows discounted at a rate based on the borrowings rate 10.75% and 9.75% respectively. Interest expenses on the 2009 Notes and the 2008 Notes are calculated using the effective interest method by applying the effective interest rates of 10.75% and 9.75% to the liability component.

## 17. CONTINGENT LIABILITIES

- (a) In 2004, E2-Capital (Holdings) Limited (“E2-Capital”), a related party, has provided a guarantee to a bank for a maximum amount of HK\$143,000,000 in relation to banking facilities granted by the bank to certain subsidiaries of SBI E2, a jointly controlled entity. The Company has provided a counter-indemnity to E2-Capital for a maximum limit of HK\$49,049,000, representing the Group’s 34.3% shareholding in these companies as at the date of the banking facilities. As at 30 June 2006 and 31 December 2005, there was no utilisation of such banking facilities.
- (b) In August 2005, E2-Capital has provided a corporate guarantee to a bank for a maximum amount of S\$25,000,000 (equivalent to approximately HK\$117,500,000) plus any overdue interest and expense incurred by the bank in enforcing the corporate guarantee under a guarantee to be provided by the bank in favor of The Monetary Authority of Singapore (“MAS”) for SBI E2-Capital Asia Securities Pte Ltd (“SECA Securities”) to comply with regulatory requirement of the MAS. The Company has provided a counter-indemnity to E2-Capital for a maximum limit of S\$7,350,000 (equivalent to approximately HK\$34,545,000), representing the Group’s 29.4% shareholding in SECA Securities, plus 29.4% of any interest and expenses actually incurred on or paid by E2-Capital in respect of the corporate guarantee.

## 18. COMMITMENTS

### Operating leases commitments

- (i) As a lessee

At 30 June 2006, the Company and its subsidiaries had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as a lessee as follows:

	(Unaudited) 30 June 2006 HK\$'000	(Audited) 31 December 2005 HK\$'000
Not later than one year	1,894	3,267
Later than one year and not later than five years	2,390	3,424
	<u>4,284</u>	<u>6,691</u>

## (ii) As a lessor

At 30 June 2006, the Company and its subsidiaries had contracted with tenants for the following future minimum lease receipts, which fall due:

	<b>(Unaudited)</b> <b>30 June</b> <b>2006</b> <b>HK\$'000</b>	(Audited) 31 December 2005 <i>HK\$'000</i>
Not later than one year	<b>2,093</b>	1,929
Later than one year and not later than five years	<b>2,500</b>	1,180
	<b>4,593</b>	3,109

**19. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES**

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

**(a) Rental payments to a related party**

	<b>(Unaudited)</b> <b>Six months ended 30 June</b> <b>2006</b> <b>HK\$'000</b>	2005 <i>HK\$'000</i>
Rental payments to Fung Choi Properties Limited ("Fung Choi") (note)	<b>797</b>	833

Note:

On 29 August 2002, the Company entered into a tenancy agreement with Fung Choi, whereby the Company agreed to lease from Fung Choi the premises as its headquarter office for a term of three years commencing from 1 January 2003 to 31 December 2005 at a monthly rental of HK\$156,255. Fung Choi is a company with 60.4% interest owned indirectly by Mr Yu Kam Kee, Lawrence, an Executive Director of the Company, while the remaining 39.6% shareholdings are beneficially owned equally by his two brothers, one of them is also a Non-executive Director of the Company, Mr Yu Kam Yuen, Lincoln.

In December 2005, the Company entered into a new tenancy agreement with Fung Choi to renew the existing tenancy agreement (except for the 2nd Floor of SBI Centre) for a term of three years commencing from 1 January 2006 to 31 December 2008 at a monthly rental of HK\$132,804. During the six months ended 30 June 2006, the rental charged to consolidated profit and loss account amounted to HK\$797,000 (six months ended 30 June 2005: HK\$833,000).

**(b)** (i) Convertible notes held by and interest payments to related parties (note 16)

	<b>(Unaudited)</b> <b>30 June</b> <b>2006</b> <b>HK\$'000</b>	(Audited) 31 December 2005 <i>HK\$'000</i>
Carrying value of the convertible notes held by the subsidiaries of E2-Capital (note)		
— 2006 Notes	—	15,325
— 2008 Notes	<b>4,662</b>	4,567
— 2009 Notes	<b>12,575</b>	—
	<u>          </u>	<u>          </u>
	<b>(Unaudited)</b> <b>Six months ended 30 June</b>	
	<b>2006</b> <b>HK\$'000</b>	2005 <i>HK\$'000</i>
Interest payments to the subsidiaries of E2-Capital	<b>478</b>	471
	<u>          </u>	<u>          </u>

## (ii) Investment in related parties

As at 30 June 2006, the Group had investment in E2-Capital which was included in available-for-sale investment securities at a carrying amount of HK\$17,290,000 (31 December 2005: HK\$19,565,000).

