

# SOFTBANK INVESTMENT INTERNATIONAL (STRATEGIC) LIMITED 2001/2002 INTERIM REPORT

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## MANAGEMENT COMMENTARY

### TO THE SHAREHOLDERS

On behalf of the Board of Directors (the "Board") of Softbank Investment International (Strategic) Limited (the "Company" or "Softbank Strategic"), I would like to announce the operating results of the Company and its subsidiaries (the "Group") for the six months ended 31 December 2001.

### INTERIM RESULTS AND DIVIDENDS

Consolidated turnover of the Group was HK\$104.6 million for the six months ended 31 December 2001, a 44.9% growth over the corresponding six months ended 31 December 2000. Consolidated loss attributable to shareholders amounted to HK\$21.5 million, compared with a profit of HK\$6.0 million for the corresponding period in 2000. Loss per share was HK\$0.95 cents, compared with earnings per share of HK\$0.32 cents for the corresponding period in 2000.

The Board has resolved not to pay any interim dividend to shareholders (2000: nil).

### BUSINESS REVIEW AND PROSPECTS

Being the flagship of SOFTBANK CORP. in Asia (ex-Japan), Softbank Strategic has been actively restructuring and reengineering its business model to fit itself into the objectives and strategies of SOFTBANK CORP. During the period under review, the Group has fine-tuned its business direction in which venture capital, consultancy, technology and financial services will now underpin the foundations of the Group in the years to come. In view of the current downturn in market conditions, the Group has taken the opportunity to realign its business focus to better adapt to current and expected improvements in market conditions.

Whilst the Group continues to maintain a cautious outlook towards investments in the short term, it is nevertheless optimistic of the future prospects of the industry, and believes it is well-positioned to capture the upside when the market recovers.

### ***Investment Holding Division***


The Investment Holding Division accounted for approximately 0.6% of the Group's turnover. The division maintained HK\$650,000 in dividend income for the six months ended 31 December 2001, similar to its performance over the corresponding six months ended 31 December 2000. The division recorded an operating loss of HK\$11.0 million for the period under review compared to an operating loss of HK\$10.3 million for the corresponding six months ended 31 December 2000.

The investment holding activities of the Group are performed by the Business Development Department with the assistance of the Net-Trans Department. During the period, the Investment Holding Division was in negotiations regarding several investment targets (including that of ebizal Holdings (see further below)). It has also been actively exploring the potential for other strategic acquisitions and managing the existing investments.

In October 2001, the Company invested HK\$3.9 million in The SBI Asian Total Return Portfolio, a fund of SBI China Provident Capital Management Limited ("SBI China Provident"). The fund is a pan-Asian absolute-return vehicle, and represents the first of a family of total-return funds focusing on the Asia-Pacific region to come. Judging from the track record of the management team of SBI China Provident, the Group is optimistic that the fund will achieve an absolute US Dollars return rather than simply mimicking relevant asset class indices.

### ***Subsequent Events***

In January 2002, the Company acquired the entire equity interest of ebizal (Holdings) Limited ("ebizal Holdings"), formerly known as ebizal Investments Limited, a provider of marketing services, technology solutions and consulting services, from E2-Capital (Holdings) Limited ("E2-Capital Group") for a total consideration of approximately HK\$68.1 million. The consideration for the acquisition was satisfied as to approximately HK\$51.9 million by way of disposal of the Group's Dyestuffs Distribution Division and a sum of approximately HK\$16.2 million in cash. This acquisition follows from the Group's previously-stated intention of concentrating on its core business activities and disposing of its non-core businesses. With the acquisition and disposal, the Group has made swift and efficient progress towards this end.



In January 2002, the Investment Holding Division also acquired 60% interest in Software Gateway Limited (which holds 99% of Electrum Information Technology Co., Ltd. ("Electrum")) for a total consideration of HK\$18.0 million. Electrum, based in Guangzhou, primarily develops a comprehensive range of customised web-based and software solutions to business and public sectors, with one of its most notable customers being Guangdong Mobile. The acquisition represents part of the Group's efforts to foster a technology and software development arm within the Group, particularly within China. Electrum, particularly with its current client list, stands in a very good position to allow the Group to expand its presence and contacts in the Mainland.

#### ***Financial Services Division***

The Financial Services Division accounted for approximately 51.1% of the Group's turnover. It recorded HK\$53.5 million in turnover for the six months ended 31 December 2001 and an operating profit of HK\$0.2 million before deducting the amortisation of goodwill of HK\$6.2 million.

Softbank Strategic has a 51% stake in SBI E2-Capital Limited ("SBI E2-Capital"), which involves in a wide spectrum of businesses including investment banking, securities broking, research, asset management and financial products. The performance of the Financial Services Division mainly reflected the performance of SBI E2-Capital.

During the period under review, SBI E2-Capital maintained steady progress in its investment banking and broking services, despite changing and challenging market conditions. Corporate finance/advisory fee income and brokerage commission accounted for 33% and 45% respectively of SBI E2-Capital's turnover. Geographically, Hong Kong operation accounted for 76% of SBI E2-Capital's turnover.

During the period, the China Securities Regulatory Commission granted a subsidiary of SBI E2-Capital a licence to act as a brokerage house in the B share market and as a lead manager in the issue of B shares in the PRC.

Its Singapore subsidiary, SBI E2-Capital Pte Ltd ("SBI E2-Capital Singapore") was also granted the Monetary Authority of Singapore's ("MAS") dealer licence to deal in securities, organise underwriting and placement syndicates in IPOs, broker private equity fund raising and to act for offerors in take-over transactions in Singapore. SBI E2-Capital Singapore was the first independent corporate finance house, unlinked to any brokerage or bank, licensed by the MAS. During the period under review, SBI E2-Capital Singapore launched 3 IPOs on the Singapore SESDAQ Exchange.

Its US-based subsidiary, SBI E2-Capital (USA) Limited formed a strategic alliance with the Nasdaq listed vFinance, Inc., a rapidly growing and fully licensed dealer broker and financial services firm, thereby further strengthening SBI E2-Capital's regional underwriting capability and distribution network.

The Hong Kong operation of SBI E2-Capital was voted the second best local house in *The Asset's* "Asia Pacific Equities Benchmark 2001". And its research division received notable company and individual rankings in the *asiamoney* 2001 Brokers Poll.

During the period under review, the Hong Kong operation participated in launching 16 IPOs on the Hong Kong Main Board and GEM Board. And it also participated in other 6 fund raising activities, including the share placements for Softbank Strategic, TechCap Holdings, Greater China Sci-Tech, Tianjin Development, Beijing Beida Jade Bird Universal Sci-Tech and Greencool Technology.

#### *Subsequent Event*

In January 2002, SBI E2-Capital Singapore arranged 2 IPOs on the Singapore SESDAQ Exchange.

For the period from January to March 2002, the Hong Kong operation participated in launching 12 IPOs in Hong Kong.

#### ***Dyestuffs Distribution Division***

The Dyestuffs Distribution Division accounted for approximately 15.2% of the Group's turnover and recorded HK\$15.9 million in turnover for the six months ended 31 December 2001, representing a decrease of 20.5% over the corresponding six months ended 31 December 2000. This division recorded an operating loss of HK\$1.2 million for the period under review compared to an operating loss of HK\$1.5 million for the previous period.

