



2007  
Interim Report

# CONTENTS

CORPORATE INFORMATION	1
MANAGEMENT DISCUSSION AND ANALYSIS	3
DISCLOSURE OF INTERESTS	9
COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES	11
OTHER DISCLOSURES	12
CONDENSED CONSOLIDATED INCOME STATEMENT	14
CONDENSED CONSOLIDATED BALANCE SHEET	15
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	17
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	18
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS	19

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

### **Investment Committee**

Mr. FUNG Ka Pun

Dato' WONG Sin Just

### **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**

Deloitte Touche Tohmatsu

### **Share Registrar in Bermuda**

Butterfield Corporate Services Limited

65 Front Street

Hamilton

Bermuda

### **Share Registrar in Hong Kong**

Computershare Hong Kong Investor  
Services Limited

Hopewell Centre

183 Queen's Road East

Room 1806-1807, 18th Floor,

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](http://www.e2capital.com)

### **Stock Code**

378

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 2007. 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 2007 and the consolidated balance sheet as at 30 June 2007 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 14 to 27 of this report.

## **INTERIM DIVIDEND**

The directors have declared an interim dividend of 5 HK cents per ordinary share amounting to approximately HK\$20,032,000 for the six months period ended 30 June 2007 which will be payable on 22 October 2007 to the shareholders whose names appear on the Register of Members on 12 October 2007.

## **CLOSURE OF REGISTER OF MEMBERS**

The Register of members will be closed from 15 October 2007 to 17 October 2007 both days inclusive, during which period no share transfer will be registered. In order to qualify for the interim dividend declared for the six months ended 30 June 2007, all transfer documents should be lodged with the branch share registrars of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited of Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai by 4:00 p.m. on 12 October 2007.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

The Group maintained a quick ratio of 2.34 times at 30 June 2007 as compared with 3.50 times at 31 December 2006, 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 was reinvested to further Group activities, Group bank and cash balances after distributing the 2006 final dividend of HK\$20 million, still stayed at a comfortable level of HK\$124 million at 30 June 2007 (31 December 2006: HK\$165 million) with the Parent Company remaining debt free and keeping its cash and bank balances at HK\$68 million as at 30 June 2007 (31 December 2006: HK\$89 million).

Consolidated shareholders' funds and net tangible assets per share remained at HK\$669 million and HK\$1.67 respectively at 30 June 2007 (31 December 2006: HK\$575 million and HK1.44 respectively), as a result of earnings retained for the six months period ended 30 June 2007, adjusted for the distribution of the 2006 final dividend of HK\$20 million.

## BUSINESS REVIEW

### Financial Services

#### Hong Kong/China

The Hong Kong and China securities market remained robust in the first half of 2007 with the expectation of continued growth in corporate profit in 2007. Our Hong Kong/China division which covered a wide range of investment products, made up for a dominant part of our earnings for the six months period ended 30 June 2007. Both retail and institutional investors are very active in the market as evidenced by our significant growth in revenue. As a result, the Hong Kong/China division, SBI E2-Capital Asia Securities Limited, recorded a net profit before tax of HK\$15.2 million for the six months period ended 30 June 2007 (2006: HK\$12.1 million). During the period, we completed several share placements which included China Oil and Gas Group Limited, China Seven Star Shopping Limited, China Medical and Bio Science Limited and China Green (Holdings) Limited, etc. In addition, in view of the market sentiment during the period, we have taken up certain proprietary trading so as to enhance our treasury returns.

Although the market conditions are volatile, we have tight control over the operating expenses to enhance the operating efficiency to safeguard profitability. With the adoption of an effective credit policy, no significant provision for bad and doubtful debts was recorded.

Our research team has further expanded during the period with increased coverage on China related stocks on top of small-mid cap 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 during 2003 to 2006 by Asiamoney.

On 12 June 2007, a conditional agreement was entered between SBI E2-Capital Asia Securities Group Limited (as the vendor) with an independent third party (as the purchaser) in respect of the disposal of the entire issued share capital of SBI E2-Capital Asia Securities Limited and its relevant subsidiaries at a total consideration of HK\$76.76 million. The disposal was effected in order to generate cash flows for the expansion of the Group's other business and the disposal was completed on 12 September 2007.

