



2005 INTERIM REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2005

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CORPORATE INFORMATION

Board of Directors

Executive Directors :

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

Dato' WONG Sin Just DIMP
(Vice Chairman and Chief Executive Officer)

WONG Kean Li

WANG Ruiping

Non-executive Director:

YU Kam Yuen, Lincoln

Independent Non-executive Directors :

LO Wing Yan, William JP

CHAN Kai Yu, Rudy

Raja Datuk Karib Shah BIN SHAHRUDIN
SIMP, PSD, DSAP, SAP

Audit Committee

LO Wing Yan, William JP

CHAN Kai Yu, Rudy

YU Kam Yuen, Lincoln

Raja Datuk Karib Shah BIN SHAHRUDIN
SIMP, PSD, DSAP, SAP

Remuneration Committee

LO Wing Yan, William JP

CHAN Kai Yu, Rudy

YU Kam Yuen, Lincoln

Company Secretary

WONG Kean Li CANTAB MA

Qualified Accountant

CHIU Yu To, Alan CPA

Principal Bankers

The Hongkong and Shanghai
Banking Corporation Limited

Belgian Bank

Mizuho Corporate Bank, Ltd

Solicitors

Simmons & Simmons

Auditors

PricewaterhouseCoopers

Share Registrars

Tengis Limited

Ground Floor

Bank of East Asia Harbour View Centre

56 Gloucester Road, Wanchai

Hong Kong

Registered Office

3rd to 5th Floors

SBI Centre

56 Des Voeux Road Central

Hong Kong

Website

www.softbank.com.hk

Stock Code

648



MANAGEMENT COMMENTARY

On behalf of the board of directors (the "Board") of Softbank Investment International (Strategic) Limited (the "Company"), I hereby announce the unaudited interim results of the Company and its subsidiaries (the "Group"), and its jointly controlled entities for the six months ended 30 June 2005.

CONSOLIDATED FINANCIAL REVIEW

With effect from 1 January 2005, the Company is required to prepare its accounts in accordance with the new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKFRS"). The resulting changes in accounting policies and presentation of various profit and loss and balance sheet items may render certain comparative figures not strictly comparable. Details of such changes and the financial impacts are set out in note 2 to the accounts.

The Company recorded a consolidated turnover of HK\$51,146,000 (of which HK\$12,697,000 attributable to jointly controlled entities) for the six months ended 30 June 2005, compared with 49,392,000, as restated, (of which HK\$244,000 attributable to jointly controlled entities), for the same period in 2004. Following the adoption of new HKFRS, the Group's interests in jointly controlled entities are accounted for by way of proportionate consolidation instead of equity method, and therefore various individual items in the Company's consolidated accounts have been reclassified.

The loss attributable to shareholders for the six months ended 30 June 2005 was HK\$35,340,000. This contrasts with the profit of HK\$19,437,000, as restated, recorded during the same period last year. This loss was mainly attributable to impairment losses of assets of HK\$11,827,000 and losses suffered by associated companies of HK\$14,667,000, which comprises an impairment loss of HK\$13,428,000 in respect of goodwill on acquisition of the associated companies. These impairment losses were made after due consideration of the prevailing financial position and circumstances of the subject investees and financial assets. The Company's consolidated results were also affected by the expensing of share-based benefits of approximately HK\$2,558,000 on adoption of the new HKFRS.

Basic loss per share was HK0.82 cents (six months ended 30 June 2004: earnings per share of HK0.49 cents).

BUSINESS REVIEW

While the Group has worked tirelessly to focus its resources on readjusting its objectives and strategies to capitalise on the reviving market environment in the six-month period ended 30 June 2005, it has nonetheless also been confronted with a number of new challenges. In particular, the Group has had to make certain impairment losses ensuing from previous investments.

Nonetheless, the Group shall continue to build upon its existing areas of strength while at the same time forging new frontiers both geographically and in terms of its investment opportunities.

1. *Investment Holding Division*

The Investment Holding Division contributed towards approximately 4% of the Company's consolidated turnover. It recorded a turnover of HK\$1,795,000 (six months ended 30 June 2004: HK\$406,000) and an operating loss of HK\$13,574,000 for the six months ended 30 June 2005 (six months ended 30 June 2004: profit of HK\$18,819,000). The loss was mainly attributed to impairment losses of investment securities of HK\$4,085,000, and a loan receivable of HK\$3,900,000.

The Group has maintained its vision in developing strong and diversified investment and venture capital businesses in greater China and the Asia Pacific region through direct investments, involvement in funds managed by the Company and continual proactive participation in the overall strategic planning and business development of investee companies. Over the course of the period, the Investment Holding Division has primarily been engaged in providing management and consultation services as well as devising strategies for investee companies to suit the reviving regional market environment. The Division has also been actively planning its future investment strategies in the neighbouring Pearl River Delta region and the South East Asian economies.

2. *Financial Services Division*

The performance of the Financial Services Division comprises of the fund management business, which is operated by SIIS Investment Management Limited ("SIM"), and the financial services group under SBI E2-Capital Limited ("SBI E2"). SBI E2 has become a jointly controlled entity of the Company on 1 January 2005 and its results have since been proportionate consolidated. Prior to 1 January 2005, SBI E2 was an associated company of the Company and its results had been equity accounted for in the consolidated accounts. As a result, certain 2004 comparative figures are not comparable. Further details of such change and the financial impact are set out in note 4 to the accounts.

The Financial Services Division contributed approximately 26% of the Company's consolidated turnover. It recorded a turnover of HK\$13,354,000 (six months ended 30 June 2004: HK\$3,160,000) and an operating loss of HK\$4,589,000 (six months ended 30 June 2004: HK\$53,000). The loss was mainly due to the impairment of goodwill of SIM of HK\$3,842,000.

Financial Services Group*HONG KONG/CHINA*

The Hong Kong/China division, SBI E2-Capital China Holdings Limited, recorded a net loss before tax of HK\$3.8 million for the six months ended 30 June 2005 (2004: a net profit before tax of HK\$3.4 million). Although there has been a welcome recovery in equity prices both in Hong Kong and overseas, this has mainly been confined to larger companies. Due to investors' relatively cautious approach to smaller enterprises, this has inadvertently adversely affected the performance of our investment banking division.

Furthermore, the lack of volatility in the Hang Seng index in the first half of 2005 has also led to the decline in securities and derivatives trading activities of our clients.

Notwithstanding these unfavourable factors, the division has completed several share placements during the period, which included China Fire Safety Enterprise Group Holdings Limited and SunCorp Technologies Limited, as well as the pre-IPO fund raising of HK\$100 million for Asian Citrus Holdings Limited, which has since been listed on London's Alternative Investment Market in early August 2005.

We are pleased to report that SBI E2 has been recognized in the financial services sector for the second consecutive year as "The Best Domestic Equity House — Hong Kong 2004 and 2005" by Asiamoney. This is a testimony of the quality of our research products and reception by the market. Our research team has further expanded with two new members to a total of six analysts at 30 June 2005 providing increased coverage on China related stocks and larger companies.

The recent revaluation of the Renminbi in late July 2005 is expected to have a positive impact on the China/Hong Kong markets. We are hopeful that this will encourage further investments in this region with an increase in market activities in the second half of 2005, which may benefit the brokerage business for the later part of this year.

SBI CROSBY Limited ("SBI CROSBY"), a 50/50 joint venture of our 49% owned financial services unit, has successfully obtained licenses from the Hong Kong Securities and Futures Commission in the first quarter of 2005. During the first half of 2005, SBI CROSBY has provided corporate advisory services in relation to pre-IPO fund-raising and IPO sponsorships and has achieved revenue of HK\$8.8 million and recorded a net profit before tax of HK\$1.6 million. The management believes that SBI CROSBY can continue to facilitate the performance of SBI E2's Greater China business with a wider network to originate new mandates in the region.

SINGAPORE/MALAYSIA

SBI E2 has also set its focus on the development of its established SBI E2-Capital brand name in Singapore and Malaysia in view of the growing importance of these regional economies in the Asia Pacific region. We are pleased to report that, on 16 August 2005, SBI E2-Capital Asia Securities Pte. Ltd. ("SECA"), a subsidiary of our financial services joint venture, was granted a Capital Market Services Licence by the Monetary Authority of Singapore to deal in securities and provide corporate finance advisory services. SECA has also been admitted as a clearing member of the Singapore Exchange on 18 August 2005 and has since commenced operations to provide its services to investors in the region. We believe that SECA is well positioned to play an important role in the Singapore/Malaysia financial services sector linking investors in those markets with China/Hong Kong enterprises and vice versa.