#### *Subsequent Event*

In January 2002, Softbank Strategic underwent a strategic restructuring by disposing of the Dyestuffs Distribution Division to E2-Capital Group as part of the consideration for acquisition of the entire stake in ebizal Holdings. The disposal is part of the Group's continuing efforts in divesting from its non-core assets and focusing on its core businesses.

**Household Fabric and Garment Manufacturing Division**

Since the Company disposed of its loss-making household fabric manufacturing business in December 2000, the operating result of the division for the six months ended 31 December 2001 solely reflected the performance of the garment manufacturing business. The garment manufacturing business accounted for approximately 24.8% of the Group's turnover. Turnover for the garment manufacturing business dropped by 14.1% to HK\$26.0 million for the six months ended 31 December 2001, from HK\$30.2 million for the corresponding six months ended 31 December 2000. Operating profit for the garment manufacturing business decreased by 61.0% to HK\$647,000 from HK\$1.7 million over the corresponding six months ended 31 December 2000.

**Property Holding Division & Others**

The Property Holding Division and others accounted for approximately 8.2% of the Group's turnover. Turnover of the division increased by 3.7% to HK\$8.6 million for the six months ended 31 December 2001 compared to HK\$8.3 million for the corresponding six months ended 31 December 2000. An operating loss of HK\$2.7 million was recorded in the division for this period, compared with an operating profit of HK\$3.7 million for the previous corresponding period. During the period, the Group realised a deficit of HK\$3.4 million from revaluation of investment properties (a surplus of HK\$3.6 million for the previous period).

In July 2001, the Company disposed of one property and one property holding company for a total consideration of HK\$5.6 million. No gain or loss was recorded for these disposals.

**Subsequent Event**

In January 2002, the Company disposed of two property holding companies to E2-Capital Group as part of the consideration for acquisition of the entire stake in ebizal Holdings, as part of the Group's policy of focusing on its core businesses.

### ***Other Corporate Matters***

In December 2001, the Company provided a guarantee to the MAS in respect of the dealer licence granted to SBI E2-Capital Pte Ltd, a non wholly-owned subsidiary of Softbank Strategic. The guarantee ensures that Softbank Strategic will undertake to maintain SBI E2-Capital Pte Ltd in a sound financial position and pay/settle all obligations and liabilities of SBI E2-Capital Pte Ltd arising during the subsistence of the guarantee. The directors of Softbank Strategic considered that the provision of the guarantee, which led to the granting of the MAS dealer licence to SBI E2-Capital Pte Ltd, enables the Group to diversify its business activities in Singapore and thus enlarge its revenue base through SBI E2-Capital Pte Ltd.

In December 2001, the Company entered into a placing agreement with First Shanghai Securities Limited ("First Shanghai") to place 100 million new shares at HK\$0.30 each. The total net proceeds of the placing of approximately HK\$29.0 million will be used for investments in the PRC, including the setting up of a new China fund and other private equity investments, as well as general working capital for the Company and its subsidiaries. The Directors of the Company considered that it was in the best interests of the Company to raise further capital from the equity market in order to further enhance the capital base, strengthen the cash flow, and facilitate the investment strategy.

#### *Subsequent Events*

In January 2002, the Company further entered into a placing agreement with First Shanghai and a placing and subscription agreement with First Shanghai and Paper Rich Investments Limited, a subsidiary of E2-Capital Group, in respect of the placing, the top-up placing and the subscription involving the issue of an aggregate of 80 million new shares of the Company at HK\$0.30 each. The total net proceeds of the placing and the subscription of approximately HK\$23.1 million will be used for the same purposes as the prior placing in December 2001 including the setting up of a new fund in China.

In January 2002, Mr Chan Kok Chung, Johnny resigned as Non-executive Director and Mr Kang Dian was appointed as an Independent Non-executive Director of the Company. The Directors considered that Mr Kang's extensive experience in Mainland China will be immensely beneficial to the Company, particularly in view of the Company's increasing business focus in the Mainland.

### **Prospects**

The Group's direction will be concentrated in the following core areas: venture capital, financial services, consultancy and technology.

Table 1: New Business Structure

<b>Venture Capital</b>	<b>Financial Services</b>	<b>Consultancy</b>	<b>Technology</b>
- Direct Investment Holdings - Fund Management	- SBI E2-Capital	- Ebizal Marketing - Ebizal Net-Trans	- Electrum - Sun-Tech

#### *Venture Capital*

The Group aims to build and grow a successful venture capital business in Greater China, with a primary focus on the Mainland China market. In order to increase the investment returns from investee companies, the Group adds value to the investee companies through several means, for example, by taking an active role in the management of the companies, advising them on the formulation of respectable business plans and strategies, leveraging upon the Softbank Group's contacts and resources where necessary, as well as supporting them with strong financial expertise.

The Group has been making investments directly through Softbank Strategic itself, and via the funds managed by Softbank China Venture Investments Limited ("SBCVI", a subsidiary of its parent, Softbank Investment Corporation). SBCVI currently manages Softbank Asia Net-Trans Fund and co-manages the HKSAR Government's Applied Research Fund jointly with Techpacific.com via a joint venture, Softech. Through a consultancy and management agreement between Softbank Strategic and SBCVI, Softbank Strategic provides consultancy and management services to SBCVI on business strategy and funds management.

The Group works closely with SBCVI to explore synergistic partnership or alliances between their investment portfolios to achieve mutual benefits.

The Group is also aggressively proceeding to set up its own venture capital funds in Mainland China. The Group intends to set up joint venture funds with major municipal governments in Mainland China, including Shenzhen, Shanghai, Beijing and Tianjin, targeting the technology, telecom, and biotech related industries (amongst others). The Group will play an important role in managing the funds.

### *Financial Services*

SBI E2-Capital not only represents an earning growth driver for the Group, but also plays a strategic role in strengthening the Group's capability to accomplish the investment goal of its venture capital portfolio. The input of financial advice and financial engineering skills from SBI E2-Capital is expected to assist the Group and its investee companies in improving their financial positions and in implementing financial transactions to enhance their investment returns.

### *Consultancy*


The Group has undergone a strategic restructuring by the acquisition of E2-Capital Group's entire stake in ebizal Holdings, a provider of marketing services, technology solutions and consulting services, in consideration of (inter alia) its non-core dyestuffs operations. The acquisition of ebizal Holdings allows the Group to significantly strengthen its consultancy operations previously provided solely under the Net-Trans Division, as well as bringing meaningful synergies to its core investing activities.

The consultancy operations will help the Group to achieve its objective in being the cultivator and nurturer of its investee companies by enabling it to play a more proactive role in their investments through the consultancy services. Consultancy resources can now be delivered to investee companies and clients through the Ebizal Net-Trans team on technological advisory, ebizal Holdings on business advisory, and SBI E2-Capital on financial advisory.

### *Technology/Software*

One of the Group's objectives is to develop a strong technology/software division in line with the Softbank Group's business model. The Group aims to take a significant or majority stake in such companies which are likely to prove synergistic with other technology/software companies within the portfolios of the Group, SBCVI, and the entire Softbank Group.

Sun-Tech Group, held under ebizal Holdings, is a systems integrator focusing on the Hong Kong education sector. In accordance with the HKSAR Government initiative to improve the usage of IT services in the education sector and to set up multimedia learning center in secondary schools, Sun-Tech Group has been selected as one of the only three preferred vendors for the project. Having more than 180 schools installed with its system, Sun-Tech is the market leader in Hong Kong. Sun-Tech intends to expand its business scope both vertically to other sectors and horizontally to the education sectors in other countries (i.e. Japan and the PRC).