## Singapore

The Singapore economy continues to grow at a healthy pace as evidenced by the statistics released by the Ministry of Trade and Industry which showed the real GDP growth in 2006 was 7.9% and the economy growth in 2007 is expected to continue at a more moderate pace of between 4.5% and 6.5%. During the six-month period ended 30 June 2007, our Singapore unit, SBI E2-Capital Asia Securities Pte. Ltd. ("SECAS") continued to register growth of client base and correspondingly the steady revenue of S\$3.5million as compared to the corresponding period in 2006 of S\$2.7million. SECAS has established a niche in helping small and medium enterprises ("SME") listed on SGX to raise secondary funds and has a strong following of local and regional institutional investors. SECAS has acted placement agent for three SME in their secondary fund raising exercises in the first half of 2007 namely Jiutian Chemical Group, Asia Environment Holdings and See Hup Seng. We believe SECAS will continue to play a vital role in Singapore financial sector in linking local and regional investors with China/Hong Kong enterprises in the remaining of 2007.

## Fund of Funds

Our proprietary asset management arm, Winslow Asset Management Limited ("Winslow"), a Limited Partnership type of investment vehicle to allocate funds to promising General Partnership in hedge funds and venture capital with portfolio up to US\$36 million by June 2007, performed well during the period. This investment division had made substantial contributions to our bottom line with operating profit of HK\$104.5 million for the six months period ended 30 June 2007 as compared with HK\$35.8 million for the same period in 2006. Despite the probable slow down of the US economy and uncertainty in interest rate, the global equity markets continued to perform well in the first half of 2007. Under this challenging environment, our investment team continued to exercise our expertise on stock selection and search for appropriate investment opportunities in the Asia Pacific region. In fact, we have adopted a relatively defensive stance in managing our proprietary portfolio and focused on stocks that have low valuations with potential upside. We believed that the market will remain volatile in the second half of 2007 and we shall maintain a prudent approach in looking for investment opportunities. In assessing our existing and potential investments, we ensure our investment infrastructure would generate sustainable economic value to our shareholders. In coming future, we expect Winslow will continue to remain the growth driver to the Group and expect to see growth in their contributions to E2-Capital's overall performance and create sustainable long-term value to shareholders.

## INDUSTRIAL

The Group's industrial business, operated through Cheung Wah Ho Dyestuff Company Limited and Lancerwide Company Limited, remained steady with a contribution of HK\$8.9 million (2006: HK\$9.3 million) to the Group's turnover during the period. Owing to pressure exerted by increase in commodity prices and operating expenses, the dyestuff business reported a loss before tax of HK\$1.4 million (2006: HK\$2.3 million) for the six months ended 30 June 2007. The trading of dyestuff is expected to remain challenging in the coming year.



## PROPERTY

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

GPL acquired 2 residential sites for redevelopment in last year, No 21 Grampian Road and the majority share of Nos 23 & 25 Grampian Road in Kowloon Tong. They 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 can be redeveloped to a medium-rise luxurious residential building.

GPL will develop a site adjacent to Greenery Gardens in Yuen Long into a low-density luxurious villas development. It will be Phase II of Greenery Gardens. Planning application and architectural design are currently in progress.

Tianma Project in Shanghai, which was 13.35% held by the Group and comprises 260 luxurious villas, a 27-hole golf course and a country club in the vicinity of the She Shan National Resort District, Shanghai, China, is in progress. The golf course and the country club are in full operation, with positive contribution to the project. It has been recognized as one of the best golf clubs in China by many magazines including China Golf Magazine and Golf Digest for many years. Also, it has achieved a significant progress in villas and club memberships sales. The development works for a new phase of development with 128 villas has been commenced. The pre-selling has been started in early 2007. It has achieved a remarkable sales result. 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 generate a good profit for the Group.

Owing to the continued growth of the economy and limited supply of residential sites and flats, the Hong Kong property market is likely to become more active. The Group will 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 and in China.

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. This company will extend its business to serviced apartments, hotels and office buildings. 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 in 2007 under the SBI E2-Capital brand name. We partnered with Crosby Capital Partners on the public offering programme of "Shares for Care" (23 March to 14 April 2007), which directly benefited the Hong Kong Cancer Fund.