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

The Media, Consulting, Marketing and Technology Services Division accounted for approximately 16% of the Company's consolidated turnover. The Division's turnover was HK\$8,259,000 (six months ended 30 June 2004: HK\$8,577,000) and the operating loss was HK\$3,980,000 for the six months ended 30 June 2005 (six months ended 30 June 2004: HK\$2,662,000).

The division mainly comprises the education technology services operated by Sun-Tech International Group Limited ("Sun-Tech") and media business operated by iMediaHouse Asia Limited ("IMHA").

Sun-Tech, a pioneer in education-technology products, has sustained positive sales growth with its award-winning products and expanding sales network in America, Europe, the Middle East and Asia. Local and overseas distributors have been aggressively attending exhibitions and conferences. Multiple-award winner XCLASS Classroom Management Software received the "2005 AEP (The Association of Educational Publishers) Distinguished Achievement Award" in the US. The XPRESS Audience Response System was also awarded the "Awards Portfolio Winner" by the Media & Methods magazine. Looking forward, Sun-Tech will continue investing on the expansion of overseas market, and the R & D of advanced products which tailor the needs of both the education and corporate markets.

IMHA currently owns and operates Focus Media Hong Kong ("FMHK") and Focus Media Singapore ("FMSG"). Founded by IMHA in 2004, FMHK is the city's television network that targets business executives in a totally captive environment. The network is delivered on more than 550 LCD TV screens located at the elevator waiting areas of over 220 high-end business & commercial buildings in the prime business districts of Hong Kong. NASDAQ-listed Focus Media China Holdings ("FMCN") owns a minority stake in the Hong Kong network.

FMHK has grown from strength to strength during the first half of 2005, aggregating and providing world-class content to, and sourcing advertising and sponsorship opportunities for its landlord partners - over 220 high-end business and commercial buildings owned and managed by over 90% of the leading real estate developers.

In February 2005, IMHA launched FMSG and has signed up over 50 high-end business and commercial buildings in prime business districts of Singapore. IMHA is currently finalizing plans with strategic investors to raise new funding to expand the Hong Kong and Singapore networks as well as to export this highly successful business model to Japan, scheduled for the first quarter of 2006.

Exclusively through FMHK and FMSG, advertisers targeting mainland China's business executives will also have access to FMCN's extensive network currently available at over 20,000 venues across 52 Cities in the nation. FMCN, FMHK's minority shareholder and joint venture partner, attained its public listing on NASDAQ on 13 July 2005 and became the largest NASDAQ listing of a Chinese company as well as the first media advertising company from China to be listed on NASDAQ.

4. *Garment Manufacturing Division*

The Garment Manufacturing Division accounted for approximately 48% of the Company's consolidated turnover. The turnover has decreased by 25% to HK\$24,684,000 comparing to that of last corresponding period, which was mainly caused by the decline in the sales of dyeing business. Despite the decrease in turnover, the division still recorded an operating profit of HK\$379,000 for the six months ended 30 June 2005 (six months ended 30 June 2004: HK\$923,000).

5. *Property Holding Division and Others*

The Property Holding Division and others accounted for approximately 6% of the Company's consolidated turnover. The division's turnover amounted to HK\$3,054,000 (six months ended 30 June 2004: HK\$4,277,000) and an operating profit of HK\$807,000 (six months ended 30 June 2004: HK\$2,896,000) was recorded for the six months ended 30 June 2005, in which HK\$1,210,000 was attributed to the gain arising from the revaluation of investment properties.

PROSPECTS

Whereas all the general economic indicators suggest that Hong Kong's economy is firmly on the rebound, the Group itself has nonetheless been confronted with a number of new challenges; in particular, the Group has had to make provisions for certain impairments ensuing from previous investments.

Nevertheless, the Group sees this as a good opportunity to continue to recoup and readjust our objectives and strategies to best suit the revived local and regional market environment. In this connection, the Group will strive to build upon its existing areas of strength while at the same time forging new frontiers both geographically and in terms of its investment strategy.

The Group will continue to maintain its vision in developing strong and diversified investment businesses in the greater China and the Asia Pacific region through direct investments as well as continuing to participate proactively in the overall strategic planning and business development of investee companies. While continuing to provide management and consultation services to as well as devising strategies for existing investee companies to suit the reviving regional market environment, the Group will also be actively planning its future investment strategies in the neighbouring Pearl River Delta region and the South East Asian economies, including both Macau and Malaysia, where it will both cooperate with existing investee companies to expand their markets as well as provide venture capital and expertise to more established startup businesses.

While the Group will continue to maintain a prudent approach towards its entire operations, adopting stringent and rational measures to continue reducing costs, streamlining processes and enhancing efficiency, we believe the readjustment of our investment strategy will both strengthen the Groups asset base and create new profitable business opportunities.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2005, the Company's consolidated bank and cash balances totalled HK\$82,848,000 (31 December 2004: HK\$66,670,000). Of the consolidated bank and cash balances, HK\$33,573,000 was attributable to the jointly controlled entities (31 December 2004: HK\$5,546,000).

On 28 August 2002, the Company, through its wholly-owned subsidiary (SIIS Treasury Limited), issued 5% guaranteed convertible notes due 2005 (the "2005 Notes") with principal amounts of HK\$156,400,000. There was no conversion during the six months ended 30 June 2005. On 25 August 2005, the Group entered into a supplemental agreement with the noteholder whereby the maturity date of the outstanding 2005 Notes has been extended from 29 August 2005 to 28 August 2008. Save as the extension of the maturity date, all other terms and conditions are remain unchanged. Details of which are set out in the Company's announcement dated 25 August 2005.

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. During the six months ended 30 June 2005, a HK\$2,300,000 principal amount of the 2006 Notes was converted into 23,000,000 ordinary shares of the Company.

As at 30 June 2005, the outstanding principal amounts of the 2005 Notes and the 2006 Notes were HK\$5,000,000 (31 December 2004: HK\$5,000,000) and HK\$15,000,000 (31 December 2004: HK\$17,300,000) respectively.

As at 30 June 2005, the Company's total outstanding consolidated borrowings (excluding the above mentioned convertible notes) amounted to HK\$77,870,000 (31 December 2004: HK\$83,335,000). The total borrowings will be repayable, as to approximately HK\$3,774,000 within one year and the remainder of approximately HK\$74,096,000 between two to five years. Included in the total borrowings are amounts denominated in Japanese yen and Renminbi which were equivalent to HK\$74,096,000 and HK\$3,774,000 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\$5,465,000 exchange gain on translation for the six months ended 30 June 2005 (six months ended 30 June 2004: HK\$841,000).

As at 30 June 2005, the consolidated equity totalled HK\$261,109,000, and the gearing ratio was 30% (31 December 2004: 31%), calculated by dividing the total borrowings, excluding convertible notes, of HK\$77,870,000 (31 December 2004: HK\$83,335,000) by the consolidated equity of HK\$261,109,000 (31 December 2004: HK\$268,041,000).

CHARGES ON GROUP ASSETS

As at 30 June 2005, the Group's banking facilities were secured by properties of the Group with net book value of HK\$5,320,000 (31 December 2004: HK\$5,378,000). The pledged bank deposits shown in the consolidated balance sheet represent the Group's proportionate share of the deposits pledged by its jointly controlled entities for banking facilities.

CONTINGENT LIABILITIES

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2005, the total number of employees of the Group was approximately 750 (excluding employees of jointly controlled entities). The employees are offered discretionary bonuses based on merit and performance. The Group also encourages and subsidises employees to enrol in external training courses and seminars organised by professional bodies. Employees of the Group are eligible to be granted share options under the Company's share option scheme at the discretion of the Board. The Group also provides other benefits to the employees including retirement benefits and medical scheme.