In January 2002, the Group took majority control of Electrum, a developer of customised web-based and software solutions for business and public sectors. (For further details please see "Investment Holding Division" section above.) Electrum, with key clients such as Guangdong Mobile, stands in a very good position to allow the Group to expand its presence and contacts in the Mainland.

### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2001, the Group had total available banking facilities of approximately HK\$831 million of which approximately HK\$788 million remained unutilized. In addition, the Group had bank and cash balances of approximately HK\$151 million on the same date.

As at 31 December 2001, the total borrowings of the Group amounted to HK\$138,904,000, which are repayable within one year. In addition, the Group's borrowings denominated in Hong Kong dollar and in Renminbi were HK\$131,357,000 and HK\$7,547,000 respectively.

As at 31 December 2001, the gearing ratio of the Group was 25.3% (30 June 2001: 48.7%) calculated by dividing the total borrowings of HK\$138,904,000 (30 June 2001: HK\$269,188,000) by the shareholders' fund of HK\$549,683,000 (30 June 2001: HK\$553,103,000).

### **CHARGES ON GROUP ASSETS**

As at 31 December 2001, the Group's banking facilities were secured by properties of the Group with net book value of HK\$72,221,000 (30 June 2001: HK\$74,698,000). The Group's banking facilities secured by the bank deposits of HK\$5,000,000 were not yet utilised as at 31 December 2001.

### **EMPLOYEES**

As at 31 December 2001, the total number of employees of the Group was 937. The employees are offered discretionary bonuses based on merits and the performance. The Group also encourages and subsidizes employees to enroll in external training courses and seminars organized 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.

## SHARE OPTION SCHEMES

Recently, the Stock Exchange of Hong Kong Limited announced changes to the Listing Rules which sets out the revised requirements for share option schemes operated by listed companies. In this respect, the operation of the share option scheme adopted at the annual general meeting of the Company on 25 October 2000 (the "Old Scheme") was terminated upon the adoption of the New Scheme (as defined below). In such event, no further option would be granted under the Old Scheme. However, all options granted prior to such termination and not yet exercised shall continue to be valid and exercisable subject to and in accordance with the Old Scheme.

On 30 October 2001, at the annual general meeting, the Company adopted a new share option scheme (the "New Scheme") under which the board of directors may, at their 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 New 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 New Scheme were disclosed in the circular dated 28 September 2001.

As at 31 December 2001, no option has been granted by the Company under the New Scheme.

Details of share options outstanding as at 31 December 2001 which have been granted under the Old Scheme were as follows:

	Date of grant	Exercisable period	Exercise price per share HK\$	Number of shares under options				At 31 December 2001
				At 1 July 2001	Granted during the period	Exercised during the period	Lapsed during the period	
<b>Directors</b>								
Yoshitaka Kitao	01-11-2000	01-11-2000 to 31-10-2010	0.480	27,960,000	—	—	—	27,960,000
	17-08-2001	17-08-2001 to 16-08-2011	0.390	—	10,000,000 <sup>2</sup>	—	—	10,000,000

	Date of grant	Exercisable period	Exercise price per share HK\$	At 1 July 2001	Number of shares under options			At 31 December 2001
					Granted during the period	Exercised during the period	Lapsed during the period	
Hiroyuki Nakanishi	01-11-2000	01-11-2000 to 31-10-2010	0.480	20,000,000	—	—	—	20,000,000
	17-08-2001	17-08-2001 to 16-08-2011	0.390	—	5,000,000 <sup>2</sup>	—	—	5,000,000
Katsuya Kawashima	01-11-2000	01-11-2000 to 31-10-2010	0.480	15,000,000	—	—	—	15,000,000
	17-08-2001	17-08-2001 to 16-08-2011	0.390	—	2,500,000 <sup>2</sup>	—	—	2,500,000
Akira Kajikawa	01-11-2000	01-11-2000 to 31-10-2010	0.480	15,000,000	—	—	—	15,000,000
	17-08-2001	17-08-2001 to 16-08-2011	0.390	—	5,000,000 <sup>2</sup>	—	—	5,000,000
Chang Ming Jang	01-11-2000	01-11-2000 to 14-08-2001 <sup>1</sup>	0.480	15,000,000	—	15,000,000 <sup>1</sup>	—	—
Choo Chee Kong	17-08-2001	17-08-2001 to 16-08-2011	0.390	—	2,500,000 <sup>2</sup>	—	—	2,500,000
<b>Employees</b>	01-11-2000	01-11-2000 to 14-08-2001	0.480	3,900,000	—	—	500,000	3,400,000
	17-08-2001	17-08-2001 to 16-08-2011	0.390	—	14,400,000 <sup>2</sup>	—	1,000,000	13,400,000

*Notes:*

- (1) The exercise period in respect of the options held by Mr Chang Ming Jang was shortened from 31 October 2010 to 14 August 2001 as a result of the cessation of Mr Chang as an executive director (but remains as a non-executive director) of the Company on 15 May 2001. These options were exercised on 14 August 2001. At the date immediately before the options were exercised, the closing price per share was HK\$0.465.
- (2) At the date immediately before the options were granted on 17 August 2001, the closing price per share was HK\$0.50.

- (3) Options granted to directors are immediately vested on the date of grant. Options granted to employees are vested as follows:

On 1st anniversary of the date of grant *	25% vested
On 2nd anniversary of the date of grant *	further 25% vested
On 3rd anniversary of the date of grant *	remaining 50% vested

\* or on the 1st, 2nd and 3rd anniversary of an earlier date in which the grantee became an employee of the Group (as the case may be).

- (4) In assessing the value of the share options granted during the six month period ended 31 December 2001, the Black-Scholes option pricing model (the "Black-Scholes Model") has been used. The Black-Scholes Model is one of the most generally accepted methodologies used to calculate the value of options and is one of the recommended option pricing models as set out in Chapter 17 of 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 of the shares of the Company, if any.

In assessing the value of the share options granted during the period to both directors and employees the following variables have been applied to the Black-Scholes Model:

- (a) The expected life is estimated to be 5 years from the date of grant (the "Measurement Date").
- (b) The risk-free rate applied to the Black-Scholes Model is 5.01%, which represents the yield of the Hong Kong Exchange Fund Notes corresponding to the expected life of the options as at the Measurement Date.
- (c) The expected volatility used in the calculation is 100.28% and represents the standard deviation of the daily closing share prices of the Company for the last twelve months from the Measurement Date.
- (d) Based on historic pattern, it is assumed that no dividend would be paid out during the expected life of the options.

Using the Black-Scholes Model in assessing the value of share options granted during the period, the options would have an aggregate value of approximately HK\$15,760,000, represented as follows:

	Number of share options granted during the period	Estimated value per option HK\$	Estimated value of options granted during the period HK\$
<b>Directors</b>			
Yoshitaka Kitao	10,000,000	0.40	4,000,000
Hiroyuki Nakanishi	5,000,000	0.40	2,000,000
Katsuya Kawashima	2,500,000	0.40	1,000,000
Akira Kajikawa	5,000,000	0.40	2,000,000
Choo Chee Kong	2,500,000	0.40	1,000,000
		Sub-total	10,000,000
<b>Employees</b>			
	14,400,000	0.40	5,760,000
		Total	15,760,000

In assessing the aggregate value of the share options, no adjustment has been made for possible future forfeiture of the options. No charge is recognised in the profit and loss account in respect of the value of options granted during the period. The share options granted will be recognised in the balance sheet at the time when the share options are exercised. Share capital will be credited at par for each share issued upon the exercise of share options, with share premium credited at the excess of net proceeds received over total share capital credited.

