



**CHINA RENJI**  
**Medical Group Ltd.**

中國仁濟醫療集團有限公司

(HKSE: 00648)

# INTERIM REPORT 2007



**CHINA RENJI**  
**Medical Group Ltd.**

中國仁濟醫療集團有限公司





## 2007 INTERIM REPORT

For the six months ended 30 June 2007

### CONTENTS

|  | Pages |
|--|-------|
| Corporate Information  | 2     |
| Management commentary  | 3     |
| Condensed consolidated income statement                        | 20    |
| Condensed consolidated balance sheet                           | 21    |
| Condensed consolidated statement of changes in equity          | 23    |
| Condensed consolidated cash flow statement                     | 25    |
| Notes to the condensed consolidated financial statements       | 26    |
| Disclosure under Rule 13.22 of Chapter 13 of the Listing Rules | 40    |



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors:*

Dato' WONG Sin Just DIMP (*Co-Chairman*)  
SHENG Yang (*Co-Chairman*)  
YU Chung Hang, Lucian (*Chief Executive Officer*)  
WONG Kean Li  
DUAN Xuzhen  
ZHAO Jun Jie

#### *Non-executive Directors:*

YU Kam Yuen, Lincoln  
SUN Huali

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

LO Wing Yan, William JP  
NG Sau Kei, Wilfred  
Raja Datuk Karib Shah BIN SHAHRUDIN  
SIMP, PSD, DSAP, SAP

### AUDIT COMMITTEE

LO Wing Yan, William JP  
NG Sau Kei, Wilfred  
Raja Datuk Karib Shah BIN SHAHRUDIN  
SIMP, PSD, DSAP, SAP  
YU Kam Yuen, Lincoln

### REMUNERATION COMMITTEE

LO Wing Yan, William JP  
NG Sau Kei, Wilfred  
YU Kam Yuen, Lincoln

### EXECUTIVE COMMITTEE

Dato' WONG Sin Just DIMP  
YU Chung Hang, Lucian  
WONG Kean Li

### INVESTMENT COMMITTEE

Dato' WONG Sin Just DIMP  
YU Chung Hang, Lucian  
WONG Kean Li

### 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

Deloitte Touche Tohmatsu

### SHARE REGISTRARS

Tricor 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.renjimedical.com](http://www.renjimedical.com)

### STOCK CODE

00648



## **MANAGEMENT COMMENTARY TO THE SHAREHOLDERS**

On behalf of the board of directors (the “Board”) of China Renji Medical Group 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 2007.

### **CONSOLIDATED FINANCIAL REVIEW**

For the six months ended 30 June 2007, the Company recorded a consolidated turnover of HK\$96,339,000, representing an increase of approximately 28% 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\$39,816,000 (six months ended 30 June 2006: HK\$13,549,000). Basic loss per share was HK0.76 cents (six months ended 30 June 2006: HK0.30 cents).

The Board has resolved not to pay any interim dividend to shareholders (six months ended 30 June 2006: nil).

### **BUSINESS REVIEW**

During the period under review, the Group underwent significant changes and developments. On 24 April 2007, the Group entered into an Acquisition Agreement to purchase the entire issued share capital of China Renji Medical (BVI) Limited (formerly China Renji Medical Group Limited), a company incorporated with limited liability in the BVI, for an aggregate consideration of HK\$641 million and which operates and manages a network of medical centres in China specialising in the treatment and diagnosis of cancer. The strategic move has allowed the Company to move into the booming medical healthcare market in the PRC.

Since the completion of the acquisition on 13 July 2007, the Company’s reinvigorated team of Directors and its management have worked tirelessly to refocus the Company to optimize the benefits from this transformation in investment strategy and establish what the Group considers to be the foundation for future growth.

The Company currently operates four medical centres in Shanghai — three cancer diagnostic and treatment centres and one health check centre — and one cancer diagnostic and treatment centre in Nanchang. All our centres are equipped with cutting-edge head Gamma system and body Gamma system facilities.

Despite recording a loss of HK\$39,816,000 for the period under review, this is part and parcel of the strategic refocusing process, corroborating the Group’s belief that this strategic move has firmly laid the foundations for a turnaround in prospects and will ultimately bear fruit.





### 1. *Investment Holding Division*

The Investment Holding Division recorded a turnover of HK\$1,172,000 (six months ended 30 June 2006: HK\$6,101,000) and an operating loss of HK\$43,102,000 for the six months ended 30 June 2007 (six months ended 30 June 2006: HK\$18,386,000). The loss was mainly attributed to the expensing of share-based benefits of HK\$5,249,000 and impairment loss of available-for-sale investments of HK\$42,640,000.

### 2. *Financial Services Division*

#### **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 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 ended 30 June 2007 (six months ended 30 June 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 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 ended 30 June 2007, our Singapore unit, SBI E2-Capital Asia Securities Pte Ltd (“SECA Securities”) continued to register growth of client base and correspondingly the steady revenue of S\$3.5 million as compared to the corresponding period in 2006 of S\$2.7 million. SECA Securities 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. SECA Securities has acted as 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 SECA Securities will continue to play a vital role in the Singapore financial sector in linking local and regional investors with China/Hong Kong enterprises in the remaining of 2007.

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

The Division’s turnover was approximately HK\$60,000 (six months ended 30 June 2006: HK\$2,700,000) and the operating loss was HK\$621,000 for the six months ended 30 June 2007 (six months ended 30 June 2006: operating profit of HK\$943,000). The decrease in turnover was mainly due to the deconsolidation of Sun-Tech International Group Limited following the completion of the restructuring of its corporate structure in March 2006.

### 4. *Garment Manufacturing Division*

The Garment Manufacturing Division is operated by our 51% owned subsidiary, Foshan Chande Knitting Enterprise Company, Limited (“Foshan Chande”), which is located in Foshan City, Guangdong province. The Division accounted for approximately 39% of the Company’s consolidated turnover. For the six months ended 30 June 2007, it recorded a turnover of HK\$37,696,000 (six months ended 30 June 2006: HK\$28,317,000) and an operating profit of HK\$819,000 (six months ended 30 June 2006: HK\$751,000).

On 22 August 2007, the Group entered into a disposal agreement with a purchaser whereby the Group will dispose the Garment Manufacturing Division to the purchaser by disposing the entire issued share capital of Dragon Lion Limited, whose principal assets comprising 51% equity interest in Foshan Chande. The consideration for the disposal is HK\$20,005,000 payable by cash. The completion of the disposal shall be subject to the approval of the shareholders of the Company.



### 5. *Property Holding Division and Others*

The Division's turnover amounted to HK\$3,581,000 (six months ended 30 June 2006: HK\$3,937,000) and an operating profit of HK\$6,441,000 (six months ended 30 June 2006: HK\$2,207,000) was recorded for the six months ended 30 June 2007, in which HK\$6,409,000 (six months ended 30 June 2006: HK\$2,200,000) was attributed to the gain arising from the revaluation of investment properties.

During the period from 1 January 2007 to 19 September 2007, the Group entered into various sale and purchase agreements with independent third parties under which the Group agreed to sell various properties with an aggregate carrying amount of HK\$51,789,000 at a total consideration of HK\$52,789,000. The agreements are scheduled to complete in the second half of 2007.

## **PROSPECTS**

During the period under review, the Group underwent significant changes and developments. On 24 April 2007, the Group entered into an Acquisition Agreement to purchase the entire issued share capital of China Renji Medical (BVI) Limited (formerly China Renji Medical Group Limited), a company incorporated with limited liability in the BVI, for an aggregate consideration of HK\$641 million and which operates and manages a network of medical centres in China specialising in the treatment and diagnosis of cancer. The strategic move has allowed the Company to move into the booming medical healthcare market in the PRC.

Since the completion of the acquisition on 13 July 2007, the Company's reinvigorated team of Directors and its management have worked tirelessly to refocus the Company to optimize the benefits from this transformation in investment strategy and establish what the Group considers to be the foundation for future growth.

The Company's goal is to build an extensive hospital and medical network in China. As one of the first groups to use Gamma system technology in Shanghai, the Company currently manages and operate four centres located in Shanghai and Nanchang.

The strategic focusing carried out by the Group is, we believe, a timely and opportunistic one. Cancer has become one of China's top killers, with the growth and prominence of the disease reaching alarming levels. It has been reported that smoking, drinking and eating unhealthy foods will combine with larger populations and fewer deaths from infectious diseases to drive Asian cancer rates up 60 percent by 2020.

While China is currently ranked seventh in terms of total healthcare expenditure, it is widely believed that within the next twenty years, the size of China's healthcare market will rival that of the US and Japan. Between 1980 and 2004, China's healthcare expenditure grew at a CAGR of 17%. During the same period, healthcare expenditure increased from 3.2% to 5.7% of China's GDP.



Although China's per capita health expenditure is only US\$73, it has the highest per capita basis growth rate at 11.1%. Rapid economic progress has made many people across the country wealthier. In major cities and the more affluent coastal areas there are rising expectations for medical services. Experts estimate that healthcare spending in these regions has been growing faster than the GDP.