SHARE OPTION SCHEME

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

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

Grantee	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options			At 30 June 2005
				At 1 January 2005	Granted during the period	Exercised during the period	
Directors							
Yu Kam Kee, Lawrence	21-02-2002	21-02-2002 to 20-02-2012	0.28	24,402,000	—	—	24,402,000
	03-11-2003	03-11-2003 to 02-11-2013	0.10	35,000,000	—	—	35,000,000
	24-05-2004	24-05-2004 to 23-05-2014	0.10	1,632,000	—	—	1,632,000
Wong Sin Just	21-02-2002	21-02-2002 to 20-02-2012	0.28	24,402,000	—	—	24,402,000
	03-11-2003	03-11-2003 to 02-11-2013	0.10	35,000,000	—	—	35,000,000
	24-05-2004	24-05-2004 to 23-05-2014	0.10	1,632,000	—	—	1,632,000
Wong Kean Li	21-02-2002	21-02-2002 to 20-02-2012	0.28	6,000,000	—	—	6,000,000
	03-11-2003	03-11-2003 to 02-11-2013	0.10	35,000,000	—	—	35,000,000
	24-05-2004	24-05-2004 to 23-05-2014	0.10	1,632,000	—	—	1,632,000
Wang Ruiqing	21-02-2002	21-02-2002 to 20-02-2012	0.28	15,000,000	—	—	15,000,000
	03-11-2003	03-11-2003 to 02-11-2013	0.10	35,000,000	—	—	35,000,000
	24-05-2004	24-05-2004 to 23-05-2014	0.10	1,632,000	—	—	1,632,000
Yu Kam Yuen, Lincoln	03-11-2003	03-11-2003 to 02-11-2013	0.10	20,000,000	—	—	20,000,000
	24-05-2004	24-05-2004 to 23-05-2014	0.10	15,000,000	—	—	15,000,000
Lo Wing Yan, William	03-11-2003	03-11-2003 to 02-11-2013	0.10	3,632,000	—	—	3,632,000
Chan Kai Yu, Rudy	03-11-2003	03-11-2003 to 02-11-2013	0.10	3,632,000	—	—	3,632,000

Grantee	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options			At 30 June 2005
				At 1 January 2005	Granted during the period	Exercised during the period	
Employees	21-02-2002	21-02-2002 to 20-02-2012	0.28	11,800,000	—	—	11,800,000
	03-11-2003	03-11-2003 to 02-11-2013	0.10	25,248,000	—	(500,000) ³	24,748,000
	24-05-2004	24-05-2004 to 23-05-2014	0.10	72,800,000	—	—	72,800,000
	29-03-2005	29-03-2005 to 28-03-2015	0.10	—	10,000,000 ²	—	10,000,000
Consultants	21-02-2002	21-02-2002 to 20-02-2012	0.28	2,000,000	—	—	2,000,000
	03-11-2003	03-11-2003 to 02-11-2013	0.10	28,750,000	—	(1,000,000) ³	27,750,000
	26-01-2004	26-01-2004 to 25-01-2014	0.12	5,000,000	—	—	5,000,000
	24-05-2004	24-05-2004 to 23-05-2014	0.10	240,000,000	—	—	240,000,000
	29-03-2005	29-03-2005 to 28-03-2015	0.10	—	14,000,000 ²	—	14,000,000

Notes:

- (1) No share option was cancelled and lapsed during the period under review.
- (2) At the date immediately before these options were granted, the closing price per share was HK\$0.083.
- (3) The weighted average closing price of the shares immediately before the respective exercise date of the options was HK\$0.082.
- (4) Options granted to Directors are immediately vested on the date of grant or on a later date in which the grantee became a Director of the Company (as the case may be).

- (5) Options granted to employees are vested as follows:

Date of grant	Vesting date	No. of share options vested
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	5,223,000
	03-11-2004	6,675,000
	03-11-2005	13,350,000
24-05-2004	24-05-2004	18,200,000
	26-01-2005	17,450,000
	24-05-2005	750,000
	26-01-2006	34,900,000
	24-05-2006	1,500,000
29-03-2005	29-03-2005	2,500,000
	29-03-2006	2,500,000
	29-03-2007	5,000,000

- (6) Options granted to consultants are vested as follows :

Date of grant	Vesting date	No. of share options vested
21-02-2002	03-08-2002	2,000,000
03-11-2003	03-11-2003	6,250,000
	03-11-2004	7,500,000
	03-11-2005	15,000,000
26-01-2004	26-01-2004	5,000,000
24-05-2004	24-05-2004	210,000,000
	26-03-2005	10,000,000
	26-03-2006	20,000,000
29-03-2005	29-03-2005	11,000,000
	29-03-2006	1,000,000
	29-03-2007	2,000,000

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

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

Grantee	Date of grant	Expected life	Risk-free rate	Expected volatility	Expected dividend yield	Estimated fair value per option HK\$
Employees	29-03-2005	5 years	4.01%	66.96%	0%	0.0448
Consultants	29-03-2005	5 years	4.01%	66.96%	0%	0.0448

- The expected life is measured from the date of grant (the "Measurement Date").
- 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.
- The expected volatility used in the calculation is based on the standard deviation of the returns of the daily closing prices of the Company's shares for the last twelve months from the Measurement Date.
- 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\$1,075,200, calculated as follows:

Grantee	Date of grant	Number of share options granted during the period	Estimated fair value of options granted during the period HK\$
Employees	29-03-2005	10,000,000	448,000
Consultants	29-03-2005	14,000,000	627,200
		Total	<u>1,075,200</u>

In assessing the aggregate estimated fair value of the share options, no adjustment has been made for possible future forfeiture of the options. In prior years, 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 2005, 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 pursuant to the Model Code for Securities Transactions by Directors of Listing Companies:-

(A) *Interests in the Company*

(1) **Shares**

Name of Director	Number of ordinary shares of HK\$0.10 each			Approximate percentage of issued shares
	Personal interest	Corporate interest	Total	
Yu Kam Kee, Lawrence	162,918,026	4,882,965*	167,800,991	3.89%
Yu Kam Yuen, Lincoln	12,083,885	—	12,083,885	0.28%
Wong Sin Just	3,002,000	—	3,002,000	0.07%
Wang Ruiping	1,000,000	—	1,000,000	0.02%

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

(2) **Share options**

Details of the share options granted to the Directors by the Company and outstanding as at 30 June 2005 are set out under the section "Share Option Scheme" above.

(B) Interests in the shares in associated corporations

Name of associated corporation	Name of Director	Number of ordinary shares		Approximate percentage of issued shares
		Personal interest	Corporate interest	
Draco Investments Limited <i>(Note 1)</i>	Yu Kam Kee, Lawrence	—	38	38%
Eastern Capital Inc. <i>(Note 2)</i>	Yu Kam Kee, Lawrence	—	13,332	33.33%
SBI E2-Capital Limited <i>(Note 3)</i>	Wong Sin Just	6	—	2%

Notes:

- (1) Mr Yu Kam Kee, Lawrence holds 100% equity interest in Brightplus Group Limited which in turn holds 38 shares of US\$1.00 each in the capital of Draco Investments Limited (representing 38% of its issued shares), a company incorporated in the British Virgin Islands in which the Company has a 25.5% indirect interest.
- (2) Mr Yu Kam Kee, Lawrence holds 100% equity interest in Brightplus Group Limited which in turn holds 13,332 shares of US\$1.00 each in the capital of Eastern Capital Inc. (representing 33.33% of its issued shares), a company incorporated in the British Virgin Islands in which the Company has a 50.0038% indirect interest.
- (3) Dato' Wong Sin Just holds 6 shares of HK\$1.00 each in the capital of SBI E2-Capital Limited (representing 2% of its issued shares), a company incorporated in the Cayman Islands in which the Company has a 49% indirect interest.

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



SUBSTANTIAL SHAREHOLDER

As at 30 June 2005, the following person had an interest in the shares and underlying shares of the Company as recorded in the register kept under section 336 of the SFO being 5% or more of the issued shares of the Company:

Name of substantial shareholder	Interest in shares	Interest in shares underlying equity derivatives	Approximate percentage of issued shares
E2-Capital (Holdings) Limited (Note 1)	184,500,000	185,454,545 (Note 2)	8.58%

Notes :

- (1) Dato' Wong Sin Just, an executive Director of the Company, is also an executive director of E2-Capital (Holdings) Limited.
- (2) This refers to the interest in the underlying shares derived from full conversion of the 5% guaranteed convertible notes in a total principal amount of HK\$19 million issued by SIIS Treasury Limited, a wholly-owned subsidiary of the Company.

As the conversion price of certain convertible notes has been adjusted from HK\$0.12 per share to HK\$0.11 per share with effect from 28 August 2004, the number of underlying shares involved was adjusted accordingly.