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 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 determined under the Black-Scholes Model.

### **PURCHASE, SALE OR REDEMPTION OF SHARES**

During the six months ended 31 December 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company.

## DIRECTORS' INTERESTS IN EQUITY OR DEBT SECURITIES

As at 31 December 2001, the interests of the Directors in the shares of the Company or any of its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register kept under Section 29 of the SDI Ordinance or as notified to the Company were as follows:

### (A) Interests in the Company

#### (1) Shares

Name of Director	Number of ordinary shares of		Total
	Personal interest	Corporate interest	
		HK\$0.10 each	
Yu Kam Kee, Lawrence	162,918,026	4,882,965*	167,800,991
Yu Kam Yuen, Lincoln	12,083,885	—	12,083,885

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

**(2) Share options**

Details of the share options granted to certain Directors by the Company during the financial period and outstanding as at 31 December 2001 are set out in the 4th paragraph under "Share Option Schemes" above.

In addition to the share options granted by the Company, the following options were granted by Softbank Investment (International) Holdings Limited ("SBIH") to Asset Horizons Limited ("AHL"), a company wholly-owned by Mr Wong Sin Just, an executive director and chief executive officer of the Company. The options entitle AHL to purchase existing issued ordinary shares of the Company beneficially held by SBIH. SBIH is a shareholder of the Company.

Date of grant	Exercisable period	Exercise price per share HK\$	Number of shares under options				At 31 December 2001
			At 1 July 2001	Granted during the period	Cancelled during the period	Assigned during the period	
06-04-2001	06-04-2001 to 05-05-2011	0.592	56,550,000	—	56,550,000	—	Nil
16-08-2001	16-08-2001 to 15-08-2011	0.480	—	94,250,000	—	37,700,000*	56,550,000

\* The rights in respect of 37,700,000 shares held by AHL were assigned to a third party during the period.

**(B) Interests in associated corporations****(1) Shares**

(i) SOFTBANK CORP.

Name of Director	Number of ordinary shares
Yoshitaka Kitao	283,080
Hiroyuki Nakanishi	30,592
Katsuya Kawashima	23,585

## (ii) Softbank Investment Corporation

<b>Name of Director</b>	<b>Number of ordinary shares</b>
Yoshitaka Kitao	4,259.94
Hiroyuki Nakanishi	1,271.97
Katsuya Kawashima	1,199.94
Akira Kajikawa	479.97

**(2) Share options**

## (i) SOFTBANK CORP.

<b>Name of Director</b>	<b>Exercisable period</b>	<b>Exercise price per share JPY</b>	<b>Number of share options granted and not yet exercised</b>
Yoshitaka Kitao	07-07-2000 to 07-07-2003	6,454.10	97,612.37
	08-02-2002 to 06-02-2004	28,607.00	157.30
Hiroyuki Nakanish	21-03-2001 to 20-03-2003	2,767.50	722.00
Katsuya Kawashima	07-07-2000 to 07-07-2003	6,454.10	4,803.00
	08-02-2002 to 06-02-2004	28,607.00	157.30

## (ii) Softbank Investment Corporation

Name of Director	Exercisable period	Exercise price per share JPY	Number of share options granted and not yet exercised
Yoshitaka Kitao	01-04-2002 to 31-03-2007	18,750.10	2,279.98
	01-04-2003 to 31-03-2008	18,750.10	2,279.98
Hiroyuki Nakanishi	01-04-2002 to 31-03-2007	18,750.10	1,079.99
	01-04-2003 to 31-03-2008	18,750.10	1,079.99
Katsuya Kawashima	01-04-2002 to 31-03-2007	18,750.10	599.99
	01-04-2003 to 31-03-2008	18,750.10	599.99
Akira Kajikawa	01-04-2002 to 31-03-2007	18,750.10	479.99
	01-04-2003 to 31-03-2008	18,750.10	479.99
Chang Ming Jang	01-04-2000 to 31-03-2005	18,750.10	47.99
	01-04-2001 to 31-03-2006	18,750.10	71.99
	01-04-2002 to 31-03-2007	18,750.10	47.99
	01-04-2003 to 31-03-2008	18,750.10	71.99

## (iii) Cognotec Japan K.K.

<b>Name of Director</b>	<b>Exercisable period</b>	<b>Exercise price per share JPY</b>	<b>Number of share options granted and not yet exercised</b>
Yoshitaka Kitao	01-06-2000 to 07-05-2005	60,000	300

## (iv) Softbank Frontier Securities Co, Ltd

<b>Name of Director</b>	<b>Exercisable period</b>	<b>Exercise price per share JPY</b>	<b>Number of share options granted and not yet exercised</b>
Yoshitaka Kitao	Four years from the date of IPO	50,000	100
	Four years from the date of IPO	350,000	150
Katsuya Kawashima	01-06-2000 to 22-05-2006	50,000	50
	01-04-2001 to 29-03-2007	350,000	50

## (v) Insweb Japan K.K.

<b>Name of Director</b>	<b>Exercisable period</b>	<b>Exercise price per share JPY</b>	<b>Number of share options granted and not yet exercised</b>
Yoshitaka Kitao	01-08-2000 to 09-07-2006	75,000	280

## (vi) Web-Lease Co, Ltd.

<b>Name of Director</b>	<b>Exercisable period</b>	<b>Exercise price per share JPY</b>	<b>options granted and not yet exercised</b>
Yoshitaka Kitao	01-08-2000 to 13-07-2006	50,000	240

## (vii) E\*Advisor Co, Ltd

Name of Director	Exercisable period	Exercise price per share JPY	options granted and not yet exercised
Yoshitaka Kitao	01-11-2000 to 05-10-2007	50,000	120

## (viii) E-Loan Japan K.K.

Name of Director	Exercisable period	Exercise price per share JPY	options granted and not yet exercised
Yoshitaka Kitao	01-12-2000 to 09-11-2006	50,000	200

Save as disclosed above, none of the Directors or chief executives of the Company (including their spouses or children under the age of 18) had any interest in, or had been granted, or exercised, any rights to subscribe for shares of the Company or any of its associated corporations (within the meaning of the SDI Ordinance).

Other than as disclosed above, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### SUBSTANTIAL SHAREHOLDERS

As at 31 December 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance shows that the Company has been notified of the following substantial shareholders' interests, being 10% or more of the Company's issued share capital:

Name	Number of ordinary shares of HK\$0.10 each	%
Softbank Investment (International) Holdings Limited* ("SBIH")	909,903,061	38
Softbank Finance Corporation* ("SBF")	260,000,000	11

\* SBIH is a direct wholly-owned subsidiary of Softbank Investment Corporation ("SBI"). SBF also owns 81.56% interests in SBI and is in turn a direct wholly-owned subsidiary of SOFTBANK CORP., a company incorporated in Japan and the shares of which are listed on the Tokyo Stock Exchange.

### **CODE OF BEST PRACTICE**

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not, in compliance with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited at any time during the six months ended 31 December 2001.

### **AUDIT COMMITTEE**

The Audit Committee of the Company has reviewed with Management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the unaudited interim accounts for the six months ended 31 December 2001. 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 the Statement of Auditing Standards 700 issued by the Hong Kong Society of Accountants.