We continued to sponsor the Outward Bound Annual ball 2007 (11 May 2007) this year in their cause to help people discover and develop their potential to care for themselves, others and the world around them. E2-Capital has also, for the first time, sponsored the MSF Day 2007 (Médecins Sans Frontières Hong Kong) (30 July 2007).

E2-Capital's business philosophy is to be a respected employer and steadfast community partner by giving back to the community in which we live and work. Our commitment to community service will continue in the second half of the year as we sign up for The Dress Special Day (scheduled for 25 September 2007) again to support the Chest's "Family and Child Welfare Services".

## Liquidity and financial resources

As at 30 June 2007, the Group's cash and other short-term investments in securities totaled HK\$240 million (31 December 2006: HK\$246 million). Of the total borrowings of HK\$175 million (31 December 2006: 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 2.34 times as at 30 June 2007 as compared with 3.50 times as at 31 December 2006, 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 2007, calculated on the basis of long term debt over shareholders' funds, is 25.94% as compared with 30.18% at 31 December 2006.

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 2007, the Group and the jointly controlled entity employed a total of 29 and 54 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\$31 million for the period ended 30 June 2007. 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 2007 prepaid lease payments and properties for sale/development with an aggregate value of approximately HK\$345 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 2007 amounted to HK\$4.2 million (31 December 2006: HK\$131.8 million).

## Exposure to fluctuations in exchange rates and related hedges

As at 30 June 2007, 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

Given the increasing market volatility and uncertainty in both US economy and interest rate, we will continue to adopt a judicious stance to manage our investment activities so as to optimize returns balanced against the risk exposure. As a matter of fact, we will continue to leverage our niche to expand our business in the Asia Pacific, especially in the Mainland China. We have every confidence in our Group's cross-border business developments and its contributions to our earnings going forward. In terms of financial strength and resources management, the Group will continue to focus on delivering sustainable shareholder value via prudent treasury management and selective investments.

## 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 2007, 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	5,943,197	109,398,484 (Note 1)	—	115,341,681
Dato' Wong Sin Just	2,310,000	—	113,181,750 (Note 2)	115,491,750

#### 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	8	— (Note 3)
SBI E2-Capital Asia Securities Group Limited	Dato' Wong Sin Just	1,345,368	— (Note 4)
Boxmore Limited	Mr. Fung Ka Pun	—	2,000 (Note 5)

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 107,536,181 shares in the Company respectively as at 30 June 2007, representing approximately 27.31% 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 113,181,750 shares in the Company as at 30 June 2007, representing approximately 28.25% 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 8 shares, representing approximately 2% in the issued share capital of SBI E2-Capital Limited.
- (4) Dato' Wong Sin Just holds 1,345,368 shares, representing approximately 2.24% in the issued share capital of SBI E2-Capital Asia Securities Group Limited.

- (5) 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 2007, 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 2007, 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 2007, 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
Goodwill International (Holdings) Limited	107,536,181	Beneficial owner	26.84%	
e2-Capital Inc.	113,181,750	Beneficial owner	28.25%	
Coutts (Cayman) Limited	113,181,750	Trustee	28.25%	
Newmark Capital Corporation Limited	64,130,588	Beneficial owner	16%	1
Newmark Capital Holdings Limited	64,130,588	Interest of controlled corporation	16%	1
Ng Poh Meng	64,130,588	Interest of controlled corporation	16%	1
China Renji Medical Group Limited (Formerly known as 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 2007, 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.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES OF THE LISTING RULES**

During the financial period under review, all the code provisions set out in the code on Corporate Governance Practices ("CG Code") contained in Appendix 14 of the Listing of Securities on The Stock Exchange of Hong Kong Limited were met by the Company, except in respect of the CG Code Provision A2.1 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 high standards 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. Having made specific enquiry of all the directors of the Company, the directors have confirmed that they complied with the required standard as set out in the Model Code for the period ended 30 June 2007.