Save as disclosed above, no person (other than the 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 2005, 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 "Code") as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2005, except for the following deviations:

Code provision A.4.1

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

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

Code provision A.4.2

Under code provision A.4.2 of the Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The rotation of Directors at the annual general meeting of the Company held on 11 May 2005 was in accordance with the previous articles of association of the Company which stipulate that (i) one-third of the Directors for the time being, or if their number is not a multiple of three, then the number nearest to but not exceeding one-third, shall retire from office; and (ii) the Director holding the office of Chairman shall not be subject to retirement by rotation. This constitutes a deviation from the code provision. To fully comply with the code provision, relevant amendments to the articles of association of the Company were proposed and approved by the shareholders at the same annual general meeting of the Company whereby every Director (including the Chairman) shall be subject to retirement by rotation once for every three years in future.

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 2005. At the request of the Audit Committee, the Group's external auditors have carried out a review of the unaudited interim accounts in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Institute of Certified Public Accountants.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the directors. Having made specific enquiry of all Directors, each of them has confirmed that they have complied with the required standard as set out in the Model Code for the six months ended 30 June 2005.

By Order of the Board

Dato' Wong Sin Just DIMP

Vice Chairman & Chief Executive Officer

Hong Kong, 31 August 2005

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		(Unaudited)	
		Six months ended 30 June	
	Note	2005 HK\$'000	2004 (Restated) HK\$'000
TURNOVER	4	51,146	49,392
COST OF SALES		(28,794)	(35,388)
GROSS PROFIT		22,352	14,004
OTHER REVENUES		1,601	1,281
DISTRIBUTION COSTS		(30)	(2)
ADMINISTRATIVE EXPENSES		(41,942)	(29,131)
OTHER OPERATING INCOME		9,908	13
GAIN ON DISPOSAL OF A SUBSIDIARY		—	10,195
DEEMED GAIN ON DISPOSAL OF A SUBSIDIARY		—	12,604
IMPAIRMENT LOSSES OF ASSETS	6	(11,827)	—
GOODWILL AMORTISATION		—	(979)
WRITE BACK OF PROVISION FOR IMPAIRMENT OF NON-TRADING SECURITIES		—	11,189
GAIN ON REVALUATION OF INVESTMENT PROPERTIES		1,210	1,410
OPERATING (LOSS)/PROFIT		(18,728)	20,584
FINANCE COSTS		(1,784)	(1,920)
SHARE OF RESULTS OF ASSOCIATED COMPANIES	10	(14,667)	1,019
(LOSS)/PROFIT BEFORE TAXATION	5	(35,179)	19,683
TAXATION	7	(294)	(309)
(LOSS)/PROFIT FOR THE PERIOD		(35,473)	19,374
ATTRIBUTABLE TO:			
SHAREHOLDERS OF THE COMPANY		(35,340)	19,437
MINORITY INTERESTS		(133)	(63)
		(35,473)	19,374
		HK cents	HK cents
(LOSS)/EARNINGS PER SHARE			
Basic	9	(0.82)	0.49
Diluted	9	—	0.45



CONDENSED CONSOLIDATED BALANCE SHEET

		(Unaudited)	
		30 June 2005	31 December 2004 (Restated)
		HK\$'000	HK\$'000
	Note		
GOODWILL		14,415	23,083
PROPERTY, PLANT AND EQUIPMENT		56,647	56,872
INVESTMENT PROPERTIES		37,950	37,880
LEASEHOLD LAND AND LAND USE RIGHTS		11,211	11,376
OTHER ASSETS		2,617	—
INTERESTS IN ASSOCIATED COMPANIES	10	11,272	73,201
NON-TRADING SECURITIES		—	115,425
INVESTMENT SECURITIES — AVAILABLE-FOR-SALE		122,030	—
CURRENT ASSETS			
INVENTORIES		6,904	5,920
TRADE RECEIVABLE	11	27,838	13,009
OTHER RECEIVABLE, PREPAYMENTS AND DEPOSITS		35,363	22,982
INVESTMENT SECURITIES — AVAILABLE-FOR-SALE		2,378	—
DERIVATIVE FINANCIAL INSTRUMENTS		111	—
OTHER ASSETS		2,015	—
PLEDGED BANK DEPOSITS		490	—
CASH AND BANK BALANCES		82,848	66,670
		<u>157,947</u>	<u>108,581</u>
CURRENT LIABILITIES			
TRADE PAYABLE	12(a)	20,839	6,080
OTHER PAYABLES AND DEPOSITS RECEIVED	12(b)	34,558	46,213
5% GUARANTEED CONVERTIBLE NOTES	16	14,222	—
TAX PAYABLE		854	449
SECURED BANK LOANS		3,774	3,774
		<u>74,247</u>	<u>56,516</u>
NET CURRENT ASSETS		<u>83,700</u>	<u>52,065</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>339,842</u>	<u>369,902</u>
FINANCED BY:			
SHARE CAPITAL	14	431,138	425,383
RESERVES	15	(207,563)	(186,484)
TOTAL SHAREHOLDERS' EQUITY		<u>223,575</u>	<u>238,899</u>
MINORITY INTERESTS		37,534	29,142
TOTAL EQUITY		<u>261,109</u>	<u>268,041</u>
5% GUARANTEED CONVERTIBLE NOTES	16	4,609	22,300
LONG TERM LIABILITIES	13	74,096	79,561
DEFERRED TAXATION		28	—
		<u>339,842</u>	<u>369,902</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	(Unaudited)	
	Six months ended 30 June	
	2005	2004
	<i>HK\$'000</i>	(Restated) <i>HK\$'000</i>
Net cash used in operating activities	(7,796)	(31,889)
Net cash generated from/(used in) investing activities	1,327	(29,825)
Net cash generated from financing activities	119	65,965
Increase in cash and cash equivalents upon proportionate consolidation of SBI E2-Capital Limited ("SBI E2") on 1 January 2005	<u>22,528</u>	<u>—</u>
Net increase in cash and cash equivalents	16,178	4,251
Cash and cash equivalents at 1 January	<u>66,670</u>	<u>39,171</u>
Cash and cash equivalents at 30 June	<u><u>82,848</u></u>	<u><u>43,422</u></u>
Analysis of cash and cash equivalents:		
Cash and bank balances as shown in the consolidated balance sheet	<u><u>82,848</u></u>	<u><u>43,422</u></u>



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Unaudited)

	Attributable to shareholders of the Company									
	Share capital	Share premium	Capital redemption reserve	Investment revaluation reserve	Exchange translation reserve	Share option reserve	Accumulated losses	Total shareholders' equity	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2004										
-as previously reported as equity	363,289	645,618	1,899	(4,346)	(6,534)	—	(815,886)	184,040	—	184,040
Minority interests previously reported as liabilities	—	—	—	—	—	—	—	—	29,670	29,670
Expensing of share options	—	—	—	—	—	144	(144)	—	—	—
Balance at 1 January 2004-restated	363,289	645,618	1,899	(4,346)	(6,534)	144	(816,030)	184,040	29,670	213,710
Issue of ordinary shares	47,952	3,168	—	—	—	—	—	51,120	—	51,120
Share issue expenses	—	(11)	—	—	—	—	—	(11)	—	(11)
Deficit on revaluation of non-trading securities	—	—	—	(25,203)	—	—	—	(25,203)	—	(25,203)
Investment revaluation reserve transferred to consolidated profit and loss account upon disposal	—	—	—	1,983	—	—	—	1,983	—	1,983
Profit/(loss) for the period-previously reported	—	—	—	—	—	—	20,383	20,383	(63)	20,320
Expensing of share options	—	—	—	—	—	946	(946)	—	—	—
Disposal of subsidiaries	—	—	—	—	—	—	—	—	178	178
Balance at 30 June 2004-restated	411,241	648,775	1,899	(27,566)	(6,534)	1,090	(796,593)	232,312	29,785	262,097

(Unaudited)