By Order of the Board  
**Wong Sin Just**  
*Chief Executive Officer*

Hong Kong, 26 March 2002

## CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2001

	Note	Unaudited Six months ended 31 December	
		2001 HK\$'000	2000 HK\$'000
TURNOVER	2	<b>104,588</b>	72,188
COST OF SALES		<b>(58,289)</b>	(54,139)
GROSS PROFIT		<b>46,299</b>	18,049
OTHER REVENUES		<b>604</b>	2,809
DISTRIBUTION COSTS		<b>(190)</b>	(1,073)
ADMINISTRATIVE EXPENSES		<b>(61,722)</b>	(26,194)
OTHER OPERATING INCOME/ (EXPENSES)		<b>588</b>	(1,649)
GAIN ON DISPOSAL OF SUBSIDIARIES		—	14,843
(DEFICIT)/SURPLUS ON REVALUATION OF INVESTMENT PROPERTIES		<b>(3,370)</b>	3,614
OPERATING (LOSS)/PROFIT	2 & 3	<b>(17,791)</b>	10,399
FINANCE COSTS		<b>(3,900)</b>	(4,080)
SHARE OF LOSS OF AN ASSOCIATED COMPANY		—	(29)
(LOSS)/PROFIT BEFORE TAXATION		<b>(21,691)</b>	6,290
TAXATION CREDIT/(CHARGE)	4	<b>712</b>	(514)
(LOSS)/PROFIT AFTER TAXATION		<b>(20,979)</b>	5,776
MINORITY INTERESTS		<b>(490)</b>	266
(LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS		<b>(21,469)</b>	6,042
(LOSS)/EARNINGS PER SHARE			
Basic	5	<b>(0.95 cents)</b>	0.32 cents

**CONDENSED CONSOLIDATED BALANCE SHEET**

AS AT 31 DECEMBER 2001 AND 30 JUNE 2001

		<b>Unaudited</b>	Audited
		<b>31 December</b>	30 June
		<b>2001</b>	2001
	Note	<b>HK\$'000</b>	HK\$'000
<b>GOODWILL</b>	7	<b>237,446</b>	243,614
<b>FIXED ASSETS</b>		<b>173,512</b>	183,626
<b>OTHER ASSETS</b>	8	<b>3,851</b>	4,001
<b>INVESTMENT IN AN ASSOCIATED COMPANY</b>		<b>19</b>	19
<b>NON-TRADING SECURITIES</b>	9	<b>143,655</b>	153,121
<b>LOANS RECEIVABLE</b>	10	<b>8,311</b>	—
<b>CURRENT ASSETS</b>			
INVENTORIES		<b>13,788</b>	15,463
ACCOUNTS RECEIVABLE	11	<b>81,524</b>	361,298
TRADING INVESTMENTS	12	<b>10,291</b>	67,335
LOANS RECEIVABLE		<b>20,332</b>	11,227
SUNDRY DEBTORS, PREPAYMENTS AND DEPOSITS		<b>9,351</b>	10,931
AMOUNTS DUE FROM RELATED COMPANIES	13	<b>3,118</b>	—
CASH AND BANK BALANCES	14	<b>150,811</b>	185,752
		<b>289,215</b>	652,006

**CONDENSED CONSOLIDATED BALANCE SHEET** (continue)

AS AT 31 DECEMBER 2001 AND 30 JUNE 2001

		<b>Unaudited</b>	Audited
		<b>31 December</b>	30 June
		<b>2001</b>	2001
	Note	<b>HK\$'000</b>	HK\$'000
<b>CURRENT LIABILITIES</b>			
ACCOUNTS PAYABLE	15	<b>28,959</b>	152,227
OPTIONS WRITTEN		—	63,611
OTHER PAYABLES AND DEPOSITS RECEIVED		<b>24,909</b>	34,783
AMOUNTS DUE TO RELATED COMPANIES	13	—	26,617
AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY	16	<b>16,926</b>	31,300
CURRENT PORTION OF LONG TERM LIABILITIES	17	<b>1,707</b>	1,600
TAX PAYABLE		<b>231</b>	8,329
BANK LOANS AND OVERDRAFTS			
Secured		<b>9,645</b>	11,018
Unsecured		<b>120,943</b>	249,058
		<b>203,320</b>	578,543
<b>NET CURRENT ASSETS</b>			
		<b>85,895</b>	73,463
		<b>652,689</b>	657,844
<b>FINANCED BY:</b>			
SHARE CAPITAL	18	<b>236,039</b>	224,539
RESERVES	19	<b>313,644</b>	328,564
<b>SHAREHOLDERS' FUNDS</b>			
MINORITY INTERESTS		<b>96,271</b>	97,229
LONG TERM LIABILITIES	17	<b>6,609</b>	7,512
DEFERRED TAXATION		<b>126</b>	—
		<b>652,689</b>	657,844

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2001

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Net cash inflow/(outflow) from operating activities	<b>97,073</b>	(8,177)
Net cash inflow from returns on investments and servicing of finance	<b>2,109</b>	1,114
Total taxation paid	<b>(7,259)</b>	(774)
Net cash outflow from investing activities	<b>(24,291)</b>	(161,511)
Net cash inflow from financing	<b>33,744</b>	106,753
Increase/(decrease) in cash and cash equivalents	<b>101,376</b>	(62,595)
Cash and cash equivalents at the beginning of period	<b>26,619</b>	137,993
Effect of foreign exchange rate changes	<b>(224)</b>	—
Cash and cash equivalents at the end of period	<b>127,771</b>	75,398
Analysis of balances of cash and cash equivalents:		
- Cash and bank balances	<b>150,811</b>	77,590
- Bank loans maturing within three months	<b>(23,040)</b>	(2,192)
	<b>127,771</b>	75,398

**CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES**  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2001

	Note	Unaudited	
		2001	2000
		HK\$'000	HK\$'000
Deficit on revaluation of non-trading securities	19	<b>(17,968)</b>	(68,675)
Exchange differences arising on translation of subsidiaries	19	<b>(122)</b>	—
Net losses not recognised in the consolidated profit and loss account		<b>(18,090)</b>	(68,675)
(Loss)/profit for the period		<b>(21,469)</b>	6,042
Exchange translation reserve released to consolidated profit and loss account on disposal of a subsidiary		—	(150)
Total recognised losses		<b>(39,559)</b>	(62,783)
Capital reserve released to the consolidated profit and loss account on disposal of subsidiaries		—	(14,693)
		<b><u>(39,559)</u></b>	<b><u>(77,476)</u></b>

## NOTES TO CONDENSED INTERIM ACCOUNTS

### 1. ACCOUNTING POLICIES

These unaudited consolidated condensed interim accounts ("interim accounts") are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("HKSSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants, (as applicable to condensed interim accounts), and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

These interim accounts should be read in conjunction with the 2000/2001 annual accounts.

The accounting policies and methods of computation used in the preparation of these interim accounts are consistent with those used in the annual accounts for the year ended 30 June 2001, except that the Group has adopted the new and revised HKSSAPs which became effective on 1 January 2001. The adoption of the new and revised HKSSAPs has no material effect on the Group's results.

In accordance with the new HKSSAP No. 30 "Business combinations", goodwill on acquisitions occurring on or after 1 January 2001 is being reported in the balance sheet as a separate asset or, as applicable, included within investments in associated companies, and is amortised using the straight line method over its estimated useful life not exceeding 20 years. This is a change in accounting policy as in previous years goodwill on acquisitions was either recognised as an asset and amortised by equal annual instalments over a maximum period of 20 years or eliminated directly against reserves in the year of acquisition. In accordance with the transitional provisions under HKSSAP No. 30, no retrospective adjustment is made to the goodwill previously eliminated directly against reserves.