### **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 2007.

### **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 2007 with the Directors and external auditors.

## OTHER DISCLOSURES

As at 30 June 2007 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 2007 and the Group's attributable interest therein are set out as follows:

	Pro forma combined balance sheet of Affiliated Companies HK\$'000	Group's attributable interest HK\$'000
Non-current assets	61,102	29,072
Current assets	263,797	125,512
Current liabilities	(207,404)	(98,681)
Net current assets	56,393	26,831
Total assets less current liabilities	117,495	55,903
Non-current liabilities	—	—
Net assets	117,495	55,903
Issued capital	55,000	
Reserves	62,495	
Capital and reserves	117,495	

As at 30 June 2007, the aggregate amount of the financial assistance and guarantees provided by the Group to SECAS, 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 SECAS as at 30 June 2007 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	3,285	2,252
Current assets	231,890	158,954
Current liabilities	(144,105)	(98,780)
Net current assets	87,785	60,174
Total assets less current liabilities	91,070	62,426
Non-current liabilities	—	—
Net assets	91,070	62,426
Issued capital	83,534	
Reserves	7,536	
Capital and reserves	91,070	



**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

	Note	Six months ended 30 June	
		2007	2006
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Revenue	4	87,132	65,948
Cost of sales		(11,919)	(27,125)
Gross profit		75,213	38,823
Other income		3,581	6,079
Gain on disposal of property, plant and equipment		20	1,810
Distribution costs		(156)	(92)
Administrative expenses		(61,589)	(53,686)
Change in fair value of conversion options embedded in convertible notes		54,054	—
Unrealised gain on fair value change of investments held for trading		33,418	25,441
Impairment loss on an available-for-sale investment		(4,100)	—
Impairment loss on a loan to an associate		(4,434)	—
Share of profits of associates		3,408	4,210
Finance costs		(5,863)	(2,091)
Profit before taxation		93,552	20,494
Taxation	5	(1,300)	(1,249)
Profit for the period	6	92,252	19,245
Attributable to:			
Equity holders of the Company		90,203	18,217
Minority interests		2,049	1,028
		92,252	19,245
Dividends	7		
– cash		20,032	20,032
– distribution in specie		—	59,850
		20,032	79,882
Earnings per share	8		
Basic		HK cents 22.52	HK cents 4.55

CONDENSED CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2007 AND 31 DECEMBER 2006

	Note	30 June 2007	31 December 2006
		HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	3,162	4,269
Investment properties	9	1,610	1,610
Prepaid lease payments		324,707	328,766
Properties for development/sale		19,800	19,800
Intangible assets		—	1
Interests in associates		37,379	13,359
Available-for-sale investments		103,703	70,240
Conversion options embedded in convertible notes		57,824	511
Mortgage loans receivable – non-current portion		7,278	10,677
Club debentures		3,994	3,994
Other non-current assets		3,118	5,143
Deferred tax assets		151	—
		<u>562,726</u>	<u>458,370</u>
Current assets			
Inventories		3,546	6,115
Investments held for trading		115,714	80,765
Mortgage loans receivable – current portion		195	239
Trade and other receivables	10	131,460	93,692
Loans to associates		107	4,383
Pledged bank deposits		—	63,425
Bank balances and cash		124,376	165,079
		<u>375,398</u>	<u>413,698</u>
Assets classified as held for sale	11	<u>146,752</u>	<u>—</u>
		<u>522,150</u>	<u>413,698</u>

CONDENSED CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2007 AND 31 DECEMBER 2006

	Note	30 June 2007	31 December 2006
		HK\$'000 (Unaudited)	HK\$'000 (Audited)
Current liabilities			
Trade and other payables	12	80,617	78,056
Taxation payable		606	108
Borrowings		1,211	1,073
Loan from minority shareholders of subsidiaries		37,203	37,203
		<u>119,637</u>	<u>116,440</u>
Liabilities directly associated with assets classified as held for sale	11	101,859	—
		<u>221,496</u>	<u>116,440</u>
Net current assets		<u>300,654</u>	<u>297,258</u>
Total assets less current liabilities		<u>863,380</u>	<u>755,628</u>
Non-current liabilities			
Borrowings		173,468	173,489
Deferred tax liabilities		—	28
		<u>173,468</u>	<u>173,517</u>
		<u>689,912</u>	<u>582,111</u>
Capital and reserves			
Share capital	13	400,633	400,633
Reserves		268,131	174,397
Equity attributable to equity holders of the Company		<u>668,764</u>	<u>575,030</u>
Minority interests		<u>21,148</u>	<u>7,081</u>
		<u>689,912</u>	<u>582,111</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2007