That said, 99% of the 18,500 established general hospitals in China are state owned. Yet hospitals are becoming increasingly independent from the state — instead of providing full funding to hospitals, the government now only provides for basic salaries and certain capital investment. Since the 1980's government funding has fallen from 80% to 44%. This means that there is more pressure on hospitals to create revenue to fund research, new technology and new equipment. At the same time however, China's existing medical industry is lagging far behind the growing demand for healthcare. The number of hospitals available and the quality of their equipment is still found wanting compared to other major countries. Thus, the central government is responding to these problems by encouraging private enterprises to invest in the healthcare industry. The Group is answering that call by reinvigorating state-run hospitals with an injection of private capital.

The Group adopts an operating lease program. When our equipment is leased to second tier hospitals we are at the same time also providing them with our management expertise. Upfront costs and risk are further avoided through our profit sharing contract.

The three components of the Company's core business; that is, (1) health check centres that provide diagnostic and consultancy services, (2) Cancer treatment services using state of the art equipment, such as Gamma system technology and (3) the leasing of medical equipment to hospitals, are designed to create a synergistic effect. Our health check centre provides consultation to our hospitals and refers additional patients to our treatment centres. The cancer treatment centres in turn refer their patients to the health check centres for follow up.

Our reinvigorated management team possesses a wealth of knowledge in the Mainland's healthcare industry. We have created a novel business model that has enabled hospitals to avoid the constraints of funding, budgetary difficulties, and the problems associated with the lack of initial set up and operational experience. The profit-sharing operating lease program permits hospitals to quickly benefit from our medical equipment, technical expertise, and management experience by sharing a percentage of their profits.

The Group is confident that the transformation in its investment strategy will establish the foundation for future growth.





## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2007, the Company's consolidated bank and cash balances totalled HK\$126,434,000, excluding bank and cash balances classified as assets held for sale (31 December 2006: HK\$96,838,000). Of the consolidated bank and cash balances, HK\$47,909,000 is attributable to the jointly controlled entities (31 December 2006: HK\$63,303,000).

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 (the "2008 Notes"). Save as the extension of the maturity date, all other terms and conditions remain unchanged. As at 30 June 2007, the outstanding principal amounts of the 2008 Notes were HK\$5,000,000. There was no conversion of the 2008 Notes during the six months ended 30 June 2007 and up to the date hereof.

On 2 February 2004 and 13 February 2004, the Company, through its wholly-owned subsidiary SIIS 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. 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 (the "2009 (Feb) Notes") to the noteholder to replace the 2006 Notes in the principal amount of HK\$14,000,000. As at 30 June 2007, the outstanding principal amounts of the 2009 (Feb) Notes were HK\$14,000,000. There was no conversion of the 2009 (Feb) Notes during the six months ended 30 June 2007. Subsequent to the period under review and up to the date hereof, all outstanding 2009 (Feb) Notes were fully converted into 140,000,000 ordinary shares of the Company at conversion price of HK\$0.10 per share.

In March 2007, the Group entered into a placing agreement with its jointly controlled entity, SBI E2-Capital Securities Limited, for the issuance of 5% guaranteed convertible notes due 23 March 2009 (the "2009 (Mar) Notes") for an aggregate principal amount of HK\$89,500,000. During the period under review, the outstanding 2009 (Mar) Notes in the principal amount of HK\$60,000,000 were converted into 600,000,000 ordinary shares of the Company at conversion price of HK\$0.10 per share. As at 30 June 2007, the outstanding principal amounts of the 2009 (Mar) Notes were HK\$29,500,000. Subsequent to the period under review and up to the date hereof, the outstanding 2009 (Mar) Notes in the principal amount of HK\$26,500,000 were converted into 265,000,000 ordinary shares of the Company at conversion price of HK\$0.10 per share.

As at 30 June 2007, the Company's total outstanding consolidated borrowings (excluding the above mentioned convertible notes and other borrowings classified as liabilities held for sale) amounted to HK\$70,969,000 (31 December 2006: HK\$72,614,000). The total borrowings will be repayable, as to approximately HK\$4,020,000 within one year and the remainder of approximately HK\$66,949,000 between two to five years. Included in the total borrowings are amounts denominated in Japanese yen and



Renminbi which were equivalent to HK\$66,949,000 and HK\$4,020,000 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\$1,681,000 exchange gain on translation for six months ended 30 June 2007 (six months ended 30 June 2006: exchange loss of HK\$2,102,000).

As at 30 June 2007, the consolidated equity totalled HK\$309,755,000, and the gearing ratio was 23% (31 December 2006: 29%), calculated by dividing the total borrowings, excluding convertible notes and other borrowings classified as liabilities held for sale of HK\$70,969,000 (31 December 2006: HK\$72,614,000) by the consolidated equity of HK\$309,755,000 (31 December 2006: HK\$249,354,000).

### **CHARGES ON GROUP ASSETS**

As at 30 June 2007, the Group's banking facilities were secured by properties of the Group with net book value of HK\$5,560,000 (31 December 2006: HK\$5,433,000).

### **COMMITMENTS**

As at 30 June 2007, the Group has commitments of approximately HK\$591,000,000 for capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of a subsidiary.

As at 31 December 2006, the Group had commitments of approximately HK\$70,000,000 for capital expenditure contracted for but not provided in the consolidated financial statements in respect of the new shares issued by an associate. In January 2007, the Group and the associate had mutually agreed to suspend the issue of new shares in the associate and accordingly, the related commitment were released subsequently.

### **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2007, 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<br>per share<br>HK\$ | Number of share options |                                 |                                   |                                | At 30 June<br>2007 |
|--|---------------|--------------------------|-------------------------------------|-------------------------|---------------------------------|-----------------------------------|--------------------------------|--------------------|
|  |               |                          |                                     | At 1 January<br>2007    | Granted<br>during<br>the period | Exercised<br>during<br>the period | Lapsed<br>during<br>the period |                    |
| <b>Directors</b>                       |               |                          |                                     |                         |                                 |                                   |                                |                    |
| Wong Sin Just                          | 21-02-2002    | 21-02-2002 to 20-02-2012 | 0.280                               | 24,402,000              | —                               | —                                 | —                              | 24,402,000         |
|  | 03-11-2003    | 03-11-2003 to 02-11-2013 | 0.100                               | 35,000,000              | —                               | —                                 | —                              | 35,000,000         |
|  | 24-05-2004    | 24-05-2004 to 23-05-2014 | 0.100                               | 1,632,000               | —                               | —                                 | —                              | 1,632,000          |
|  | 10-04-2006    | 10-04-2006 to 09-04-2016 | 0.100                               | 43,112,000              | —                               | —                                 | —                              | 43,112,000         |
| Yu Chung Hang,<br>Lucian               | 29-03-2005    | 29-03-2005 to 28-03-2015 | 0.100                               | 10,000,000              | —                               | —                                 | —                              | 10,000,000         |
|  | 10-04-2006    | 10-04-2006 to 09-04-2016 | 0.100                               | 43,112,000              | —                               | —                                 | —                              | 43,112,000         |
| Wong Kean Li                           | 21-02-2002    | 21-02-2002 to 20-02-2012 | 0.280                               | 6,000,000               | —                               | —                                 | —                              | 6,000,000          |
|  | 03-11-2003    | 03-11-2003 to 02-11-2013 | 0.100                               | 35,000,000              | —                               | —                                 | —                              | 35,000,000         |
|  | 24-05-2004    | 24-05-2004 to 23-05-2014 | 0.100                               | 1,632,000               | —                               | —                                 | —                              | 1,632,000          |
|  | 10-04-2006    | 10-04-2006 to 09-04-2016 | 0.100                               | 43,112,000              | —                               | —                                 | —                              | 43,112,000         |
| Yu Kam Yuen,<br>Lincoln                | 03-11-2003    | 03-11-2003 to 02-11-2013 | 0.100                               | 20,000,000              | —                               | (20,000,000) <sup>4</sup>         | —                              | —                  |
|  | 24-05-2004    | 24-05-2004 to 23-05-2014 | 0.100                               | 15,000,000              | —                               | —                                 | —                              | 15,000,000         |
|  | 10-04-2006    | 10-04-2006 to 09-04-2016 | 0.100                               | 21,556,000              | —                               | —                                 | —                              | 21,556,000         |
| Lo Wing Yan,<br>William                | 03-11-2003    | 03-11-2003 to 02-11-2013 | 0.100                               | 3,632,000               | —                               | —                                 | —                              | 3,632,000          |
|  | 10-04-2006    | 10-04-2006 to 09-04-2016 | 0.100                               | 4,310,000               | —                               | (4,310,000) <sup>5</sup>          | —                              | —                  |
| Chan Kai Yu, Rudy<br>(ex-Director)     | 03-11-2003    | 03-11-2003 to 02-11-2013 | 0.100                               | 3,632,000               | —                               | —                                 | —                              | 3,632,000          |
|  | 10-04-2006    | 10-04-2006 to 09-04-2016 | 0.100                               | 4,310,000               | —                               | —                                 | —                              | 4,310,000          |
| Ng Sau Kei, Wilfred                    | 03-05-2007    | 03-05-2007 to 02-05-2017 | 0.190                               | —                       | 5,458,000 <sup>3</sup>          | (5,458,000) <sup>6</sup>          | —                              | —                  |
| Raja Datuk Karib<br>Shah bin Shahrudin | 10-04-2006    | 10-04-2006 to 09-04-2016 | 0.100                               | 4,310,000               | —                               | —                                 | —                              | 4,310,000          |
|  |               |                          |                                     | 319,752,000             | 5,458,000                       | (29,768,000)                      | —                              | 295,442,000        |