## 2. TURNOVER

The Group is principally engaged in investment holding, the provision of financial services, including securities broking, futures broking, corporate finance, financial advisory and proprietary trading, dyestuffs distribution, garment manufacturing and property holding.

An analysis of the Group's turnover and operating (loss)/profit by principal activities for the period is as follows:

	Six months ended 31 December 2001					
	Investment holding HK\$'000	Financial services HK\$'000	Dyestuffs distribution HK\$'000	Garment manufacturing HK\$'000	Property holding & others HK\$'000	Group total HK\$'000
Turnover						
Segment total	1,137	53,484	15,923	25,962	9,894	106,400
Inter-segment	(1,137)	—	—	—	(1,325)	(2,462)
Group total	—	53,484	15,923	25,962	8,569	103,938
Dividend income						650
						<u>104,588</u>
Segment results						
Segment total	(9,847)	190	(2,973)	647	(2,034)	(14,017)
Inter-segment	(1,137)	—	1,792	—	(655)	—
Amortisation of goodwill	—	(6,167)	—	—	—	(6,167)
Group total	(10,984)	(5,977)	(1,181)	647	(2,689)	(20,184)
Unallocated income						1,254
Finance costs						(2,761)
Loss before taxation						(21,691)
Taxation credit						712
Minority interests						(490)
Loss attributable to shareholders						<u>(21,469)</u>

	Six months ended 31 December 2000					Group total HK\$'000
	Investment holding HK\$'000	Dyestuffs distribution HK\$'000	Garment manufacturing HK\$'000	Property holding & others HK\$'000	Household fabric (note) HK\$'000	
Turnover						
Segment total	1,808	20,356	30,231	9,877	13,020	75,292
Inter-segment	(1,808)	(330)	—	(1,616)	—	(3,754)
Group total	—	20,026	30,231	8,261	13,020	71,538
Dividend income						650
						<u>72,188</u>
Segment results						
Segment total	(8,577)	(3,166)	1,330	4,607	(1,716)	(7,522)
Inter-segment	(1,766)	1,677	330	(878)	637	—
Gain on disposal of subsidiaries (note)	—	—	—	—	14,462	14,462
Group total	(10,343)	(1,489)	1,660	3,729	13,383	6,940
Unallocated income						3,459
Finance costs						(4,080)
Share of loss of an associated company		(29)				(29)
Profit before taxation						6,290
Taxation						(514)
Minority interests						266
Profit attributable to shareholders						<u>6,042</u>

*note:* The household fabric operation was a discontinued operation. The Group sold this operation at a gain of HK\$14,462,000 during the six months ended 31 December 2000.

An analysis of the Group's turnover and operating (loss)/profit by principal markets for the period is as follows:

	TURNOVER		OPERATING (LOSS)/PROFIT	
	Six months ended		Six months ended	
	31 December		31 December	
	2001	2000	2001	2000
HK\$'000	HK\$'000	HK\$'000	HK\$'000	
By principal markets:				
Hong Kong	<b>56,977</b>	25,425	<b>(27,881)</b>	7,917
Mainland China ("PRC")	<b>34,317</b>	40,509	<b>(790)</b>	(403)
Overseas	<b>12,644</b>	5,604	<b>8,487</b>	(574)
	<b>103,938</b>	71,538	<b>(20,184)</b>	6,940

### 3. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after crediting and charging the following:

	Six months ended	
	2001	2000
	HK\$'000	HK\$'000
Crediting:		
Write back of provision for loans receivable (note 13)	<b>6,240</b>	—
Net realised and unrealised gain on equity securities and warrants	<b>3,456</b>	—
Gain on disposal of fixed assets	—	11
	<b>9,696</b>	11
Charging:		
Depreciation on owned fixed assets	<b>5,097</b>	4,736
Amortisation of goodwill	<b>6,168</b>	—
Provision for doubtful debts/loans receivable	<b>2,740</b>	—
Net exchange loss	<b>1,219</b>	—
	<b>15,224</b>	4,736

#### 4. TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the period. Taxation on PRC profits has been calculated on the estimated assessable profit for the period at the rate of 27% (2000: 27%). Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation (credited)/charged to the consolidated profit and loss account represents:

	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Company and subsidiaries:		
Hong Kong profits tax	—	—
PRC taxation	<b>208</b>	514
Overseas taxation	<b>725</b>	—
Overprovision in prior period - Hong Kong	<b>(1,771)</b>	—
Deferred taxation - Overseas	<b>126</b>	—
	<u><b>(712)</b></u>	<u>514</u>

#### 5. (LOSS)/EARNINGS PER SHARE

The (loss)/earnings per share is calculated based on the loss attributable to shareholders of HK\$21,469,000 (2000: profit of HK\$6,042,000) and on the weighted average number of 2,268,216,964 (2000: 1,885,915,878) ordinary shares in issue during the period. Fully diluted (loss)/earnings per share is not shown as there is no dilution effect.

#### 6. DIVIDEND

The Directors have resolved not to pay any interim dividend in respect of the six months ended 31 December 2001 (2000: nil).

## 7. GOODWILL

	<b>31 December 2001 HK\$'000</b>	30 June 2001 HK\$'000
Cost	<b>246,698</b>	246,698
Accumulated amortisation	<b>(9,252)</b>	(3,084)
Net book value	<b><u>237,446</u></b>	<u>243,614</u>

## 8. OTHER ASSETS

Included in the balance is the trading rights on The Stock Exchange of Hong Kong Limited and The Hong Kong Futures Exchange Limited which are carried at cost of HK\$1,000 (30 June 2001: HK\$1,000).

## 9. NON - TRADING SECURITIES

In accordance with the Group's accounting policies on investments in securities, the directors have reviewed the Group's individual investments at 31 December 2001 in order to determine if their fair value have been impaired. Following the review, the directors consider that the fair value of the Group's investments in securities have diminished by an aggregate of HK\$17,968,000 for the six months ended 31 December 2001 and the diminution is temporary only. Accordingly, the diminution in value has been included in the investment revaluation reserve.

## 10. LOANS RECEIVABLE

	<b>31 December 2001 HK\$'000</b>	30 June 2001 HK\$'000
Loans receivable	<b>19,916</b>	—
Less: Provision	<b>(11,605)</b>	—
	<b><u>8,311</u></b>	<u>—</u>

The loans are unsecured, non-interest bearing and scheduled for repayments on or before 25 October 2005.

## 11. ACCOUNTS RECEIVABLE

	<b>31 December 2001 HK\$'000</b>	30 June 2001 HK\$'000
Accounts receivable arising from the ordinary course of business of dealing in securities, options and futures contracts (note a)	<b>32,505</b>	297,097
Accounts receivable from securities margin clients (note b)	<b>25,330</b>	33,837
Accounts receivable arising from dyestuffs distribution and garment manufacturing (note c)	<b>16,240</b>	23,942
Other trade debtors	<b>7,449</b>	6,422
	<b><u>81,524</u></b>	<b><u>361,298</u></b>

*Notes:*

- (a) The settlement terms of accounts receivable arising from the ordinary course of business of dealing in securities are two days after trade date, whereas the settlement terms for those arising from the ordinary course of business of dealing in options and futures contracts is one day after trade date.
- (b) Accounts receivable from securities margin clients are secured by clients' pledged securities, and are repayable on demand and bear interest at commercial rates. The market value of the pledged securities as at 31 December 2001 was approximately HK\$176 million (30 June 2001: HK\$107 million).
- (c) The credit terms of accounts receivable arising from dyestuffs distribution and garment manufacturing range from 30 days to 180 days.
- (d) The Group maintains clients' monies arising from the ordinary course of business of dealing in options and futures contracts in trust with Hong Kong Futures Exchange Clearing Corporation. As at 31 December 2001, the Group held HK\$16,382,000 (30 June 2001: HK\$4,862,000) in trust for clients with Hong Kong Futures Clearing Corporation which is not included on the balance sheet.