	Attributable to shareholders of the Company										
	Share capital	Share premium	Capital redemption reserve	Investment revaluation reserve	Exchange translation reserve	Share option reserve	Convertible note-equity component	Accumulated losses	Total shareholders' equity	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2005											
-as previously reported as equity	425,383	646,991	1,899	(23,083)	(6,534)	—	—	(805,764)	238,892	—	238,892
Minority interests previously reported as liabilities	—	—	—	—	—	—	—	—	—	29,142	29,142
Expensing of share options	—	—	—	—	—	3,973	—	(3,973)	—	—	—
Effect of initial adoption of HKAS 31	—	—	—	—	7	—	—	—	7	—	7
Balance at 1 January 2005 -restated	425,383	646,991	1,899	(23,083)	(6,527)	3,973	—	(809,737)	238,899	29,142	268,041
Effect of initial adoption of HKAS 39	—	—	—	(483)	—	—	1,169	—	686	—	686
Proportionate consolidation of SBI E2	—	—	—	—	—	—	—	—	—	9,573	9,573
Issue of ordinary shares	5,755	—	—	—	—	—	—	—	5,755	—	5,755
Share issue expenses	—	(31)	—	—	—	—	—	—	(31)	—	(31)
Fair value gains(net) - available-for-sale securities	—	—	—	6,865	—	—	—	—	6,865	—	6,865
Investment revaluation reserve transferred to consolidated profit and loss account upon impairment	—	—	—	4,085	—	—	—	—	4,085	—	4,085
Investment revaluation reserve transferred to consolidated profit and loss account upon disposal	—	—	—	101	—	—	—	—	101	—	101
Profit/(loss) for the period	—	—	—	—	—	—	—	(35,340)	(35,340)	(133)	(35,473)
Expensing of share options	—	—	—	—	—	2,558	—	—	2,558	—	2,558
Dividend paid	—	—	—	—	—	—	—	—	—	(1,048)	(1,048)
Currency translation difference	—	—	—	—	(3)	—	—	—	(3)	—	(3)
Balance at 30 June 2005	431,138	646,960	1,899	(12,515)	(6,530)	6,531	1,169	(845,077)	223,575	37,534	261,109

NOTES TO THE CONDENSED INTERIM ACCOUNTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

This condensed consolidated financial information should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following its adoption of new / revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“HKFRS”) which are effective for accounting periods commencing on or after 1 January 2005.

This interim financial information has been prepared in accordance with those HKFRS standards and interpretations issued and effective as at the time of preparing this information. The HKFRS standards and interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The changes to the Group’s accounting policies and the effect of adopting these new policies are set out in note 2 below.

2. CHANGES IN ACCOUNTING POLICIES

Effect of adopting new HKFRS

In 2005, the Group adopted the new / revised standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Investments in Joint Ventures
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property
HKAS-Int 12	Scope of HKAS-Int 12 Consolidation — Special Purpose Entities
HKAS-Int 15	Operating Leases — Incentives
HKAS-Int 21	Income Taxes — Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations

The adoption of new / revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 33 and HKAS-Ints 12 and 15 did not result in substantial changes to the Group's accounting policies. In summary:

- HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.
- HKASs 2, 7, 8, 10, 16, 23, 27, 28, 33 and HKAS-Ints 12 and 15 had no material effect on the Group's accounting policies.
- HKAS 21 had no material effect on the Group's accounting policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as the presentation currency for respective entity financial statements.
- HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the profit and loss account on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the profit and loss account. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

The Group adopted the proportionate consolidation under HKAS 31 to account for its interests in jointly controlled entities. In prior years, the Group's interests in jointly controlled entities were accounted for by the equity method. The adoption of the proportionate consolidation approach under HKAS 31 represents a change in accounting policy.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets. It has also resulted in the recognition of derivative financial instruments at fair value.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values of investment properties are recorded in the profit and loss account as part of other income. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the profit and loss account. Any subsequent increases are credited to profit and loss account up to the amount previously debited.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

The adoption of HKFRS 2 has resulted in a change in the accounting policy for share-based payment. Until 31 December 2004, the provision of share options to employees did not result in an expense in the profit and loss account. Effective on 1 January 2005, the Group expenses the fair value of share options in the profit and loss account. As a transitional provision, the fair value of share options granted after 7 November 2002 and had not yet vested on 1 January 2005 was expensed retrospectively in the profit and loss account of the respective periods.

The adoption of HKFRS 3, HKAS 36 and HKAS 38 results in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was:

- Amortised on a straight line basis over its estimated useful life of not more than 20 years; and
- Assessed for an indication of impairment at each balance sheet date.

In accordance with the provisions of HKFRS 3:

- The Group ceased amortisation of goodwill from 1 January 2005;
- Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill; and
- From the year ending 31 December 2005 onwards, goodwill is tested annually for impairment as well as when there is indication of impairment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

- HKAS 16 — the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions;
- HKAS 21 — prospective accounting for goodwill and fair value adjustments as part of foreign operations;
- HKAS 39 — does not permit to recognise, derecognise and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 “Accounting for investments in securities” to investments in securities for the 2004 comparative information. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognised at 1 January 2005. These accounting changes are summarised as follows:

From 1 January 2004 to 31 December 2004:

The Group classified its investments in securities, other than subsidiaries, associates and jointly controlled entities, as non-trading securities and trading securities.

Non-trading securities

Investments which were held for non-trading purpose were stated at fair value at the balance sheet date. Changes in the fair value of individual securities were credited or debited to the investment revaluation reserve until the security was sold, or was determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, was dealt with in the profit and loss account.

Where there was objective evidence that individual investments were impaired the cumulative loss recorded in the revaluation reserve was taken to the profit and loss account.

Trading securities

Trading securities were carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of trading securities were recognised in the profit and loss account. Profits or losses on disposal of trading securities, representing the difference between the net sales proceeds and the carrying amounts, were recognised in the profit and loss account as they arised.

From 1 January 2005 onwards:

The Group classifies its investment securities in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months of the balance sheet date.

Financial assets so designated are recognised initially at fair value plus any directly attributable transaction costs, and are subsequently remeasured at fair value. Gains and losses from changes in fair value of such assets are recognised in the profit and loss account as they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non-current assets. Loans and receivable are included in other receivables in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest rate method, less any impairment losses.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recorded at fair value plus any directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest rate method, less any impairment losses.

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the balance sheet date. Available-for-sale investments are initially measured at cost (which include transaction costs). After initial recognition, the available-for-sale investments are subsequently re-measured at fair value. The fair value is determined by reference to the methods below (listed in order of preference):

- the published quoted price when the financial instrument is quoted in an active market.
- the price used in recent transactions of similar financial instruments with adjustment when the market conditions have changed.
- valuation techniques, including cash flow models.
- if fair value cannot be measured reliably, equity and security investments are recognised at cost less impairment.

Gains and losses arising from changes in the fair value of available-for-sale investments are recognised as they arise in equity as revaluation reserves. When the securities are disposed of or impaired, the related accumulated fair value adjustments are included in the profit and loss account as gains and losses arising from investment securities.

Purchases and sales of investments are recognised on trade-date — the date on which the Group commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Interest earned while holding investment securities is reported as interest income. Dividends received or receivable are included separately in dividend income.

The fair values of quoted investments are based on current bid prices. If the bid prices are not available, the fair value will be based on the closing prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the profit and loss account — is removed from equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for a similar non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

In summary:

- HKAS 40 — since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information, any adjustment should be made to the retained earnings as at 1 January 2005.
 - HKAS-Int 15 — does not require the recognition of incentives for leases beginning before 1 January 2005.
 - HKFRS 2 — only retrospective application for all equity instruments granted after 7 November 2002 and not vested at 1 January 2005; and
 - HKFRS 3 — prospectively after the adoption date.
- (i) The adoption of revised HKAS 17 resulted in:

	As at	
	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Decrease in property, plant and equipment	(11,211)	(11,376)
Increase in leasehold land and land use rights	11,211	11,376

- (ii) The adoption of HKAS 31 resulted in:

	As at	
	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Decrease in interests in jointly controlled entities	(34,057)	(40,870)
(Decrease)/increase in other non-current assets	(13,562)	21,367
Increase in current assets	77,855	16,024
(Increase)/decrease in current liabilities	(21,213)	3,486
Increase in deferred tax	(28)	—
Increase in minority interests	(8,998)	—
Decrease/(increase) in reserves	3	(7)

	For the year ended 31 December 2004 <i>HK\$'000</i>	For the six months ended	
		30 June 2005 <i>HK\$'000</i>	30 June 2004 <i>HK\$'000</i>
Decrease in share of losses of jointly controlled entities	7,091	2,283	2,863
Increase in income	3,092	13,784	247
Increase in expenses	(10,183)	(16,067)	(3,110)

(iii) The adoption of HKFRS 2 resulted in:

	As at	
	30 June 2005 <i>HK\$'000</i>	31 December 2004 <i>HK\$'000</i>
Increase in reserves	6,531	3,973
Increase in accumulated losses	(6,531)	(3,973)

	For the year ended 31 December 2004 <i>HK\$'000</i>	For the six months ended	
		30 June 2005 <i>HK\$'000</i>	30 June 2004 <i>HK\$'000</i>
Increase in administrative expenses	3,829	2,558	946
Increase in basic loss per share (HK cents)	—	0.06	—
Decrease in basic earnings per share (HK cents)	0.09	—	0.02
Decrease in diluted earnings per share (HK cents)	0.09	—	0.02

- (iv) The adoption of HKAS 39 resulted in an increase in opening reserves at 1 January 2005 by HK\$686,000 and the details of the adjustments to the balance sheet at 1 January 2005 are as follows:

	As at
	1 January 2005
	<i>HK\$'000</i>
Increase in investment securities - available-for-sale	114,942
Decrease in non-trading securities	(115,425)
Decrease in long term liabilities - convertible notes (equity component)	1,169
Increase in reserves	(686)

The opening accumulated losses at 1 January 2004 has been increased by HK\$144,000 from the adoption of HKFRS 2. There was no impact on opening accumulated losses at 1 January 2004 from the adoption of HKAS 17, HKAS 31 and HKFRS 3.