| Grantee                  | Date of grant | Exercisable period       | Exercise price<br>per share<br>HK\$ | Number of share options       |                                 |                                   |                                |                           |
|--------------------------|---------------|--------------------------|-------------------------------------|-------------------------------|---------------------------------|-----------------------------------|--------------------------------|---------------------------|
|                          |               |                          |                                     | At 1 January<br>2007          | Granted<br>during<br>the period | Exercised<br>during<br>the period | Lapsed<br>during<br>the period | At 30 June<br>2007        |
| Employees                | 21-02-2002    | 21-02-2002 to 20-02-2012 | 0.280                               | 11,800,000                    | —                               | —                                 | (2,600,000)                    | 9,200,000                 |
|                          | 03-11-2003    | 03-11-2003 to 02-11-2013 | 0.100                               | 25,016,000 <sup>17</sup>      | —                               | (25,016,000) <sup>17</sup>        | —                              | —                         |
|                          | 24-05-2004    | 24-05-2004 to 23-05-2014 | 0.100                               | 63,500,000                    | —                               | (63,000,000) <sup>9</sup>         | —                              | 500,000                   |
|                          | 10-04-2006    | 10-04-2006 to 09-04-2016 | 0.100                               | 97,000,000 <sup>17</sup>      | —                               | (30,300,000) <sup>9</sup>         | —                              | 66,700,000                |
|                          | 26-04-2007    | 26-04-2007 to 25-04-2017 | 0.200                               | —                             | 61,800,000 <sup>2</sup>         | (400,000) <sup>10</sup>           | —                              | 61,400,000                |
|                          |               |                          |                                     | <u>197,316,000</u>            | <u>61,800,000</u>               | <u>(118,716,000)</u>              | <u>(2,600,000)</u>             | <u>137,800,000</u>        |
| Consultants/<br>Advisors | 21-02-2002    | 21-02-2002 to 20-02-2012 | 0.280                               | 41,402,000 <sup>18</sup>      | —                               | —                                 | —                              | 41,402,000                |
|                          | 03-11-2003    | 03-11-2003 to 02-11-2013 | 0.100                               | 91,000,000 <sup>18, 20</sup>  | —                               | (42,000,000) <sup>11</sup>        | —                              | 49,000,000                |
|                          | 26-01-2004    | 26-01-2004 to 25-01-2014 | 0.120                               | 5,000,000                     | —                               | —                                 | —                              | 5,000,000                 |
|                          | 24-05-2004    | 24-05-2004 to 23-05-2014 | 0.100                               | 235,264,000 <sup>18, 20</sup> | —                               | (94,632,000) <sup>12</sup>        | (30,000,000)                   | 110,632,000               |
|                          | 29-03-2005    | 29-03-2005 to 28-03-2015 | 0.100                               | 14,000,000                    | —                               | (14,000,000) <sup>13</sup>        | —                              | —                         |
|                          | 10-04-2006    | 10-04-2006 to 09-04-2016 | 0.100                               | 132,850,000 <sup>18, 20</sup> | —                               | (37,246,000) <sup>14</sup>        | —                              | 95,604,000                |
|                          | 28-04-2006    | 28-04-2006 to 27-04-2016 | 0.104                               | 37,466,000 <sup>19</sup>      | —                               | (37,466,000) <sup>15</sup>        | —                              | —                         |
|                          | 26-04-2007    | 26-04-2007 to 25-04-2017 | 0.200                               | —                             | 52,800,000 <sup>2</sup>         | (2,500,000) <sup>16</sup>         | —                              | 50,300,000                |
|                          |               |                          |                                     | <u>556,982,000</u>            | <u>52,800,000</u>               | <u>(227,844,000)</u>              | <u>(30,000,000)</u>            | <u>351,938,000</u>        |
| <b>TOTAL :</b>           |               |                          |                                     | <u><b>1,074,050,000</b></u>   | <u><b>120,058,000</b></u>       | <u><b>(376,328,000)</b></u>       | <u><b>(32,600,000)</b></u>     | <u><b>785,180,000</b></u> |

*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\$0.219.
- (3) At the date immediately before these options were granted, the closing price per share was HK\$0.187.
- (4) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK\$0.240.
- (5) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK\$0.243.
- (6) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK\$0.310.
- (7) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK\$0.204.
- (8) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK\$0.233.
- (9) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK\$0.227.
- (10) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK\$0.310.
- (11) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK\$0.302.
- (12) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK\$0.224.
- (13) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK\$0.215.
- (14) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK\$0.256.
- (15) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK\$0.290.
- (16) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK\$0.306.
- (17) 5,000,000 options (granted on 3 November 2003) and 11,000,000 options (granted 10 April 2006) previously classified under "Consultants/Advisors" were re-classified under "Employees" as a result of a consultant becoming an employee of the Company during the period.
- (18) 24,402,000 options (granted on 21 February 2002), 35,000,000 options (granted on 3 November 2003), 1,632,000 options (granted on 24 May 2004) and 43,112,000 (granted 10 April 2006) previously classified under "Directors" were re-classified under "Consultants/Advisors" as a result of the resignation of Mr Yu Kam Kee, Lawrence as Director of the Company on 18 April 2007 and his appointment as senior advisor of the Company immediately thereafter.





- (19) 37,466,000 options (granted 28 April 2006) previously classified under “Directors” were re-classified under “Consultants/Advisors” as a result of the resignation of Mr Fu Yan as Director of the Company on 18 April 2007 and his appointment as consultant of the Group immediately thereafter.
- (20) 1,000,000 options (granted on 3 November 2003), 2,000,000 options (granted on 24 May 2004) and 3,000,000 options (granted 10 April 2006) previously classified under “Employees” were re-classified under “Consultants/Advisors” as a result of an employee becoming a consultant of the Company during the period.
- (21) Options granted to Directors are immediately vested on the date of grant or on a later date when the grantee became a Director of the Company (as the case may be).
- (22) Options granted to employees are vested as follows:

| <b>Date of grant</b> | <b>Date of vesting</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             | 5,291,000                          |
|                      | 03-11-2004             | 6,175,000                          |
|                      | 03-11-2005             | 13,550,000                         |
| 24-05-2004           | 24-05-2004             | 15,650,000                         |
|                      | 26-01-2005             | 15,950,000                         |
|                      | 26-01-2006             | 31,900,000                         |
| 10-04-2006           | 10-04-2006             | 24,250,000                         |
|                      | 10-04-2007             | 24,250,000                         |
|                      | 10-04-2008             | 48,500,000                         |
| 26-04-2007           | 26-04-2007             | 15,450,000                         |
|                      | 26-04-2008             | 15,450,000                         |
|                      | 26-04-2009             | 30,900,000                         |



(23) Options granted to consultants/advisors are vested as follows :

| <b>Date of grant</b> | <b>Date of vesting</b> | <b>No. of share options vested</b> |
|----------------------|------------------------|------------------------------------|
| 21-02-2002           | 21-02-2002             | 24,402,000                         |
|                      | 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             | 75,250,000                         |
|                      | 03-11-2004             | 5,250,000                          |
|                      | 03-11-2005             | 10,500,000                         |
| 26-01-2004           | 26-01-2004             | 5,000,000                          |
| 24-05-2004           | 24-05-2004             | 203,764,000                        |
|                      | 26-01-2005             | 500,000                            |
|                      | 26-03-2005             | 10,000,000                         |
|                      | 26-01-2006             | 1,000,000                          |
|                      | 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             | 117,665,500                        |
|                      | 10-04-2007             | 5,061,500                          |
|                      | 10-04-2008             | 10,123,000                         |
| 28-04-2006           | 28-04-2006             | 37,466,000                         |
| 26-04-2007           | 26-04-2007             | 51,450,000                         |
|                      | 26-04-2008             | 450,000                            |
|                      | 26-04-2009             | 900,000                            |

(24) 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 | Date of vesting | Expected life | Risk-free rate | Expected volatility | Expected dividend yield | Estimated fair value per option<br>HK\$ |
|--------------------------|---------------|-----------------|---------------|----------------|---------------------|-------------------------|---|
| Director                 | 03-05-2007    | 03-05-2007      | 5 years       | 4.10%          | 32.0%               | 0%                      | 0.0597                                  |
| Employees                | 26-04-2007    | 26-04-2007      | 5 years       | 4.04%          | 32.2%               | 0%                      | 0.0590                                  |
|                          |               | 26-04-2008      | 5.5 years     | 4.06%          | 32.3%               | 0%                      | 0.0629                                  |
|                          |               | 26-04-2009      | 6 years       | 4.09%          | 35.7%               | 0%                      | 0.0715                                  |
| Consultants/<br>Advisors | 26-04-2007    | 26-04-2007      | 5 years       | 4.04%          | 32.2%               | 0%                      | 0.0590                                  |
|                          |               | 26-04-2008      | 5.5 years     | 4.06%          | 32.3%               | 0%                      | 0.0629                                  |
|                          |               | 26-04-2009      | 6 years       | 4.09%          | 35.7%               | 0%                      | 0.0715                                  |