(e) The aging analysis of the accounts receivable balance is as follows:

	<b>31 December 2001 HK\$'000</b>	30 June 2001 HK\$'000
0 - 1 month	<b>68,160</b>	342,919
2 - 3 months	<b>7,958</b>	13,292
4 - 6 months	<b>5,126</b>	3,196
Over 6 months	<b>280</b>	1,891
	<b><u>81,524</u></b>	<b><u>361,298</u></b>

## 12. TRADING INVESTMENTS

Included in the balance of trading investments are certain unlisted warrants which are carried at fair value of HK\$5.5 million as at 31 December 2001 (30 June 2001: nil). The directors estimate that the fair value of these unlisted warrants is approximately HK\$0.3 million in March 2002.

## 13. AMOUNTS DUE FROM/ TO RELATED COMPANIES

The related companies are E2-Capital Group (see note 21). The amounts due from E2-Capital Group as at 31 December 2001 are unsecured, interest free and have no fixed terms of repayment. The amounts due to E2-Capital Group as at 30 June 2001 were unsecured and interest bearing at Hong Kong Dollar Prime Rate plus 1% and had no fixed terms of repayment (note 21(d)).

During the period, a loan receivable from a third party of HK\$6,240,000 has been assigned to E2-Capital Group. This loan receivable was previously fully provided for in June 2001 and was included as part of the other operating income/(expenses) in the profit and loss account. As a result of this assignment, the provision for this loan receivable was written back during the current period (note 3).

## 14. CASH AND BANK BALANCES

The Group maintains clients' monies arising from the ordinary course of business of dealing in securities, options and futures contracts in trust with authorised financial institutions. As at 31 December 2001, the Group held HK\$75,749,000 (30 June 2001: HK\$58,546,000) in trust for clients which is not included on the balance sheet.

## 15. ACCOUNTS PAYABLE

The aging analysis of the accounts payable balance is as follows:

	<b>31 December</b>	30 June
	<b>2001</b>	2001
	<b>HK\$'000</b>	HK\$'000
0 - 1 month	<b>23,097</b>	137,769
2 - 3 months	<b>2,823</b>	5,688
4 - 6 months	<b>2,476</b>	3,381
Over 6 months	<b>563</b>	5,389
	<u><b>28,959</b></u>	<u>152,227</u>

As at 31 December 2001, the accounts payable include amounts of approximately HK\$17 million (30 June 2001: HK\$132 million) arising from the ordinary course of business of dealing in securities, options and futures contracts which was current and excluded monies held in trust for clients (notes 11(d) and 14).

## 16. AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY

The balance represents an amount due to Softbank Finance Corporation, an intermediate holding company of the Company. The amount is unsecured and interest free and has no fixed terms of repayment.

## 17. LONG TERM LIABILITIES

	<b>31 December</b>	30 June
	<b>2001</b>	2001
	<b>HK\$'000</b>	HK\$'000
Bank loan, secured	<b>8,316</b>	9,112
Amounts due within one year included under current liabilities	<b>(1,707)</b>	(1,600)
	<u><b>6,609</b></u>	<u>7,512</u>

(a) The analysis of the above is as follows:

	<b>31 December 2001 HK\$'000</b>	30 June 2001 HK\$'000
Wholly repayable within five years	<u><b>8,316</b></u>	<u>9,112</u>

(b) The long term liabilities were repayable as follows:

	<b>31 December 2001 HK\$'000</b>	30 June 2001 HK\$'000
Within one year	<b>1,707</b>	1,600
In the second year	<b>1,805</b>	1,721
In the third to fifth year	<b>4,804</b>	5,791
	<u><b>8,316</b></u>	<u>9,112</u>

The long term bank loan was fully repaid on 15 January 2002.

## 18. SHARE CAPITAL

Authorised:

	<b>Ordinary shares of HK\$0.1 each</b>	
	<b>No. of shares</b>	<b>HK\$'000</b>
At 1 July 2001 and 31 December 2001	<u>5,000,000,000</u>	<u>500,000</u>

Issued and fully paid:

	<b>Ordinary shares of HK\$0.1 each</b>	
	<b>No. of shares</b>	<b>HK\$'000</b>
At 1 July 2001	2,245,390,877	224,539
Issue of ordinary shares (note a)	100,000,000	10,000
Exercise of share options (note b)	15,000,000	1,500
At 31 December 2001	<u>2,360,390,877</u>	<u>236,039</u>

*Notes:*

- (a) On 11 December 2001, the Company issued 100,000,000 ordinary shares at a premium of HK\$0.2 per share for cash amounting to HK\$30,000,000 for investments in the PRC and general working capital of the Company. These shares rank pari passu with the existing shares.
- (b) During the period, 15,000,000 share options granted under the share option scheme adopted by the Company on 25 October 2000 were exercised by the grantee at an exercise price of HK\$0.48 per share. Details of the Group's share option schemes are set out on page 11 of the 2001/2002 Interim Report.

**19. RESERVES**

	<b>HK\$'000</b>
Share premium	
At 1 July 2001	582,453
Issue of ordinary shares	25,700
Share issue expenses	(1,061)
	<hr/>
At 31 December 2001	607,092
Capital redemption reserve	
At 1 July 2001 and 31 December 2001	1,899
	<hr/>
Investment revaluation reserve	
At 1 July 2001	(49,214)
Deficit on revaluation of non-trading securities	(17,968)
	<hr/>
At 31 December 2001	(67,182)
	<hr/>
Exchange translation reserve	
At 1 July 2001	(6,576)
Exchange difference arising on translation of subsidiaries	(122)
	<hr/>
At 31 December 2001	(6,698)
	<hr/>
Accumulated losses	
At 1 July 2001	(199,998)
Loss for the period	(21,469)
	<hr/>
At 31 December 2001	(221,467)
	<hr/>
	313,644
	<hr/> <hr/>

## 20. COMMITMENTS

### (a) Capital commitments

Pursuant to a Note Purchase Agreement dated 28 November 2001 between SBI Investments (USA) Inc. (formerly known as Best Finance Investments Limited), a subsidiary, and vFinance, Inc., SBI Investments (USA) Inc. agreed to buy and vFinance, Inc. agreed to issue a note in the principal amount of US\$1.5 million (equivalent to HK\$11.7 million) (the "Note") convertible into common stock with a par value of US\$0.01 per share of vFinance, Inc..

In partial consideration of SBI Investments (USA) Inc.'s purchase of the Note, vFinance, Inc. has agreed to issue an option (the "Option") in favour of SBI Investments (USA) Inc. or its designee to purchase up to that number of shares of common stock equal to US\$1.5 million divided by the average closing bid and ask price of the common stock for the twenty consecutive trading days prior to the date(s) of the applicable option exercised but in no event shall such average closing bid and ask price be more than US\$0.336 or less than US\$0.23. The Option may be exercised from time to time up to 1 May 2002.