	Attributable to equity holders of the parent								
	Share capital	Capital surplus	Revaluation reserve	Exchange reserve	Other reserve	Retained profits	Total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2006 (audited)	400,633	82,445	5,622	(981)	3,369	102,587	593,675	5,732	599,407
Exchange differences arising on translation of foreign operation	—	—	—	2,109	—	—	2,109	294	2,403
Change in fair value on available-for-sale financial assets	—	—	28,991	—	—	—	28,991	—	28,991
Total income recognised directly in equity	—	—	28,991	2,109	—	—	31,100	294	31,394
Profit for the period	—	—	—	—	—	18,217	18,217	1,028	19,245
Total recognised income for the period	—	—	28,991	2,109	—	18,217	49,317	1,322	50,639
Dividends paid	—	—	—	—	—	(20,032)	(20,032)	—	(20,032)
Distributions in specie	—	—	—	—	—	(59,850)	(59,850)	—	(59,850)
Capital contribution from minority shareholders	—	—	—	—	—	—	—	936	936
At 30 June 2006 (unaudited)	400,633	82,445	34,613	1,128	3,369	40,922	563,110	7,990	571,100
At 1 January 2007 (audited)	400,633	82,445	9,438	2,454	3,369	76,691	575,030	7,081	582,111
Exchange differences arising on translation of foreign operation	—	—	—	705	—	—	705	161	866
Change in fair value on available-for-sale financial assets	—	—	22,858	—	—	—	22,858	—	22,858
Total income recognised directly in equity	—	—	22,858	705	—	—	23,563	161	23,724
Profit for the period	—	—	—	—	—	90,203	90,203	2,049	92,252
Total recognised income for the period	—	—	22,858	705	—	90,203	113,766	2,210	115,976
Capital contribution from minority shareholders	—	—	—	—	—	—	—	10,378	10,378
Deemed disposal of partial interest in a jointly controlled entity's subsidiary	—	—	—	—	—	—	—	1,479	1,479
Dividends paid	—	—	—	—	—	(20,032)	(20,032)	—	(20,032)
At 30 June 2007 (unaudited)	400,633	82,445	32,296	3,159	3,369	146,862	668,764	21,148	689,912

Note: Other reserve arose from share repurchases in previous years.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2007**

	Six months ended 30 June	
	2007	2006
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Net cash (used in) from operating activities	(37,070)	6,149
Net cash from investing activities		
Decrease in pledge bank deposits	63,425	—
Proceeds on disposal of property, plant and equipment	20	11,816
Acquisition of investment in an associate	(20,296)	(1,910)
Purchases of available-for-sale investments	(20,356)	(11,000)
Other investing activities	(5,068)	8,179
	<u>17,725</u>	<u>7,085</u>
Net cash from (used in) financing activities		
Dividends paid	(20,032)	(20,032)
Borrowing repaid	(21)	(2,917)
Borrowings raised	17,508	—
Capital contribution for minority shareholders	10,378	936
	<u>7,833</u>	<u>(22,013)</u>
Net decrease in cash and cash equivalents	(11,512)	(8,779)
Cash and cash equivalents at the beginning of the period	<u>165,079</u>	<u>105,297</u>
Cash and cash equivalents at the end of the period	<u><u>153,567</u></u>	<u><u>96,518</u></u>
Represented by:		
Bank balances and cash	124,376	96,518
Bank balances and cash included in assets classified as held for sale	29,191	—
	<u><u>153,567</u></u>	<u><u>96,518</u></u>

# NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

## 1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

## 2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) - Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) - Int 8	Scope of HKFRS 2
HK(IFRIC) - Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) - Int 10	Interim Financial Reporting and Impairment

The adoption of these new HKFRSs has had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new standards or interpretations that have been issued but are not yet effective.

HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) - Int 11	HKFRS 2: Group and Treasury Share Transactions <sup>2</sup>
HK(IFRIC) - Int 12	Service Concession Arrangements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

### 3. Change in Presentation of Financial Statements

In previous period, sale proceeds and related cost of sales of financial assets were presented in the condensed consolidated income statement within turnover and cost of sales respectively.