- (a) The expected life is measured from the date of vesting (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) According to the announcement dated 13 July 2007, there was an acquisition of a network of medical centres by the Company. The Company's principal engagement has been transformed from an investment holding involving the businesses of (a) provision of financial services; (b) provision of media, consulting, marketing and technology services; (c) garment manufacturing; and (d) property holding to the management and operation of a network of medical centres specializing in the diagnosis and treatment of tumours/cancer in the PRC. Due to the recent business transform of the Company, the expected volatility used in the calculation is based on the average annualized standard deviations of the continuously compounded rates of return on the average share price of two comparable companies with similar businesses.
- (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\$7,547,000, calculated as follows:

| Grantee                  | Date of grant | Date of vesting | Number of share options granted during the period | Estimated fair value of options granted during the period<br>HK\$ |
|--------------------------|---------------|-----------------|---|---|
| Director                 | 03-05-2007    | 03-05-2007      | 5,458,000   | 326,000   |
| Employees                | 26-04-2007    | 26-04-2007      | 15,450,000  | 911,000   |
|                          |               | 26-04-2008      | 15,450,000  | 972,000   |
|                          |               | 26-04-2009      | 30,900,000  | 2,210,000   |
| Consultants/<br>Advisors | 26-04-2007    | 26-04-2007      | 51,450,000  | 3,036,000   |
|                          |               | 26-04-2008      | 450,000   | 28,000  |
|                          |               | 26-04-2009      | 900,000   | 64,000  |
|                          |               |                 | <b>Total</b>                                      | <b>7,547,000</b>  |



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 2007, 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 Listed Companies:

### (A) *Interests in the Company (long position)*

#### (1) **Shares**

| Name of Director     | Capacity         | Number of<br>ordinary shares of<br>HK\$0.10 each | Approximate<br>percentage of<br>the issued shares |
|----------------------|------------------|--|---|
| Yu Kam Yuen, Lincoln | beneficial owner | 12,083,885                                       | 0.20%   |
| Ng Sau Kei, Wilfred  | beneficial owner | 5,458,000  | 0.09%   |
| Wong Sin Just        | beneficial owner | 3,002,000  | 0.05%   |



## (2) Share options

Details of the share options granted to the Directors by the Company and outstanding as at 30 June 2007 are set out under the section "Share Option Scheme" above.

### (B) Interests in the shares in associated corporations (long position)

| Name of associated corporation                        | Name of Director | Capacity         | Number of ordinary shares | Approximate percentage of the issued shares |
|---|------------------|------------------|---------------------------|---|
| SBI E2-Capital Limited (Note 1)                       | Wong Sin Just    | beneficial owner | 8                         | 2%  |
| SBI E2-Capital Asia Securities Group Limited (Note 2) | Wong Sin Just    | beneficial owner | 1,345,368                 | 2.24%                                       |

*Notes:*

- (1) Dato' Wong Sin Just holds 8 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.
- (2) Dato' Wong Sin Just holds 1,345,368 ordinary shares of HK\$1.00 each in the capital of SBI E2-Capital Asia Securities Group Limited (representing 2.24% of its issued shares), a company incorporated in the British Virgin Islands in which the Company has a 47.58% indirect interest.

Save as disclosed above, as at 30 June 2007, 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 SHAREHOLDER

As at 30 June 2007, the following person had an interest in the shares and underlying shares of the Company (long position) 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                 | Capacity                           | Interest in shares | Interest in shares underlying equity derivatives | Approximate percentage of the issued shares |
|---|------------------------------------|--------------------|--|---|
| E2-Capital (Holdings) Limited ( <i>Note 1</i> ) | interest of corporation controlled | 100,832,000        | 285,454,545<br>( <i>Note 2</i> )                 | 6.48%                                       |

*Notes:*

- (1) Dato' Wong Sin Just, an Executive Director of the Company, is also an executive director and a substantial shareholder of E2-Capital (Holdings) Limited.
- (2) 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\$29 million issued by SIIS Treasury Limited, a wholly-owned subsidiary of the Company.

Save as disclosed above, as at 30 June 2007, 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 2007, 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 2007, 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.

Not all the existing Non-executive Directors of the Company are 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 2007.

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 Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" 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 2007.

By Order of the Board

**DATO' WONG SIN JUST**

*Co-Chairman*

Hong Kong, 19 September 2007



## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six  
months ended 30 June

|  | NOTES | 2007<br><i>HK\$'000</i><br><i>(unaudited)</i> | 2006<br><i>HK\$'000</i><br><i>(unaudited)</i> |
|--|-------|---|---|
| Revenue  |       | 96,339  | 75,481  |
| Cost of sales                                      |       | (42,020)                                      | (34,547)                                      |
| Gross profit                                       |       | 54,319  | 40,934  |
| Other income                                       |       | 14,027  | 4,577   |
| Distribution costs                                 |       | (46)  | (10)  |
| Administrative expenses                            |       | (67,132)                                      | (47,217)                                      |
| Impairment losses of assets                        | 4     | (42,640)                                      | (1,928)                                       |
| Other expenses                                     |       | (713)   | (3,640)                                       |
| Gain on disposal of available-for-sale investments |       | 4,015   | —   |
| Gain on fair value change of investment properties |       | 6,409   | 2,200   |
| Finance costs                                      |       | (4,672)                                       | (3,026)                                       |
| Share of results of associates                     |       | (69)  | (2,833)                                       |
| Loss before taxation                               |       | (36,502)                                      | (10,943)                                      |
| Taxation   | 5     | (1,453)                                       | (2,369)                                       |
| Loss for the period                                | 6     | (37,955)                                      | (13,312)                                      |
| Attributable to:                                   |       |   |   |
| Equity holders of the Company                      |       | (39,816)                                      | (13,549)                                      |
| Minority interests                                 |       | 1,861   | 237   |
|  |       | (37,955)                                      | (13,312)                                      |
| Loss per share, in HK cents                        | 7     |   |   |
| Basic  |       | HK(0.76) cents                                | HK(0.30) cents                                |
| Diluted  |       | N/A   | N/A   |



## CONDENSED CONSOLIDATED BALANCE SHEET

|  | NOTES | 30 June<br>2007<br>HK\$'000<br>(unaudited) | 31 December<br>2006<br>HK\$'000<br>(audited) |
|--|-------|--|--|
| <b>NON-CURRENT ASSETS</b>  |       |  |  |
| Property, plant and equipment  |       | 55,056                                     | 54,873                                       |
| Investment properties  | 8     | 13,450                                     | 46,230                                       |
| Leasehold land and land use rights   |       | 11,411                                     | 11,198                                       |
| Available-for-sale investments   | 9     | 128  | 48,870                                       |
| Interests in associates  |       | 17,517                                     | 24,829                                       |
| Deposit and advance for acquisition of a subsidiary                        | 10    | 78,000                                     | —  |
| Other assets   |       | 681  | 2,708  |
|  |       | <b>176,243</b>                             | <b>188,708</b>                               |
| <b>CURRENT ASSETS</b>  |       |  |  |
| Inventories  |       | 12,974                                     | 10,643                                       |
| Trade receivables  | 11    | 91,037                                     | 53,352                                       |
| Other receivables, prepayments and deposits                                |       | 12,708                                     | 47,627                                       |
| Available-for-sale investments   | 9     | 53,694                                     | 61,904                                       |
| Other financial assets at fair value through profit or loss                |       | 11,891                                     | 2,746  |
| Cash and cash equivalents  |       | 126,434                                    | 96,838                                       |
|  |       | <b>308,738</b>                             | <b>273,110</b>                               |
| Assets classified as held for sale   | 12    | 185,941                                    | —  |
|  |       | <b>494,679</b>                             | <b>273,110</b>                               |
| <b>CURRENT LIABILITIES</b>   |       |  |  |
| Trade payables   | 13    | 81,133                                     | 45,082                                       |
| Other payables and deposits received                                       |       | 56,311                                     | 74,793                                       |
| Current income tax liabilities   |       | 1,281                                      | 744  |
| Borrowings   |       | 4,020                                      | 3,984  |
|  |       | <b>142,745</b>                             | <b>124,603</b>                               |
| Liabilities directly associated with assets<br>classified as held for sale | 12    | 104,978                                    | —  |
|  |       | <b>247,723</b>                             | <b>124,603</b>                               |
| <b>NET CURRENT ASSETS</b>  |       | <b>246,956</b>                             | <b>148,507</b>                               |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                               |       | <b>423,199</b>                             | <b>337,215</b>                               |



|  | NOTES | <b>30 June<br/>2007<br/>HK\$'000<br/>(unaudited)</b> | 31 December<br>2006<br>HK\$'000<br>(audited) |
|--|-------|--|--|
| <b>CAPITAL AND RESERVES</b>                          |       |  |  |
| Share capital  | 14    | <b>595,262</b>                                       | 497,629                                      |
| Reserves   |       | <b>(332,507)</b>                                     | (280,482)                                    |
| Equity attributable to equity holders of the Company |       | <b>262,755</b>                                       | 217,147                                      |
| Minority interests                                   |       | <b>47,000</b>  | 32,207                                       |
| <b>TOTAL EQUITY</b>                                  |       | <b>309,755</b>                                       | 249,354                                      |
| <b>NON-CURRENT LIABILITIES</b>                       |       |  |  |
| Guaranteed convertible notes                         | 15    | <b>44,728</b>  | 17,464                                       |
| Borrowings   |       | <b>66,949</b>  | 68,630                                       |
| Deferred income tax liabilities                      |       | <b>1,767</b>   | 1,767  |
|  |       | <b>113,444</b>                                       | 87,861                                       |
| <b>TOTAL EQUITY AND NON-CURRENT LIABILITIES</b>      |       | <b>423,199</b>                                       | 337,215                                      |





## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

Attributable to equity holders of the Company

|  | Share capital<br>HK\$'000 | Share premium<br>HK\$'000 | Capital redemption reserve<br>HK\$'000 | Other                                      |   | Share option reserve<br>HK\$'000 | Exchange translation reserve<br>HK\$'000 | Convertible notes-equity component<br>HK\$'000 | Accumulated losses<br>HK\$'000 | Subtotal<br>HK\$'000 | Minority interests<br>HK\$'000 | Total<br>HK\$'000 |
|--|---------------------------|---------------------------|--|--|---|----------------------------------|--|--|--------------------------------|----------------------|--------------------------------|-------------------|
|  |                           |                           |  | properties revaluation reserve<br>HK\$'000 | Investment revaluation reserves<br>HK\$'000 |                                  |  |  |                                |                      |                                |                   |
| At 1 January 2006  | 431,138                   | 646,960                   | 1,899                                  | —  | 7,158                                       | 7,912                            | (5,874)                                  | 1,359  | (903,232)                      | 187,320              | 33,828                         | 221,148           |
| Fair value gain - available-for-sale investments   | —                         | —                         | —                                      | —  | 29,897                                      | —                                | —  | —  | —                              | 29,897               | —                              | 29,897            |
| Currency translation difference  | —                         | —                         | —                                      | —  | —   | —                                | 800                                      | —  | —                              | 800                  | 543                            | 1,343             |
| Net income recognised directly in equity   | —                         | —                         | —                                      | —  | 29,897                                      | —                                | 800                                      | —  | —                              | 30,697               | 543                            | 31,240            |
| Loss for the period  | —                         | —                         | —                                      | —  | —   | —                                | —  | —  | (13,549)                       | (13,549)             | 237                            | (13,312)          |
| Release of investment revaluation reserve upon maturity of convertible notes held by the Group | —                         | —                         | —                                      | —  | 5   | —                                | —  | —  | —                              | 5                    | —                              | 5                 |
| Total recognised income (expenses) for the period  | —                         | —                         | —                                      | —  | 29,902                                      | —                                | 800                                      | —  | (13,549)                       | 17,153               | 780                            | 17,933            |
| Issue of ordinary shares   | 65,000                    | —                         | —                                      | —  | —   | —                                | —  | —  | —                              | 65,000               | —                              | 65,000            |
| Share issue expenses   | —                         | (845)                     | —                                      | —  | —   | —                                | —  | —  | —                              | (845)                | —                              | (845)             |
| Release upon maturity of convertible notes   | —                         | —                         | —                                      | —  | —   | —                                | —  | (779)  | 779                            | —                    | —                              | —                 |
| Additions on renewal of convertible notes  | —                         | —                         | —                                      | —  | —   | —                                | —  | 1,668  | —                              | 1,668                | —                              | 1,668             |
| Fair value of share option credited to share option reserve                                    | —                         | —                         | —                                      | —  | —   | 11,210                           | —  | —  | —                              | 11,210               | —                              | 11,210            |
| Exercise of share options  | 1,491                     | 207                       | —                                      | —  | —   | (207)                            | —  | —  | —                              | 1,491                | —                              | 1,491             |
| Lapse of share options   | —                         | —                         | —                                      | —  | —   | (197)                            | —  | —  | 197                            | —                    | —                              | —                 |
| Capital contribution   | —                         | —                         | —                                      | —  | —   | —                                | —  | —  | —                              | —                    | 936                            | 936               |
| Deemed disposal of subsidiaries  | —                         | —                         | —                                      | —  | —   | —                                | —  | —  | —                              | —                    | (3,204)                        | (3,204)           |
| Dividend paid  | —                         | —                         | —                                      | —  | —   | —                                | —  | —  | —                              | —                    | (346)                          | (346)             |
| At 30 June 2006 (unaudited)  | 497,629                   | 646,322                   | 1,899                                  | —  | 37,060                                      | 18,718                           | (5,074)                                  | 2,248  | (915,805)                      | 282,997              | 31,994                         | 314,991           |



## For the six months ended 30 June 2007

## Attributable to equity holders of the Company

|   | Attributable to equity holders of the Company |                |                            |                                      |                                 |                      |                              |                                    |                    |                | Minority interests | Total          |
|---|---|----------------|----------------------------|--------------------------------------|---------------------------------|----------------------|------------------------------|------------------------------------|--------------------|----------------|--------------------|----------------|
|   | Share capital                                 | Share premium  | Capital redemption reserve | Other properties revaluation reserve | Investment revaluation reserves | Share option reserve | Exchange translation reserve | Convertible notes-equity component | Accumulated losses | Subtotal       |                    |                |
|   | HKS'000                                       | HKS'000        | HKS'000                    | HKS'000                              | HKS'000                         | HKS'000              | HKS'000                      | HKS'000                            | HKS'000            | HKS'000        | HKS'000            | HKS'000        |
| At 1 January 2007   | 497,629                                       | 646,322        | 1,899                      | 235                                  | 38,256                          | 19,585               | (3,765)                      | 2,248                              | (985,262)          | 217,147        | 32,207             | 249,354        |
| Fair value loss- available-for-sale investments   | —   | —              | —                          | —                                    | (12,057)                        | —                    | —                            | —                                  | —                  | (12,057)       | —                  | (12,057)       |
| Fair value loss-available-for-sale investment held by an associate                        | —   | —              | —                          | —                                    | (7,295)                         | —                    | —                            | —                                  | —                  | (7,295)        | —                  | (7,295)        |
| Currency translation difference   | —   | —              | —                          | —                                    | —                               | —                    | 829                          | —                                  | —                  | 829            | 1,074              | 1,903          |
| Net (expenses) income recognised directly in equity                                       | —   | —              | —                          | —                                    | (19,352)                        | —                    | 829                          | —                                  | —                  | (18,523)       | 1,074              | (17,449)       |
| Loss for the period   | —   | —              | —                          | —                                    | —                               | —                    | —                            | —                                  | (39,816)           | (39,816)       | 1,861              | (37,955)       |
| Impairment loss on available-for-sale investments   | —   | —              | —                          | —                                    | 990                             | —                    | —                            | —                                  | —                  | 990            | —                  | 990            |
| Release of investment revaluation reserve upon disposal of available-for-sale investments | —   | —              | —                          | —                                    | (4,015)                         | —                    | —                            | —                                  | —                  | (4,015)        | —                  | (4,015)        |
| Total recognised (expenses) income for the period   | —   | —              | —                          | —                                    | (22,377)                        | —                    | 829                          | —                                  | (39,816)           | (61,364)       | 2,935              | (58,429)       |
| Share issue expenses  | —   | (7)            | —                          | —                                    | —                               | —                    | —                            | —                                  | —                  | (7)            | —                  | (7)            |
| Conversion of convertible notes   | 60,000  | 385            | —                          | —                                    | —                               | —                    | —                            | (6,064)                            | —                  | 54,321         | —                  | 54,321         |
| Issue of convertible notes  | —   | —              | —                          | —                                    | —                               | —                    | —                            | 8,845                              | —                  | 8,845          | —                  | 8,845          |
| Fair value of share options credited to share option reserve                              | —   | —              | —                          | —                                    | —                               | 5,249                | —                            | —                                  | —                  | 5,249          | —                  | 5,249          |
| Exercise of share options   | 37,633  | 11,516         | —                          | —                                    | —                               | (10,585)             | —                            | —                                  | —                  | 38,564         | —                  | 38,564         |
| Lapse of share options  | —   | —              | —                          | —                                    | —                               | (683)                | —                            | —                                  | 683                | —              | —                  | —              |
| Capital contribution  | —   | —              | —                          | —                                    | —                               | —                    | —                            | —                                  | —                  | —              | 10,378             | 10,378         |
| Deemed disposal of partial interest in a jointly controlled entity's subsidiary           | —   | —              | —                          | —                                    | —                               | —                    | —                            | —                                  | —                  | —              | 1,480              | 1,480          |
| <b>At 30 June 2007 (unaudited)</b>  | <b>595,262</b>                                | <b>658,216</b> | <b>1,899</b>               | <b>235</b>                           | <b>15,879</b>                   | <b>13,566</b>        | <b>(2,936)</b>               | <b>5,029</b>                       | <b>(1,024,395)</b> | <b>262,755</b> | <b>47,000</b>      | <b>309,755</b> |



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

|   | For the six<br>months ended 30 June           |   |
|---|---|---|
|   | 2007<br><i>HK\$'000</i><br><i>(unaudited)</i> | 2006<br><i>HK\$'000</i><br><i>(unaudited)</i> |
| Net cash (used in) from operating activities                                      | <u>(19,263)</u>                               | <u>5,341</u>                                  |
| Net cash used in investing activities   |   |   |
| Increase in deposit and advance for acquisition of a subsidiary                   | (78,000)                                      | —   |
| Investments in associates   | —   | (46,000)                                      |
| Other investing cash flows (net)  | <u>3,910</u>                                  | <u>(1,276)</u>                                |
|   | <u>(74,090)</u>                               | <u>(47,276)</u>                               |
| Net cash generated by financing activities  |   |   |
| New borrowings obtained   | 17,370  | —   |
| Repayment of borrowings   | (103)   | —   |
| Issue of convertible notes (net of issue expenses)                                | 85,938  | —   |
| Repayment of convertible notes  | —   | (1,000)                                       |
| Issue of shares (net of issue expenses)   | 38,557  | 50,646  |
| Capital injection by minority shareholders  | <u>10,378</u>                                 | <u>936</u>                                    |
|   | <u>152,140</u>                                | <u>50,582</u>                                 |
| Net increase in cash and cash equivalents   | 58,787  | 8,647   |
| Cash and cash equivalents at the beginning of the period                          | <u>96,838</u>                                 | <u>83,133</u>                                 |
| Cash and cash equivalents at the end of the period                                | <u><u>155,625</u></u>                         | <u><u>91,780</u></u>                          |
| Analysis of the balances of cash and cash equivalents<br>at the end of the period |   |   |
| Cash and cash equivalents   | 126,434                                       | 91,780  |
| Cash and cash equivalents included in assets<br>classified as held for sale       | <u>29,191</u>                                 | —   |
|   | <u><u>155,625</u></u>                         | <u><u>91,780</u></u>                          |



## NOTES TO THE CONDENSED CONSOLIDATED 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 and Hong Kong Accounting Standard 34 (HKAS 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 under the historical cost basis except for investment properties and certain financial instruments, which are stated at fair values.