3. *CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS*

The preparation of financial information requires the use of estimates and assumptions about future conditions. In this connection, management believes that the areas where management's judgement is necessary are those in relation to expensing of share options (note 14(d)), valuation and impairment of goodwill, loan receivable and investments (note 6) and the potential clawback of performance fee earned (note 17(a)). Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. It should be noted that actual results could differ from those estimates and as such, the consolidated results of the Company are sensitive to the underlying assumptions and estimates.

4. TURNOVER AND SEGMENT INFORMATION

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

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

Primary reporting format-Business segments

For the six months ended 30 June 2005

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

For the six months ended 30 June 2004

	Investment holding	Financial services (note)	Media, consulting, marketing & technology services	Garment manufacturing	Property holding & others	Group total (Restated)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover						
Segment turnover	3,016	3,160	8,852	32,972	4,277	52,277
Inter-segment	(2,610)	—	(275)	—	—	(2,885)
Total	406	3,160	8,577	32,972	4,277	49,392
Segment results						
Segment total	(15,025)	(53)	(2,662)	923	2,896	(13,921)
Loss on disposal of non-trading securities	(144)	—	—	—	—	(144)
Write back of provision for impairment of non-trading securities	11,189	—	—	—	—	11,189
Gain on disposal of subsidiaries	22,799	—	—	—	—	22,799
Segment results	18,819	(53)	(2,662)	923	2,896	19,923
Unallocated income						661
Finance costs						(1,920)
Share of results of associated companies		2,681	(1,662)			1,019
Profit before taxation						19,683
Taxation						(309)
Profit for the period						19,374
Attributable to:						
Shareholders of the Company						19,437
Minority interests						(63)
						19,374

Note:

Financial services segment comprise the fund management business and a 49% interest in the financial services group under SBI E2. SBI E2 has become a jointly controlled entity of the Company on 1 January 2005 and its results have since been proportionate consolidated. Prior to 1 January 2005, SBI E2 was an associated company of the Company and its results had been equity accounted for in the consolidated accounts.

The comparative amounts of the financial services segment represent the results of fund management business, which were included in investment holding segment previously. The proforma results of the financial services segment for the six months ended 30 June 2004, assuming that SBI E2 was proportionate consolidated since 1 January 2004, are as follows:

	Financial services
	<i>HK\$'000</i>
Turnover	
Segment turnover	15,297
Inter-segment	—
	<hr/>
Total	15,297
	<hr/> <hr/>
Segment results	2,628
	<hr/> <hr/>

5. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is stated after crediting and charging the following:

	Six months ended 30 June	
	2005 <i>HK\$'000</i>	2004 (Restated) <i>HK\$'000</i>
Crediting:		
Write back of provision for doubtful debts and loans receivable	509	104
Net exchange gain	5,486	898
Gain on disposal of available-for-sale investment securities	277	—
Net realised and unrealised gain on trading investments	795	—
Gain on disposal of investment properties	3	420
Deemed gain on disposal of a subsidiary (<i>note</i>)	—	12,604
Dividend income from listed investments	1,547	—
	<u>1,547</u>	<u>—</u>
Charging:		
Depreciation of owned fixed assets	2,816	2,786
Cost of goods sold	24,343	31,772
Staff costs (including directors' emoluments)		
— Retirement benefit costs	891	857
— Salaries, wages and other benefits	22,467	15,387
	<u>23,358</u>	<u>16,244</u>
Loss on disposal of non-trading securities	—	144
Net realised and unrealised loss on trading investments	—	233
Provision for doubtful debts for other receivable	740	450
Amortisation of goodwill in respect of		
— the acquisition of subsidiaries	—	102
— the acquisition of an associated company	—	248
— the subscription of shares in a jointly controlled entity	—	877
	<u>—</u>	<u>877</u>

Note:

In March 2004, the Group entered into a share subscription agreement whereby the Group agreed to subscribe for a 50% interest in iMediaHouse Asia Limited ("IMHA") at a total consideration of US\$6 million (equivalent to approximately HK\$46,800,000). Following the completion of the subscription, IMHA has become the media investment arm of the Group and the Group reported its investment in IMHA in its consolidated accounts as interests in a jointly controlled entity by using the equity method. Also in June 2004, the Group entered into a share sale and purchase agreement whereby IMHA agreed to acquire the entire 100% issued share capital of Ebizal Marketing (Holdings) Limited ("EMHL"), an indirect wholly-owned subsidiary of the Company, at a cash consideration of US\$3 million (equivalent to approximately HK\$23,400,000). The disposal to IMHA was completed on 30 June 2004 and a deemed gain on disposal of a subsidiary of approximately HK\$12,604,000 (representing the portion of the gain attributable to the interest of the other venturer) was recognised by the Group in the consolidated profit and loss account for the six months ended 30 June 2004.

6. IMPAIRMENT LOSSES OF ASSETS

	Six months ended 30 June	
	2005 HK\$'000	2004 HK\$'000
In respect of:		
Loans receivable	3,900	—
Goodwill	3,842	—
Available-for-sale investment securities	4,085	—
	<u>11,827</u>	<u>—</u>

7. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (six months ended 30 June 2004: 17.5%) on the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Six months ended 30 June	
	2005 HK\$'000	2004 (Restated) HK\$'000
Company and subsidiaries:		
Hong Kong profits tax	214	140
PRC taxation	102	169
	<u>316</u>	<u>309</u>
Taxation attributable to:		
Jointly controlled entities	<u>(22)</u>	<u>—</u>
	<u>294</u>	<u>309</u>

8. DIVIDEND

The Directors have resolved not to pay any interim dividend in respect of the six months ended 30 June 2005 (six months ended 30 June 2004: nil).

9. (LOSS)/EARNINGS PER SHARE

Basic loss per share was calculated based on the loss attributable to shareholders of HK\$35,340,000 (six months ended 30 June 2004: net profit of HK\$19,437,000) and the weighted average number of 4,295,682,291 (six months ended 30 June 2004: 3,941,860,130) ordinary shares in issue during the period.

The diluted loss per share for the six months ended 30 June 2005 was not shown as the effect of the assumed conversion of the Group's outstanding convertible notes and the exercise of the share options granted by the Company would be regarded as anti-dilutive. Diluted earnings per share for the six months ended 30 June 2004 was calculated based on the above basic earnings plus the interest expenses on dilutive convertible notes of HK\$606,000, and the above weighted average number of ordinary shares in issue plus the weighted average number of 537,368,632 ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares.

10. INTERESTS IN ASSOCIATED COMPANIES

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Share of net assets	10,447	64,749
Goodwill (<i>note</i>)	—	17,328
Amounts due from associated companies	825	5,142
Amounts due to associated companies	—	(14,018)
	11,272	73,201

HK\$'000

Gross amount

At 1 January 2005	19,533
Adjustment of purchase consideration	(3,900)
	<hr/>
At 30 June 2005	15,633
	<hr/>

Amortisation and impairment charges

At 1 January 2005	2,205
Impairment charges for the period	13,428
	<hr/>
At 30 June 2005	15,633
	<hr/>

Carrying amount

At 30 June 2005	—
	<hr/>
At 31 December 2004	17,328
	<hr/>

Prior to 1 January 2005, SBI E2 was an associated company of the Company and its results had been equity accounted for in the consolidated accounts. On 1 January 2005, SBI E2 has become a jointly controlled entity of the Company and its results have since been proportionate consolidated, which resulted in a decrease in share of net assets and net amounts due to associated company by HK\$49,379,000 and HK\$13,953,000 respectively. As a result, comparative figures are not comparable.