In preparation for the annual financial statements for the year ended 31 December 2006, the presentation of turnover and cost of sale for sales of investments held for trading have been changed to reflect the nature of sales of financial assets in a more appropriate manner, whereby the net gain/losses on sales of financial assets are presented in the consolidated income statement within turnover.

The effects of the change in presentation have been accounted for retrospectively with comparative figures changed. The specific line items affected are as follows:

	Six months ended	
	30 June 2007	30 June 2006
	HK\$'000	HK\$'000
Decrease in revenue	149,989	104,809
Decrease in cost of sales	149,989	104,809

### 4. Segment information

#### Business segments

Six months ended 30 June 2007	Broking Services	Investment Banking	Direct Investments	Industrial & Management	Digital	Property	Group
				Operating Services	Consumer Products	Investment	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gross proceeds	51,306	1,191	149,989	8,925	775	612	212,798
Revenue	51,306	1,191	24,323	8,925	775	612	87,132
Segment results	13,323	(793)	104,469	(1,408)	(1,393)	(1,475)	112,723
Unallocated corporate expenses							(16,716)
Finance costs							(5,863)
Share of profits of associates	3,271	—	—	137	—	—	3,408
Profit before taxation							93,552
Taxation							(1,300)
Profit for the period							92,252

4. Segment information (continued)

Business segments

Six months ended 30 June 2006	Broking Services	Investment Banking	Direct Investments	Industrial & Management	Digital	Property Investment	Group
				Operating Services	Consumer Products		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gross proceeds	26,834	4,639	104,809	9,299	15,795	750	162,126
Revenue	26,834	4,639	8,631	9,299	15,795	750	65,948
Segment results	8,135	207	35,841	(2,252)	(2,624)	(922)	38,385
Unallocated corporate expenses							(20,010)
Finance costs							(2,091)
Share of profits (losses) of associates	2,102	(211)	—	2,319	—	—	4,210
Profit before taxation							20,494
Taxation							(1,249)
Profit for the period							19,245

5. Taxation

	Six months ended	
	30 June 2007	30 June 2006
	HK\$'000	HK\$'000
Profits tax:		
Hong Kong	976	1,249
Other jurisdictions	503	—
Deferred tax liabilities reversed	(28)	—
Deferred tax assets recognised	(151)	—
	1,300	1,249

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the period. Taxation on other jurisdictions has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the relevant jurisdictions.



## 6. Profit for the period

Profit for the period has been arrived at after charging:

	Six months ended	
	30 June 2007	30 June 2006
	HK\$'000	HK\$'000
Allowance for:		
Bad debts	39	750
Inventories	136	1,508
Amortisation of prepaid lease payments	4,059	3,745
Cost of inventories recognised as expense	7,377	21,828
Depreciation	704	568
Operating lease rentals in respect of land and buildings	3,598	3,816
	<u>          </u>	<u>          </u>

## 7. Dividends

	Six months ended	
	30 June 2007	30 June 2006
	HK\$'000	HK\$'000
2005 Final, paid – HK5 cents per share	—	20,032
2006 Final, paid – HK5 cents per share	20,032	—
2006 Interim, distribution in specie (Note)	—	59,850
	<u>          </u>	<u>          </u>
	20,032	79,882
	<u>          </u>	<u>          </u>
2007 Interim, proposed – HK5 cents per share	20,032	—
	<u>          </u>	<u>          </u>

Note: Pursuant to the resolution of the board of directors dated 10 May, 2006, shares in Winbox International (Holdings) Limited ("Winbox"), a 38% owned associate of the Group, was fully distributed to the shareholders of the Company on the basis of 38 Winbox shares for every 100 shares in the Company. The amount of distribution in specie, approximately HK\$59,850,000, represented the carrying amount of interest in Winbox at date of distribution.

## 8. Earnings per share

The calculation of basic earnings per share for the period is based on the following data:

	Six months ended	
	30 June 2007	30 June 2006
Earnings for the purpose of basic earnings per share (profit for the period attributable to equity holders of the Company)	<u>HK\$90,203,000</u>	<u>HK\$18,217,000</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>400,633,217</u>	<u>400,633,217</u>

## 9. Movements in property, plant and equipment and investment property

During the period, the Group acquired property, plant and equipment at a cost of approximately HK\$215,000 (2006: HK\$125,000).