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

In the current interim period, the Group has applied, for the first time, new standard, amendment and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2007. The adoption of the new HKFRSs 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 any of the new standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and financial position of the Group.



### 3. SEGMENT INFORMATION

The Group and its jointly controlled entities are principally engaged in (i) investment holding, (ii) provision of financial services, (iii) provision of media, consulting, marketing and technology services, (iv) garment manufacturing and (v) property holding and others.

Segment information about these businesses is presented below:

#### *Business segments*

**Six months ended 30 June 2007**

|                                   | Investment<br>holding<br>HK\$'000 | Financial<br>services<br>HK\$'000 | Media,<br>consulting,<br>marketing and<br>technology<br>services<br>HK\$'000 | Garment<br>manufacturing<br>HK\$'000 | Property<br>holding<br>and others<br>HK\$'000 | Elimination<br>HK\$'000 | Total<br>HK\$'000 |
|-----------------------------------|-----------------------------------|-----------------------------------|--|--------------------------------------|---|-------------------------|-------------------|
| REVENUE                           |                                   |                                   |  |                                      |   |                         |                   |
| External                          | 1,172                             | 53,830                            | 60   | 37,696                               | 3,581   | —                       | 96,339            |
| Inter-segment                     | 2,045                             | 1,706                             | 31   | —                                    | —   | (3,782)                 | —                 |
|                                   | <u>3,217</u>                      | <u>55,536</u>                     | <u>91</u>  | <u>37,696</u>                        | <u>3,581</u>                                  | <u>(3,782)</u>          | <u>96,339</u>     |
| SEGMENT RESULTS                   | <u>(43,102)</u>                   | <u>12,686</u>                     | <u>(621)</u>   | <u>819</u>                           | <u>6,441</u>                                  | <u>—</u>                | <u>(23,777)</u>   |
| Unallocated corporate<br>income   |                                   |                                   |  |                                      |   |                         | 2,946             |
| Unallocated corporate<br>expenses |                                   |                                   |  |                                      |   |                         | (10,930)          |
| Finance costs                     |                                   |                                   |  |                                      |   |                         | (4,672)           |
| Share of results of<br>associates |                                   |                                   | (69)   |                                      |   |                         | (69)              |
| Loss before taxation              |                                   |                                   |  |                                      |   |                         | (36,502)          |
| Taxation                          |                                   |                                   |  |                                      |   |                         | (1,453)           |
| Loss for the period               |                                   |                                   |  |                                      |   |                         | <u>(37,955)</u>   |





### 3. SEGMENT INFORMATION (Continued)

#### Business segments (Continued)

Six months ended 30 June 2006

|                                   | Investment<br>holding<br>HK\$'000 | Financial<br>services<br>HK\$'000 | Media,<br>consulting,<br>marketing and<br>technology<br>services<br>HK\$'000 | Garment<br>manufacturing<br>HK\$'000 | Property<br>holding<br>and others<br>HK\$'000 | Elimination<br>HK\$'000 | Total<br>HK\$'000 |
|-----------------------------------|-----------------------------------|-----------------------------------|--|--------------------------------------|---|-------------------------|-------------------|
| REVENUE                           |                                   |                                   |  |                                      |   |                         |                   |
| External                          | 6,101                             | 34,426                            | 2,700  | 28,317                               | 3,937   | —                       | 75,481            |
| Inter-segment                     | 2,046                             | —                                 | 31   | —                                    | —   | (2,077)                 | —                 |
|                                   | <u>8,147</u>                      | <u>34,426</u>                     | <u>2,731</u>   | <u>28,317</u>                        | <u>3,937</u>                                  | <u>(2,077)</u>          | <u>75,481</u>     |
| SEGMENT RESULTS                   | <u>(18,386)</u>                   | <u>10,275</u>                     | <u>943</u>   | <u>751</u>                           | <u>2,207</u>                                  | <u>—</u>                | <u>(4,210)</u>    |
| Unallocated corporate<br>income   |                                   |                                   |  |                                      |   |                         | 1,228             |
| Unallocated corporate<br>expenses |                                   |                                   |  |                                      |   |                         | (2,102)           |
| Finance costs                     |                                   |                                   |  |                                      |   |                         | (3,026)           |
| Share of results of<br>associates |                                   | (211)                             | (2,622)  |                                      |   |                         | (2,833)           |
| Loss before taxation              |                                   |                                   |  |                                      |   |                         | (10,943)          |
| Taxation                          |                                   |                                   |  |                                      |   |                         | (2,369)           |
| Loss for the period               |                                   |                                   |  |                                      |   |                         | <u>(13,312)</u>   |



#### 4. IMPAIRMENT LOSSES OF ASSETS

|  | For the six months<br>ended 30 June           |   |
|--|---|---|
|  | 2007<br><i>HK\$'000</i><br><i>(unaudited)</i> | 2006<br><i>HK\$'000</i><br><i>(unaudited)</i> |
| In respect of:                                   |   |   |
| Available-for-sale investments ( <i>Note 9</i> ) | 42,640  | —   |
| Loan receivable                                  | —   | 1,928   |
|  | <u>42,640</u>                                 | <u>1,928</u>                                  |

#### 5. TAXATION

|  | For the six months<br>ended 30 June           |   |
|--|---|---|
|  | 2007<br><i>HK\$'000</i><br><i>(unaudited)</i> | 2006<br><i>HK\$'000</i><br><i>(unaudited)</i> |
| The charge comprises:                      |   |   |
| Current taxation                           |   |   |
| Hong Kong Profits Tax                      | 980   | —   |
| The People's Republic of China (the "PRC") |   |   |
| Enterprises Income Tax                     | 155   | 171   |
| Overseas taxation                          | 324   | 580   |
| Overprovision in prior periods             | (6)   | (104)   |
| Deferred taxation                          | —   | 1,722   |
|  | <u>1,453</u>                                  | <u>2,369</u>                                  |

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the six months ended 30 June 2007. No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2006 as the Group had no assessable profit for that period.

Taxation arising in other jurisdictions is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 30% for the six months ended 30 June 2007 (six months ended 30 June 2006: 30%).



## 6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

|  | For the six months<br>ended 30 June |                                 |
|--|-------------------------------------|---------------------------------|
|  | 2007<br>HK\$'000<br>(unaudited)     | 2006<br>HK\$'000<br>(unaudited) |
| Depreciation of property, plant and equipment  | 1,873                               | 1,872                           |
| Amortisation of leasehold land and land use rights   | 179                                 | 169                             |
| Net loss on fair value changes of financial assets<br>at fair value through profit or loss | —                                   | 897                             |
| Net exchange loss  | —                                   | 1,776                           |
| and crediting:   |                                     |                                 |
| Gain on disposal of an associate   | —                                   | 397                             |
| Dividend income from available-for-sale investments  | 1,138                               | 6,069                           |
| Net gain on fair value changes of financial assets<br>at fair value through profit or loss | 9,334                               | —                               |
| Net exchange gain  | 2,134                               | —                               |
|  | <u>9,334</u>                        | <u>—</u>                        |

## 7. LOSS PER SHARE

The calculation of the basic loss per share attributable to the equity holders of the Company is based on the following data:

|   | For the six months<br>ended 30 June |                                 |
|---|-------------------------------------|---------------------------------|
|   | 2007<br>HK\$'000<br>(unaudited)     | 2006<br>HK\$'000<br>(unaudited) |
| <b>Loss</b>   |                                     |                                 |
| Loss for the purpose of basic loss per share (loss for<br>the period attributable to equity holders of the Company) | <u>(39,816)</u>                     | <u>(13,549)</u>                 |
| <b>Number of shares</b>   |                                     |                                 |
| Weighted average number of ordinary shares<br>for the purpose of basic loss per share                               | <u>5,206,385,285</u>                | <u>4,483,507,802</u>            |

The computation of diluted loss per share for the period does not assume the conversion of the outstanding convertible notes of the Company and exercise of the share options since their conversion and exercise would result in a decrease in loss per share.



## 8. MOVEMENTS OF INVESTMENT PROPERTIES

The Group's investment properties were fair valued by Colliers International (Hong Kong) Limited (independent valuers) at 30 June 2007. The resulting increase in fair value of investment properties of HK\$6,409,000 has been recognised directly in the condensed consolidated income statement. During the period, the Group entered into conditional agreements to dispose of certain investment properties at a consideration of HK\$39,189,000 and the respective investment properties were reclassified as assets held for sale as at 30 June 2007. The disposal were completed subsequent to 30 June 2007.