During the period under review, the Group accounted for the losses of the associated companies of HK\$14,667,000, which comprise a goodwill impairment of HK\$13,428,000 (six months ended 30 June 2004: nil) and the operating losses of HK\$1,239,000 (six months ended 30 June 2004: profit of HK\$1,019,000). In August 2005, the Group reviewed and examined the operations of the associated companies and identified that the estimated discounted net future cash flows from the associated companies are less than the carrying amount. Based on the reassessment, the Group is of the view that the premium arising on the acquisition of the associated companies is not recoverable and accordingly an impairment loss of HK\$13,428,000 was recognised in the profit and loss account for six months ended 30 June 2005.

11. TRADE RECEIVABLE

	30 June 2005	31 December 2004 (Restated)
	HK\$'000	HK\$'000
Trade receivable arising from the ordinary course of business of dealing in securities, options and futures contracts (<i>note a</i>)	12,597	—
Trade receivable from securities margin clients (<i>note b</i>)	337	—
Trade receivable arising from garment manufacturing (<i>note c</i>)	11,474	11,183
Trade receivable arising from media, consulting, marketing and technology services (<i>note d</i>)	2,809	1,467
Other trade debtors	621	359
	27,838	13,009

Notes:

- (a) The settlement terms of trade 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 are one day after trade date.
- (b) Trade receivable from securities margin clients are secured by clients' pledged securities, and are payable on demand and bear interest at commercial rates.
- (c) The credit terms of trade receivable arising from garment manufacturing range from 30 days to 180 days.
- (d) The credit terms of trade receivable arising from media, consulting, marketing and technology services range from 30 days to 60 days.
- (e) The aging analysis of the trade receivable balance is as follows:

	30 June 2005	31 December 2004 (Restated)
	HK\$'000	HK\$'000
Within one month	19,540	6,602
Over one month but not exceeding three months	6,217	4,644
Over three months but not exceeding six months	1,261	1,696
Over six months	820	67
	27,838	13,009

12. TRADE PAYABLE

(a) Trade payable

	30 June 2005	31 December 2004 (Restated)
	HK\$'000	HK\$'000
Trade payable arising from the ordinary course of business of dealing in securities, options and futures contracts	13,595	—
Trade payable arising from garment manufacturing and operation of a country club	6,686	4,867
Trade payable arising from media, consulting, marketing and technology services	508	1,163
Other trade creditors	50	50
	20,839	6,080

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

	30 June 2005	31 December 2004 (Restated)
	HK\$'000	HK\$'000
Within one month	18,272	3,717
Over one month but not exceeding three months	1,829	1,635
Over three months but not exceeding six months	278	213
Over six months	460	515
	20,839	6,080

(b) Other payables and deposits received

As at 31 December 2004, the Group had committed subscription of US\$1 million (equivalent to approximately HK\$7,800,000) and US\$1.5 million (equivalent to approximately HK\$11,700,000) in respect of the Group's equity investment in an associated company and a jointly controlled entity respectively. During the period, the Group has determined not to subscribe for the aforesaid interests in the associated company and reduce the subscription amount in the jointly controlled entity to US\$1 million, of which US\$500,000 was paid by issuing of 33,050,847 ordinary shares of the Company at HK\$0.118 each in April 2005, (Note 14(a)) pursuant to the terms and conditions of the agreements. As a result, an amount of HK\$1,840,000 (after adjusting the share attributable to jointly controlled entities under proportionate consolidation) was reversed during the period.

13. LONG TERM LIABILITIES

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Loan from a former intermediate holding company (<i>note a</i>)	10,646	11,431
Loan from a former fellow subsidiary (<i>note b</i>)	63,450	68,130
	74,096	79,561

Notes:

- (a) The balance represents a loan due to a former intermediate holding company of the Company. The loan, denominated in Japanese Yen, is unsecured, interest bearing at 2.375% per annum and subordinated to the convertible notes (*note 16*).
- (b) The balance represents a loan due to a former fellow subsidiary. The loan, denominated in Japanese Yen, is unsecured, interest bearing at 2.375% per annum and subordinated to the convertible notes (*note 16*).

14. SHARE CAPITAL

Authorised:

	Ordinary shares of HK\$0.10 each	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 31 December 2004	6,000,000,000	600,000
Increase during the period	4,000,000,000	400,000
At 30 June 2005	10,000,000,000	1,000,000

Issued and fully paid:

	For the six months ended				For the year ended	
	30 June 2005		30 June 2004		31 December 2004	
	<i>No. of shares</i>	<i>HK\$'000</i>	<i>No. of shares</i>	<i>HK\$'000</i>	<i>No. of shares</i>	<i>HK\$'000</i>
At the beginning of the period	4,253,834,038	425,383	3,632,890,871	363,289	3,632,890,871	363,289
Issue of shares (<i>note a</i>)	33,050,847	3,305	99,152,542	9,915	240,578,501	24,057
Exercise of options (<i>note d</i>)	1,500,000	150	4,198,000	420	4,198,000	420
Issue of shares upon conversion of convertible notes (<i>note b</i>)	23,000,000	2,300	376,166,666	37,617	376,166,666	37,617
At the end of the period	4,311,384,885	431,138	4,112,408,079	411,241	4,253,834,038	425,383

Notes:

- (a) During the six months ended 30 June 2005, the Company issued 33,050,847 ordinary shares (six months ended 30 June 2004: 99,152,542 ordinary shares) at HK\$0.118 each as partial consideration for the Group's equity investment in a jointly controlled entity. As at 30 June 2005, there was no ordinary shares of the Company held by that jointly controlled entity (31 December 2004: 17,867,918 ordinary shares of the Company were held by this jointly controlled entity), and the Group has a subscription payable of US\$500,000 (equivalent to approximately HK\$3,900,000) in respect of the Group's equity investment in this jointly controlled entity. Subject to the terms and conditions of the subscription agreement, the amount will be settled by the Group by issuing ordinary shares of the Company.
- (b) During the six months ended 30 June 2005, the convertible notes due 2006 with principal amounts of HK\$2,300,000 were converted into 23,000,000 ordinary shares at a conversion price of HK\$0.10 per share.
- During the six months ended 30 June 2004, the convertible notes due 2005 with principal amounts of HK\$8,300,000 were converted into 69,166,666 ordinary shares at an adjusted conversion price of HK\$0.12 per share. In addition, the convertible notes due 2006 with principal amounts of HK\$30,700,000 were converted into 307,000,000 ordinary shares at a conversion price of HK\$0.10 per share.
- (c) As at 30 June 2005, 2,300,000 ordinary shares of the Company were held by an associated company (31 December 2004: 10,407,669 ordinary shares).
- (d) The Company operates a share option scheme under which options on the Company's shares are granted. During the period, an aggregate of 24,000,000 share options (six months ended 30 June 2004: 686,156,000 share options, of which 318,078,000 share options were subsequently cancelled during the same period ended 30 June 2004) were granted under the scheme and 1,500,000 share options (six months ended 30 June 2004: 4,198,000 share options) were exercised to subscribe for 1,500,000 ordinary shares (six months ended 30 June 2004: 4,198,000 ordinary shares) of the Company. The total cash proceeds received by the Company was HK\$150,000 (six months ended 30 June 2004: HK\$419,800). These shares rank pari passu with the existing shares. As at 30 June 2005, the number of the share options outstanding was as follows:

Exercise price per share HK\$	Date of grant	Exercisable period	Number of outstanding options	
			30 June 2005	31 December 2004
0.28	21-02-2002	21-02-2002 to 20-02-2012	83,604,000	83,604,000
0.10	03-11-2003	03-11-2003 to 02-11-2013	219,762,000	221,262,000
0.12	26-01-2004	26-01-2004 to 25-01-2014	5,000,000	5,000,000
0.10	24-05-2004	24-05-2004 to 23-05-2014	334,328,000	334,328,000
0.10	29-03-2005	29-03-2005 to 28-03-2015	24,000,000	—
			666,694,000	644,194,000