As at 31 December 2001, SBI Investments (USA) Inc. has contributed a total of US\$590,000 (equivalent to HK\$4.6 million) to vFinance, Inc..

### (b) Operating leases

The Group has future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as follows:

	<b>31 December 2001 HK\$'000</b>	30 June 2001 HK\$'000
Within one year	<b>5,031</b>	5,332
In the second to fifth year inclusive	<b>1,462</b>	3,878
	<b><u>6,493</u></b>	<u>9,210</u>

## 21. RELATED PARTY TRANSACTIONS

Related parties refer to E2-Capital (Holdings) Limited ("E2-Capital") and its subsidiaries (the "E2-Capital Group") and Softbank China Venture Investments Limited ("SBCVI"). E2-Capital is a company incorporated in Bermuda and listed on the Hong Kong Stock Exchange. The E2-Capital Group beneficially owns 49% interest in SBI E2-Capital Limited, a subsidiary of the Company. In addition, an executive director of the Company, Mr Wong Sin Just, is also an executive director of E2-Capital. SBCVI is a company incorporated in Hong Kong and a subsidiary of the Company's ultimate holding company, SOFTBANK CORP. Mr Akira Kajikawa and Mr Wong Sin Just, executive directors of the Company, are also directors of SBCVI.

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

		<b>Six months ended</b>	
		<b>31 December</b>	
		<b>2001</b>	2000
		<b>HK\$'000</b>	HK\$'000
Management and consultancy			
fee income	(a)	<b>1,231</b>	—
Back office expenses	(b)	<b>5,457</b>	—
Rental expenses	(c)	<b>1,781</b>	—
Interest expenses	(d)	<b>149</b>	—

*Notes:*

- (a) The Group received a fixed monthly management fee income from E2-Capital Group for the latter's sharing of the Group's office space and other related facilities. The Group also received a fixed monthly management and consultancy fee income from SBCVI including the use of the portions of the Group's office and shared facilities, the provision of service for computer and network operation and maintenance, the provision of management consultancy service, technical consultancy and management service, legal advisory and company secretarial service and human resource and administrative services in accordance with agreements entered into with both parties.
- (b) The Group reimbursed E2-Capital Group for back office support service provided, including company secretarial and compliance services, financial oversight and treasury management, human resources and administrative services, corporate communications and information technology services. The reimbursement was calculated based on an agreed percentage of the actual costs incurred by E2-Capital Group in accordance with an agreement entered into by both parties.

- (c) The Group reimbursed E2-Capital Group for rental expenses incurred by the latter on the office premises occupied by the Group in accordance with an agreement entered into by both parties.
- (d) The Group paid interest expenses at Hong Kong Dollar Prime Rate plus 1% per annum on the amount due to E2-Capital Group (note 13).
- (e) On 18 December 2001, the Company entered into a sale and purchase agreement with E2-Capital in relation to the acquisition by the Company of E2-Capital's entire interest in ebizal (Holdings) Limited (formerly known as ebizal Investments Limited) ("ebizal Holdings"), a wholly-owned subsidiary of E2-Capital, for a consideration of approximately HK\$68.1 million, comprising approximately HK\$38.1 million for the acquisition of the technology and communication consulting businesses operated by ebizal Holdings' subsidiaries and HK\$30.0 million for the acquisition of the financial assets held by ebizal Holdings' subsidiaries. The total consideration of approximately HK\$68.1 million is satisfied as to (i) approximately HK\$51.9 million by way of disposal by the Company to E2-Capital of its entire interests in four wholly owned subsidiaries, namely Cheung Wah Ho Dyestuffs Company Limited, Lancerwide Company Limited, Full Success Investments Limited and Lucky Happy Development Limited, the principal businesses of which comprise the distribution of dyestuffs and the holding of two properties in Hong Kong, and the assignment of the shareholder's loans by the Company to E2-Capital; and (ii) a sum of approximately HK\$16.2 million in cash. The transactions have been completed on 24 January 2002.
- (f) Each of the Company and E2-Capital has agreed to, amongst other things, provide to the Monetary Authority of Singapore ("MAS") the guarantees, as required under the MAS Investment Adviser Licence and MAS Dealer Licence, pursuant to which each of the Company and E2-Capital undertakes to maintain SBI E2-Capital Pte Limited in a sound position and pay and settle all obligations and liabilities of SBI E2-Capital Pte Limited arising during the subsistence of the guarantees. The Company and E2-Capital have agreed between themselves that their respective responsibilities for the obligations and liabilities of SBI E2-Capital Pte Limited should be determined by reference to their respective shareholdings in SBI E2-Capital Limited. Accordingly, the Company has agreed to indemnify E2-Capital for 51% of any claim under the guarantees given to MAS by E2-Capital and E2-Capital has agreed to indemnify the Company for 49% of any claim under the guarantees given to MAS by the Company.
- (g) Total banking facilities of the Group guaranteed by E2-Capital Group as at 31 December 2001 amounted HK\$219 million (30 June 2001: HK\$266 million).

- (h) For the purpose of the Group's banking facilities with Standard Chartered Bank, a letter of undertaking was issued by E2-Capital Group which undertakes to maintain the minimum networth of no less than HK\$300 million at all times for the accounts of SBI E2-Capital Commodities Limited, SBI E2-Capital Brokerage Limited and SBI E2-Capital Securities Limited, subsidiaries of the Group.
- (i) As discussed in note 13, a loan receivable from a third party of HK\$6.24 million has been assigned to E2-Capital Group in December 2001.

## 22. SUBSEQUENT EVENTS

- (a) On 4 January 2002, the Company entered into an agreement in relation to the acquisition by the Company of 60% interest in Software Gateway Limited (which holds 99% equity interest of Electrum Information Technology Co., Ltd. ("Electrum")) for a total consideration of HK\$18 million. Electrum is a company registered in Guangzhou, the PRC and is primarily engaged in the development of a comprehensive range of customised web-based and software solutions for business and public sectors. The remaining 40% interest in Software Gateway Limited ("Pledged Shares") held by a minority shareholder is pledged to the Company for a duration of three years from 11 January 2002. The Company has been granted a call option to purchase the Pledged Shares from the minority shareholder. On the other hand, the Company has granted to the minority shareholder a put option to sell the Pledged Shares to the Company. These options are exercisable in part or in full over a period of three years from 11 January 2002. After the completion of the transaction, the Company is requested to advance to Software Gateway Limited with an amount of RMB 5 million for working capital purposes.
- (b) The acquisition of ebizal (Holdings) Limited and the disposal of the four wholly owned subsidiaries as referred to in note 21 (e) have been completed on 24 January 2002.

- (c) On 7 January 2002, the Company entered into a placing agreement with First Shanghai Securities Limited ("First Shanghai") in relation to the placing of 40,000,000 new shares of the Company at HK\$0.30 per share, with an over-allotment option granted by the Company to First Shanghai to place up to an additional 20,000,000 new shares of the Company at HK\$0.30 per share. On the same date, the Company entered into a placing and subscription agreement with First Shanghai and Paper Rich Investments Limited ("Paper Rich") (a wholly-owned subsidiary of E2-Capital and beneficially interested in approximately 8.15% of the issued share capital of the Company at the date of the agreement) whereby (i) First Shanghai agreed to place 40,000,000 existing shares of the Company held by Paper Rich; and (ii) Paper Rich agreed to subscribe for 20,000,000 new shares of the Company. The transactions have been completed on 18 January 2002.