## 9. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprises listed and unlisted securities. During the period, a net loss arising on change in fair value of HK\$12,057,000 for available-for-sale investments was recognised in the investment revaluation reserve, representing the net effect of the fair value gain on listed securities of HK\$23,330,000 and the fair value loss on unlisted securities of HK\$35,387,000.

The Group also disposed of certain available-for-sale investments at a consideration of HK\$10,792,000, resulting in a gain on disposal of HK\$4,015,000.

The impairment loss of HK\$42,640,000 on available-for-sale investments was made on the unlisted securities. In view of the suspension or prolonged delays in the operation of the investee, the directors have assessed the carrying amount of the unlisted securities with reference to the financial performance and position of the investee, and identified impairment loss of HK\$42,640,000 on available-for-sale investments and recognised in the condensed consolidated income statement, including HK\$990,000 which was previously charged to the investment revaluation reserves.

## 10. DEPOSIT AND ADVANCE FOR ACQUISITION OF A SUBSIDIARY

The amount represents a refundable deposit of HK\$50,000,000 in connection with the acquisition of a subsidiary. During the period, the Group also advanced payment of HK\$28,000,000 to that subsidiary for its working capital purpose. The Group will require repayment if the acquisition is ultimately not completed.

During the period, the Group entered into agreements to acquire 100% interest in a group of companies which are engaged in the management and operation of a network of medical centres specializing in the diagnosis and treatment of tumours/cancer in the PRC through the cooperation with reputable domestic hospitals in the PRC, at a consideration of HK\$641,000,000, which are to be satisfied by (i) HK\$50,000,000 in cash, (ii) HK\$271,000,000 by the issue of 2,710,000,000 ordinary shares in the Company at the issue price of HK\$0.10 per share, and (iii) the issue of bonds with an aggregate principal amount of HK\$320,000,000. An amount of HK\$50,000,000 was paid as refundable deposit upon entering into the agreements. The acquisition was completed subsequent to 30 June 2007. The fair value of the consideration will be determined in accordance with the fair value of the shares and the bonds issued when the transaction was completed on 13 July 2007. Details of this acquisition were set out in a circular issued by the Company dated 18 June 2007.



## 11. TRADE RECEIVABLES

|  | <b>30 June<br/>2007<br/>HK\$'000<br/>(unaudited)</b> | 31 December<br>2006<br>HK\$'000<br>(audited) |
|--|--|--|
| Trade receivables arising from the ordinary course of business of dealing in securities, options and futures contracts ( <i>note a</i> ) | <b>70,184</b>  | 33,306                                       |
| Trade receivables from securities margin clients ( <i>note b</i> )   | —  | 819  |
| Trade receivables arising from garment manufacturing ( <i>note c</i> )   | <b>19,988</b>  | 17,385                                       |
| Trade receivables arising from media, consulting, marketing and technology services ( <i>note d</i> )                                    | <b>30</b>  | 10   |
| Other trade debtors  | <b>835</b>   | 1,832  |
|  | <b>91,037</b>  | 53,352                                       |

### Notes:

- (a) The settlement terms of trade receivables arising from the ordinary course of business of dealing in securities are 2 days after the trade date, whereas the settlement terms for those arising from the ordinary course of business of dealing in options and futures contracts are 1 day after the trade date.
- (b) Trade receivables from securities margin clients are secured by clients' pledged securities, 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:

|  | <b>30 June<br/>2007<br/>HK\$'000<br/>(unaudited)</b> | 31 December<br>2006<br>HK\$'000<br>(audited) |
|--|--|--|
| Within one month                               | <b>77,510</b>  | 45,008                                       |
| Over one month but not exceeding three months  | <b>9,468</b>   | 5,776  |
| Over three months but not exceeding six months | <b>2,840</b>   | 1,987  |
| Over six months                                | <b>1,219</b>   | 581  |
|  | <b>91,037</b>  | 53,352                                       |



## 12. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

On 12 June 2007, a subsidiary of SBI E2-Capital Limited (a jointly controlled entity of the Group) entered into agreements to dispose of certain of their brokerage service and investment banking businesses. The disposal was not yet completed at 30 June 2007 and the related assets and liabilities were accordingly classified as assets classified as held for sale and liabilities associated with assets classified as held for sale, respectively.

During the period, the Group entered into conditional agreements to dispose of certain investment properties at a consideration of HK\$39,189,000. The disposal was not yet completed at 30 June 2007 and the related assets and liabilities were accordingly classified as assets classified as held for sale and liabilities associated with assets classified as held for sale, respectively.

The major classes of assets classified as held for sale and liabilities associated with assets classified as held for sale at 30 June 2007, which have been presented separately in the condensed consolidated balance sheet, are as follows:

|   | 30 June<br>2007<br>HK\$'000<br>(unaudited) |
|---|--|
| Investment properties   | 39,189                                     |
| Property, plant and equipment   | 626  |
| Available-for-sale investments  | 1,915                                      |
| Other assets  | 1,928                                      |
| Other financial assets at fair value through profit or loss             | 7,773                                      |
| Trade and other receivables ( <i>note i</i> )                           | 105,319                                    |
| Bank balances and cash  | 29,191                                     |
|   | <hr/>                                      |
| Total assets classified as held for sale                                | <b>185,941</b>                             |
|   | <hr/> <hr/>                                |
| Trade and other payables ( <i>note ii</i> )                             | 86,627                                     |
| Tax payable   | 980  |
| Borrowing   | 17,371                                     |
|   | <hr/>                                      |
| Liabilities directly associated with assets classified as held for sale | <b>104,978</b>                             |
|   | <hr/> <hr/>                                |

### Notes:

- (i) The settlement terms of trade receivables arising from the ordinary course of business of dealing in securities are 2 days after the trade date, whereas the settlement terms for those arising from the ordinary course of business of dealing in options and futures contracts are 1 day after the trade date.
- (ii) The trade and other payables are aged within one month.





### 13. TRADE PAYABLES

|   | <b>30 June<br/>2007<br/>HK\$'000<br/>(unaudited)</b> | 31 December<br>2006<br>HK\$'000<br>(audited) |
|---|--|--|
| Trade payables arising from the ordinary course of business of dealing in securities, options and futures contracts | <b>69,198</b>  | 33,521                                       |
| Trade payables arising from garment manufacturing   | <b>11,930</b>  | 11,556                                       |
| Other trade payables  | <b>5</b>   | 5  |
|   | <b><u>81,133</u></b>                                 | <b><u>45,082</u></b>                         |

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

|  | <b>30 June<br/>2007<br/>HK\$'000<br/>(unaudited)</b> | 31 December<br>2006<br>HK\$'000<br>(audited) |
|--|--|--|
| Within one month                               | <b>74,996</b>  | 38,356                                       |
| Over one month but not exceeding three months  | <b>5,060</b>   | 5,701  |
| Over three months but not exceeding six months | <b>540</b>   | 721  |
| Over six months                                | <b>537</b>   | 304  |
|  | <b><u>81,133</u></b>                                 | <b><u>45,082</u></b>                         |

### 14. SHARE CAPITAL

|  | <b>Number of shares</b>      | <b>HK\$'000</b>         |
|--|------------------------------|-------------------------|
| Authorised:  |                              |                         |
| Ordinary shares of HK\$0.10 each   |                              |                         |
| At 31 December 2006 and 30 June 2007                                     | <b><u>10,000,000,000</u></b> | <b><u>1,000,000</u></b> |
| Issued and fully paid:   |                              |                         |
| At 1 January 2007  | <b>4,976,290,885</b>         | <b>497,629</b>          |
| Issue of shares upon conversion of guaranteed convertible notes (note a) | <b>600,000,000</b>           | <b>60,000</b>           |
| Exercise of share options (note b)                                       | <b>376,328,000</b>           | <b>37,633</b>           |
| At 30 June 2007  | <b><u>5,952,618,885</u></b>  | <b><u>595,262</u></b>   |

Notes:

- During the period, convertible notes with principal amounts of HK\$60,000,000 were converted into 600,000,000 ordinary shares at a conversion price of HK\$0.10 per share.
- During the period, 376,328,000 ordinary shares of HK\$0.10 each were issued at a price ranged from HK\$0.10 to HK\$0.20 per share as a result of exercise of share options. The shares issued during the period rank pari passu with the then existing shares in all respect.



## 15. GUARANTEED CONVERTIBLE NOTES

|  | <b>30 June<br/>2007<br/>HK\$'000<br/>(unaudited)</b> | 31 December<br>2006<br>HK\$'000<br>(audited) |
|--|--|--|
| Carrying amount of debt component of guaranteed convertible notes issued on: |  |  |
| – 28 August 2002 (“2002 5% Notes”)   | <b>4,783</b>   | 4,677  |
| – 2 February 2006 (“2006 6% Notes”)  | <b>13,056</b>  | 12,787                                       |
| – 23 March 2007 (“2007 5% Notes”) ( <i>Note</i> )                            | <b>26,889</b>  | —  |
|  | <b>44,728</b>  | 17,464                                       |

The guaranteed convertible notes were issued by SIIS Treasury Limited (a subsidiary of the Company) and entitled the holders to convert into the ordinary shares of the Company, subject to the terms of respective guaranteed convertible notes.