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

15. RESERVES

	2005 HK\$'000	2004 HK\$'000
Share premium		
At 1 January	646,991	645,618
Issue of ordinary shares	—	3,168
Share issue expenses	(31)	(11)
At 30 June	<u>646,960</u>	<u>648,775</u>
Capital redemption reserve		
At 1 January and 30 June	<u>1,899</u>	<u>1,899</u>
Investment revaluation reserve		
At 1 January	(23,083)	(4,346)
Effect of initial adoption of HKAS 39	(483)	—
Deficit on revaluation of investment securities	—	(25,203)
Fair value gains (net) - available-for-sale securities	6,865	—
Transferred to the consolidated profit and loss account upon impairment	4,085	—
Transferred to the consolidated profit and loss account upon disposal	101	1,983
At 30 June	<u>(12,515)</u>	<u>(27,566)</u>
Exchange translation reserve		
At 1 January (restated)	(6,527)	(6,534)
Currency translation difference	(3)	—
At 30 June	<u>(6,530)</u>	<u>(6,534)</u>
Share option reserve		
At 1 January (restated)	3,973	144
Expensing of share options	2,558	946
At 30 June	<u>6,531</u>	<u>1,090</u>
Convertible notes – equity component		
At 1 January	—	—
Effect of initial adoption of HKAS 39	1,169	—
At 30 June	<u>1,169</u>	<u>—</u>
Accumulated losses		
At 1 January (restated)	(809,737)	(816,030)
(Loss)/profit for the period	(35,340)	19,437
At 30 June	<u>(845,077)</u>	<u>(796,593)</u>
	<u>(207,563)</u>	<u>(178,929)</u>

16. 5% GUARANTEED CONVERTIBLE NOTES

On 28 August 2002, SIIS Treasury Limited, a wholly-owned subsidiary of the Company, issued HK\$156,400,000 5% guaranteed convertible notes due in August 2005 (the "2005 Notes"). The 2005 Notes bear a fixed interest of 5% per annum. The 2005 Notes carry a right to convert at any time from 28 August 2002 to 29 August 2005 (both dates inclusive) into ordinary shares of the Company at an initial conversion price of HK\$0.31 per share which has been adjusted to HK\$0.11 per share on the second anniversary date of 28 August 2004. During the six months ended 30 June 2005, there was no conversion of the 2005 Notes (six months ended 30 June 2004: a principal amount of HK\$8,300,000 of the 2005 Notes were converted into 69,166,666 new ordinary shares of the Company).

On 2 February 2004 and 13 February 2004, SIIS Treasury Limited issued HK\$33,200,000 and HK\$14,800,000 5% guaranteed convertible notes (collectively the "2006 Notes") which are due on 2 February 2006 and 13 February 2006 respectively. The 2006 Notes bear a fixed interest of 5% per annum and carry a right to convert at any time from the date of issue to their respective maturity dates at a conversion price of HK\$0.1 per share. During the six months ended 30 June 2005, a HK\$2,300,000 principal amount of the 2006 Notes were converted into 23,000,000 new ordinary shares of the Company (six months ended 30 June 2004: a principal amount of HK\$30,700,000 of the 2006 Notes were converted into 307,000,000 new ordinary shares of the Company).

As at 30 June 2005, the outstanding principal amounts of the 2005 Notes and the 2006 Notes were HK\$5,000,000 (31 December 2004: HK\$5,000,000) and HK\$15,000,000 (31 December 2004: HK\$17,300,000) respectively. In August 2005, the Group entered into a supplemental agreement with the noteholder of 2005 Notes whereby the maturity date of the outstanding 2005 Notes has been extended from 29 August 2005 to 28 August 2008. Save as the extension of the maturity date, all other terms and conditions are remain unchanged. Details of which are set out in the Company's announcement dated 25 August 2005. Accordingly the Directors consider it is more appropriate to classify the outstanding principal amounts of the 2005 Notes as non-current liabilities in these accounts.

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

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

The convertible notes recognised in the balance sheet is calculated as follows:

	30 June 2005		31 December 2004	
	2006	2005	2006	2005
	Notes	Notes	Notes	Notes
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Face value of convertible notes	15,000	5,000	17,300	5,000
Equity component	(778)	(391)	—	—
Liability component	<u>14,222</u>	<u>4,609</u>	<u>17,300</u>	<u>5,000</u>

17. CONTINGENT LIABILITIES

- (a) The Group had recognised performance fee income of approximately HK\$8,915,000 in the profit and loss account for the year ended 31 December 2004 in respect of its services rendered to a fund. The performance fee income is subject to a clawback provision under which the Group is required to restore the fund for any deficit amount that would have been occurred upon the termination of the fund in August 2007. The Directors considered that the income was earned in recognition of the services performed and measured reliably with reference to the net realised gain on disposal of investments held by the fund, and based on the estimates and circumstances as at the date of this report it is unlikely that the clawback provision will take effect.
- (b) In 2004, E2-Capital (Holdings) Limited ("E2-Capital") has provided a guarantee to a bank for a maximum amount of HK\$143,000,000 in relation to banking facilities granted by the bank to certain subsidiaries of SBI E2, a common jointly controlled entity. The Company has provided a counter indemnity to E2-Capital for a maximum limit of HK\$49,040,000, representing the Group's 34.3% shareholding in these companies. As at 30 June 2005 and 31 December 2004, there was no utilisation of such banking facilities.



18. COMMITMENTS

(a) Capital commitments

The Company and Subsidiaries

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Contracted but not provided for		
- in respect of subscription of unlisted equity securities	—	1,365
	<u>—</u>	<u>1,365</u>
	<u>—</u>	<u>1,365</u>

(b) Operating leases commitments

(i) As a lessee

At 30 June 2005, the Company and its subsidiaries had future aggregate minimum lease payments in respect of land and buildings under non-cancellable operating leases as a lessee as follows:

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Not later than one year	1,729	3,619
Later than one year and not later than five years	474	711
	<u>2,203</u>	<u>4,330</u>
	<u>2,203</u>	<u>4,330</u>

(ii) As a lessor

At 30 June 2005, the Company and its subsidiaries had contracted with tenants for the following future minimum lease receipts, which fall due:

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Not later than one year	1,923	2,079
Later than one year and not later than five years	1,501	2,751
	<u>3,424</u>	<u>4,830</u>
	<u>3,424</u>	<u>4,830</u>

19. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

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

(a) Rental payments to a related party

	Six months ended 30 June	
	2005 HK\$'000	2004 HK\$'000
Rental payments to Fung Choi Properties Limited ("Fung Choi") (<i>note</i>)	<u>833</u>	<u>833</u>

Note:

On 29 August 2002, the Company entered into a tenancy agreement with Fung Choi, whereby the Company agreed to lease from Fung Choi the premise as its headquarter office for a term of three years commencing from 1 January 2003 to 31 December 2005 at a monthly rental of HK\$156,255. During the six months ended 30 June 2005, the rental charged to consolidated profit and loss account amounted to HK\$833,000 (six months ended 30 June 2004 : HK\$833,000). Fung Choi is a company with 60% interest owned indirectly by Mr Yu Kam Kee, Lawrence, an executive Director of the Company.

(b) Convertible notes held by and interest payments to related parties

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Outstanding principal amounts of the convertible notes held by the subsidiaries of E2-Capital (<i>note</i>)		
- the 2005 Notes	5,000	5,000
- the 2006 Notes	<u>14,000</u>	<u>14,000</u>

	Six months ended 30 June	
	2005 HK\$'000	2004 HK\$'000
Interest payments to the subsidiaries of E2-Capital	<u>471</u>	<u>438</u>

Note:

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

(c) Amounts due from/(to) related parties

	30 June 2005 HK\$'000	31 December 2004 HK\$'000
Amount due from:		
- Associated companies	825	5,142
- Jointly controlled entities	<u>3,040</u>	<u>3,594</u>
Amount due to:		
- Associated companies	—	(14,018)
- Jointly controlled entities	<u>(18,043)</u>	<u>—</u>

(d) Interest payment to related parties

	Six months ended 30 June	
	2005 HK\$'000	2004 HK\$'000
Interest payment to a jointly controlled entity	<u>178</u>	<u>172</u>

(e) Key management compensation

	Six months ended 30 June	
	2005 HK\$'000	2004 HK\$'000
Salaries and other short term employee benefits	<u>5,309</u>	<u>5,551</u>

DISCLOSURE UNDER RULE 13.22 OF CHAPTER 13 OF THE LISTING RULES

At 30 June 2005, the Group had amounts due from the affiliated companies of HK\$3,865,000. In addition, the Group has provided a counter-indemnity to E2-Capital for a maximum limit of HK\$49,040,000 for the banking facilities of certain affiliated companies. A pro-forma combined balance sheet of these companies and the Group's attributable interest in these companies are presented below:

As at 30 June 2005

	Pro-forma combined balance sheet	Group's attributable interest
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fixed assets	5,230	2,399
Other non-current assets	55,431	19,013
Current assets	98,620	35,495
Current liabilities	(35,186)	(12,470)
	<u>124,095</u>	<u>44,437</u>
Share capital and reserves	<u>124,095</u>	<u>44,437</u>