## (iii) Provision of counter-indemnity to related parties

The Company has provided two counter indemnities to E2-Capital, the details of which are set out in note 17.

## (iv) Disposal of an associated company to a related party

The Group entered into a sale and purchase agreement with a subsidiary of E2-Capital whereby the Group agreed to sell its 19.2% effective interest in Sun-Tech International Group Limited at a consideration of approximately HK\$1,250,000. A capital gain of HK\$397,000 was recognised by the Group in the profit and loss account for the six months ended 30 June 2006.

Note:

E2-Capital is a company incorporated in Bermuda and listed on The Stock Exchange of Hong Kong Limited. An Executive Director of the Company, Dato' Wong Sin Just, is also an executive director and a substantial shareholder of E2-Capital.

**(c) Amounts due to and interest payment to related parties**

	(Unaudited) 30 June 2006 HK\$'000	(Audited) 31 December 2005 HK\$'000
Amount due to:		
— Associated companies (note i)	(3,867)	(3,900)
— a jointly controlled entity (note ii)	<u>(14,504)</u>	<u>(14,258)</u>
	<b>(Unaudited)</b> <b>Six months ended 30 June</b>	
	2006 HK\$'000	2005 HK\$'000
Interest payment to a jointly controlled entity (note ii)	<u>247</u>	<u>178</u>

Notes:

- (i) The amounts due to associated companies are unsecured, interest free and have no fixed repayment terms.
- (ii) The balances represent amounts due to SBI E2. Except for an amount of HK\$5,307,000, which bears interest at prime rate plus 1.5% per annum and is repayable on demand, the remaining balance is interest free and has no fixed repayment terms.

**(d) Key management compensation**

	(Unaudited) Six months ended 30 June 2006 HK\$'000	2005 HK\$'000
Salaries and other short term employee benefits	<u>12,060</u>	<u>5,309</u>

**20. SUBSEQUENT EVENT**

On 21 July 2006, the Group entered into various investment agreements whereby the Group will subscribe for shares in China Gloria Consultants (Heilongjiang) Limited, China Gloria Consultants (Chongqing) Limited, China Gloria Consultants (Haikou) Limited and China Gloria Consultants (Online) Limited and additional shares in CGC (Shanghai) for a total consideration of HK\$454,000,000 so as to possess 50% of the overall equity interest in each of these companies. The completion of the subscriptions shall be subject to the approval of the Directors and shareholders of the Company as well as future fund raising.



## DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

At 30 June 2006, the Group has provided a counter-indemnity to E2-Capital (Holdings) Limited for a maximum limit of HK\$49,040,000 for the banking facilities of certain affiliated companies namely, SBI E2-Capital Securities Limited, SBI E2-Capital Brokerage Limited and SBI E2-Capital Commodities Limited (note 17 to the accounts). In accordance with Rule 13.22 of the Listing Rules, a combined balance sheet of these companies and the Group's attributable interest in these companies are presented below:

### As at 30 June 2006

	<b>Combined balance sheet HK\$'000</b>	<b>Group's attributable interest HK\$'000</b>
Non-current assets	62,789	30,767
Current assets	151,646	74,306
Current liabilities	(85,456)	(41,873)
	<u>128,979</u>	<u>63,200</u>
Share capital and reserves	<u>128,979</u>	<u>63,200</u>

At 30 June 2006, the Group has provided a counter-indemnity to E2-Capital (Holdings) Limited for SBI E2-Capital Asia Securities Pte Ltd ("SECA Securities") (note 17 to the accounts), an affiliated company as defined in the Listing Rules. In accordance with Rule 13.22 of the Listing Rules, the combined balance sheet of SECA Securities and the Group's attributable interest therein are set out as follows:

### As at 30 June 2006

	<b>Combined balance sheet HK\$'000</b>	<b>Group's attributable interest HK\$'000</b>
Non-current assets	3,083	906
Current assets	60,698	17,845
Current liabilities	(28,797)	(8,466)
	<u>34,984</u>	<u>10,285</u>
Share capital and reserves	<u>34,984</u>	<u>10,285</u>