The fair values of the liability component and the equity component were determined at issuance of the convertible notes. The effective interest rate is 9.75%, 10.75% and 10.75% for 2002 5% Notes, 2006 6% Notes and 2007 5% Notes respectively.

The guaranteed convertible notes contain two components, liability and equity elements. The equity element is presented in equity under the heading of “Convertible notes-equity component reserve”.

*Note:* On 23 March 2007, SIIS Treasury Limited issued HK\$89,500,000 5% guaranteed convertible notes due on 23 March 2009 (the “2007 5% Notes”). The 2007 5% Notes bear a fixed interest of 5% per annum. The 2007 5% Notes enable the noteholder to convert at any time from 23 March 2007 to 23 March 2009 (both dates inclusive) into ordinary shares of the Company at an initial conversion price of HK\$0.10 per share, subject to anti-dilutive adjustments. During the period, a principal amount of HK\$60,000,000 of the 2007 5% Notes were converted into 600,000,000 new ordinary shares of HK\$0.10 each 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 (a subsidiary of the Company) under the guaranteed convertible notes will be unconditionally and irrevocably guaranteed by the Company.



## 16. GUARANTEES

In 2004, E2-Capital (Holdings) Limited (“E2-Capital”), a related party of the Group, 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-Capital Limited, a jointly controlled entity of the Group. 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 granted. As at 30 June 2007 and 31 December 2006, there was no utilisation of such banking facilities by SBI E2-Capital Limited.

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\$128,100,000) 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 favour of The Monetary Authority of Singapore (“MAS”) for SBI E2-Capital Asia Securities Pte Ltd (“SECA Securities”, a subsidiary of SBI E2-Capital Limited) 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\$37,661,000), representing the Group’s 29.4% shareholding in SECA Securities as at the date of the counter-indemnity, plus 29.4% of any interest and expenses actually incurred on or paid by E2-Capital in respect of the corporate guarantee. Subsequently in January 2007, such counter-indemnity has been replaced by a new counter-indemnity for a lower limit of approximately S\$3,716,000 (equivalent to approximately HK\$19,041,000). As at 30 June 2007 and 31 December 2006, there was no utilisation of such guarantee.

## 17. COMMITMENTS

As at 30 June 2007, the Group has commitments of approximately HK\$591,000,000 for capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of a subsidiary (note 10).

As at 31 December 2006, the Group had commitments of approximately HK\$70,000,000 for capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the new shares issued by an associate. In January 2007, the Group and the associate had mutually agreed to suspend the issue of new shares in the associate and accordingly, the related commitment were released subsequently.



## 18. SHARE BASED PAYMENTS

The Company has a share option scheme for eligible persons. Details of the movements during the current period are as follows:

|                               | <b>Number of<br/>share options</b> |
|-------------------------------|------------------------------------|
| Outstanding at 1 January 2007 | 1,074,050,000                      |
| Granted during the period     | 120,058,000                        |
| Exercised during the period   | (376,328,000)                      |
| Lapsed during the period      | (32,600,000)                       |
|                               | <hr/>                              |
| Outstanding at 30 June 2007   | <u>785,180,000</u>                 |

In the current period, share options were granted on 26 April 2007 and 3 May 2007. The fair value of the options determined at the dates of grant using the Black-Scholes option pricing model were HK\$7,221,000 and HK\$326,000, respectively. The options granted on 26 April 2007 have vesting period from 26 April 2007 to 26 April 2009. For the options granted on 3 May 2007, the options vested immediately. During the period, share based payments of HK\$5,249,000 were recognised in the condensed consolidated income statement. The options granted are exercisable not later than ten years after the date the options are granted.

The closing prices of the Company's shares immediately before 26 April 2007 and 3 May 2007, the dates of grant of the options, were HK\$0.219 and HK\$0.187, respectively.

The weighted average closing prices of the Company's shares immediately before the dates on which the options were exercised ranged from HK\$0.204 to HK\$0.310.

The following assumptions were used to calculate the fair values of share options granted during the period:

|                         |               |               |               |            |
|-------------------------|---------------|---------------|---------------|------------|
| Grant date              | 26 April 2007 | 26 April 2007 | 26 April 2007 | 3 May 2007 |
| Vesting date            | 26 April 2007 | 26 April 2008 | 26 April 2009 | 3 May 2007 |
| Grant date share price  | HK\$0.183     | HK\$0.183     | HK\$0.183     | HK\$0.179  |
| Exercise price          | HK\$0.2       | HK\$0.2       | HK\$0.2       | HK\$0.19   |
| Expected life           | 5 years       | 5.5 years     | 6 years       | 5 years    |
| Expected volatility     | 32.2%         | 32.3%         | 35.7%         | 32.0%      |
| Risk-free interest rate | 4.04%         | 4.06%         | 4.09%         | 4.10%      |

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

At each balance date, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in the profit and loss, with a corresponding adjustment to the share options reserve.



## 19. RELATED PARTY DISCLOSURES

|   | <b>30 June<br/>2007<br/>HK\$'000<br/>(unaudited)</b> | 31 December<br>2006<br>HK\$'000<br>(audited) |
|---|--|--|
| Amount due from an associate (included in other receivables, prepayments and deposit) <i>(note i)</i>         | <u>20</u>  | <u>15</u>                                    |
| Amount due to a jointly controlled entity (included in other payables and deposits received) <i>(note ii)</i> | <u>14,919</u>  | <u>14,676</u>                                |
| Amount due to an associate (included in interests in associates) <i>(note iii)</i>                            | <u>3,900</u>   | <u>3,900</u>                                 |

The remuneration of directors and key executives of the Group, as determined by the remuneration committee, having regard to the performance amounted of individuals and market trends, amounted to HK\$4,458,000 (six months ended 30 June 2006: HK\$12,060,000).

*Notes:*

- (i) The amounts due from an associate are unsecured, interest-free and repayable on demand.
- (ii) The balance represents amount due to SBI E2-Capital Limited which is unsecured and repayable on demand. Except for an amount of HK\$5,307,000, which bears interest at prime rate plus 1.5% per annum, the remaining balance is interest free.
- (iii) The balance represents the Group's subscription payable in respect of its equity investment in an associate.



## 20. POST BALANCE SHEET EVENTS

- (a) On 22 August 2007, the Group entered into an agreement with Napa Macau Limited, a limited liability company incorporated in Macau, for the disposal of the entire issued share capital of Dragon Lion Limited, a limited liability company incorporated in Hong Kong and a wholly-owned subsidiary of the Company, at a cash consideration of HK\$20,005,000. Dragon Lion Limited is an investment holding company whose principal assets comprises a 51% equity interest in Foshan Chande Knitting Enterprise Company, Limited, a sino-foreign cooperative joint venture established in the PRC and engaged in the fabric dyeing, knitting and garment manufacturing business in the PRC.

The disposal has not yet been completed at the date of this report. The directors are of the view that it is impracticable to disclose the financial impact in respect of the disposal since the transaction has not been completed.

- (b) In August 2007, the Group divested the investment in E2-Capital by disposing 22,750,000 shares of E2-Capital at a total consideration of approximately HK\$23,340,000. The Group will recognise a net capital gain of approximately HK\$3,870,000 for the year ending 31 December 2007 as a result of the divestment. Details of the disposal were set out in a circular issued by the Company dated 12 September 2007.
- (c) On 31 July 2007, the Company announced that the name of the Company has been changed from Softbank Investment International (Strategic) Limited 軟庫發展有限公司 to China Renji Medical Group Limited 中國仁濟醫療集團有限公司.
- (d) The acquisition of a subsidiary as described in note 10 was completed on 13 July 2007. The directors are of view that it is impracticable to disclose the estimated financial effect of the acquisition since the assessment of the financial information is still in progress. Details of these are set out in note 10.





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

At 30 June 2007, the Group has provided a counter-indemnity to E2-Capital (Holdings) Limited for a maximum limit of HK\$49,049,000 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 16 to the financial statements). 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 2007

|                            | <b>Combined<br/>balance sheet<br/>HK\$'000</b> | <b>Group's<br/>attributable<br/>interest<br/>HK\$'000</b> |
|----------------------------|--|---|
| Non-current assets         | 61,102   | 29,072  |
| Current assets             | 263,797  | 125,512   |
| Current liabilities        | (207,404)                                      | (98,681)  |
|                            | <u>117,495</u>                                 | <u>55,903</u>   |
| Share capital and reserves | <u>117,495</u>                                 | <u>55,903</u>   |

At 30 June 2007, the Group has provided a counter-indemnity to E2-Capital (Holdings) Limited for a maximum limit of approximately S\$3,716,000 (equivalent to approximately HK\$19,041,000) in respect of SBI E2-Capital Asia Securities Pte Ltd ("SECA Securities") (note 16 to the financial statements), 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 2007

|                            | <b>Combined<br/>balance sheet<br/>HK\$'000</b> | <b>Group's<br/>attributable<br/>interest<br/>HK\$'000</b> |
|----------------------------|--|---|
| Non-current assets         | 3,285  | 938   |
| Current assets             | 231,890  | 66,198  |
| Current liabilities        | (144,105)                                      | (41,138)  |
|                            | <u>91,070</u>                                  | <u>25,998</u>   |
| Share capital and reserves | <u>91,070</u>                                  | <u>25,998</u>   |