At 30 June 2007, the directors have also considered that the fair value of the Group's investment property does not differ significantly from its carrying amount at 31 December 2006 and accordingly, no fair value change has been recognised in the current period.

## 10. Trade and other receivables

Included in trade and other receivables are trade receivables of approximately HK\$7,760,000 (31 December 2006: HK\$7,269,000) and an aged analysis is as follows:

	30 June 2007	31 December 2006
	HK\$'000	HK\$'000
0 to 60 days	4,115	3,703
61 to 90 days	915	578
Over 90 days	2,730	2,988
	<u>7,760</u>	<u>7,269</u>

The Group allows a credit period ranging from 61 days to 90 days to its trade customers.

11. **Assets classified as held for sale/Liabilities associated with assets classified as held for sale**

On 12 June 2007, the Group, through its jointly controlled entity, SBI E2-Capital Asia Securities Group Limited ("SBI E2-Capital Asia Securities Group"), entered into an agreement with Clear Smart Enterprises Limited to dispose of certain of the SBI E2-Capital Asia Securities Group's broking service business which was conducted by SBI E2-Capital Asia Securities Limited and its subsidiaries (hereinafter collectively referred to as the "Disposal Group"). The disposal was completed on 12 September 2007.

The major classes of assets and liabilities of the Disposal Group as at 30 June 2007, which have been presented separately in the condensed consolidated balance sheet, are as follows:

	30 June 2007
	HK\$'000
Property, plant and equipment	626
Intangible assets	1
Available-for-sale investments	1,915
Other non-current assets	1,927
Investments held for trading	7,773
Trade and other receivables	105,319
Bank balances and cash	29,191
	<hr/>
Total assets classified as held for sale	146,752
	<hr/> <hr/>
Other payables	83,509
Taxation payable	980
Borrowings	17,370
	<hr/>
Total liabilities associated with assets classified as held for sale	101,859
	<hr/> <hr/>

Included in trade and other receivables are trade receivables of approximately HK\$341,000 and an aged analysis is as follows:

	30 June 2007
	HK\$'000
0 to 60 days	307
Over 90 days	34
	<hr/>
	341
	<hr/> <hr/>

## 12. Trade and other payables

Included in trade and other payables are trade payables of approximately HK\$2,222,000 (31 December 2006: HK\$2,478,000) and an aged analysis is as follows:

	<u>30 June 2007</u>	<u>31 December 2006</u>
	HK\$'000	HK\$'000
0 to 60 days	1,821	1,449
61 to 90 days	245	223
Over 90 days	156	806
	<u>2,222</u>	<u>2,478</u>

## 13. Share Capital

	<u>Number of shares</u>	<u>Amount HK\$'000</u>
Ordinary shares of HK\$1 each		
Authorised:		
At 31 December 2006 and 30 June 2007	<u>750,000,000</u>	<u>750,000</u>
Issued and fully paid:		
At 31 December 2006 and 30 June 2007	<u>400,633,217</u>	<u>400,633</u>

#### 14. Related party transactions

(a) Transactions with related companies

During the period, the Group had transactions with related parties, as follows:

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
A jointly controlled entity:		
Management fee income	321	311
A joint venture partner of the jointly controlled entity:		
Interest income	678	478
An associate:		
Advisory fee expense	25	—
Services fee expense	—	8
	<u>11,377</u>	<u>12,924</u>

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Salaries and other short-term employee benefits	<u>11,377</u>	<u>12,924</u>

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

## 15. Post Balance Sheet Events

On 28 August 2007, Winslow Investment Management Limited, a wholly owned subsidiary of the Company converted HK\$10,000,000 convertible notes into 100,000,000 ordinary shares of HK\$0.1 each in China Renji Medical Group Limited ("China Renji"), a company listed on The Stock Exchange of Hong Kong Limited.

On 3 September 2007, Paper Rich Investments Limited, another wholly owned subsidiary of the Company, converted another HK\$14,000,000 convertible notes into 140,000,000 ordinary shares of HK\$0.1 each in China Renji.

The investment in China Renji is classified as an available-for-sale investment before and after the conversion.

On behalf of the Board

**Fung Ka Pun**

*Executive Co-chairman*

**Wong Sin Just**

*Executive Co-chairman*

Hong Kong, 18 September, 2007