CHINA RENJI Medical Group Ltd.
中國仁濟醫療集團有限公司

CHINA RENJI MEDICAL GROUP LIMITED
中 國 仁 濟 醫 療 集 團 有 限 公 司

(incorporated in Hong Kong with limited liability)

(HKSE: 00648)

2007 INTERIM RESULTS

The Directors of **China Renji Medical Group Limited** (the "Company") hereby announce the unaudited interim results of the Company and its subsidiaries (the "Group"), and its jointly controlled entities for the six months ended 30 June 2007 as follows:

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

		For the six months ended 30 June	
	Notes	**2007** *HK$'000* *(unaudited)*	**2006** *HK$'000* *(unaudited)*
Revenue		96,339	75,481
Cost of sales		(42,020)	(34,547)
Gross profit		54,319	40,934
Other income		14,027	4,577
Distribution costs		(46)	(10)
Administrative expenses		(67,132)	(47,217)
Impairment losses of assets	4	(42,640)	(1,928)
Other expenses		(713)	(3,640)
Gain on disposal of available-for-sale investments		4,015	—
Gain on fair value change of investment properties		6,409	2,200
Finance costs		(4,672)	(3,026)
Share of results of associates		(69)	(2,833)
Loss before taxation		(36,502)	(10,943)
Taxation	5	(1,453)	(2,369)
Loss for the period	6	(37,955)	(13,312)
Attributable to:			
Equity holders of the Company		(39,816)	(13,549)
Minority interests		1,861	237
		(37,955)	(13,312)
Loss per share, in HK cents	7		
Basic		HK(0.76) cents	HK(0.30) cents
Diluted		N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2007

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

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

Notes:

1. **BASIS OF PREPARATION**

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

2. **PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared under the historical cost basis except for investment properties and certain financial instruments, which are stated at fair values.

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

In the current interim period, the Group has applied, for the first time, new standard, amendment and interpretations ("new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning 1 January 2007. The adoption of the new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied any of the new standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and financial position of the Group.

3. **SEGMENT INFORMATION**

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

Segment information about these businesses is presented below:

Business segments

Six months ended 30 June 2007

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

Six months ended 30 June 2006

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

4. IMPAIRMENT LOSSES OF ASSETS

	For the six months ended 30 June	
	2007	**2006**
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
In respect of:		
Available-for-sale investments	42,640	—
Loan receivable	—	1,928
	42,640	1,928

5. TAXATION

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

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

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

6. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

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

7. LOSS PER SHARE

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

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

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

8. DIVIDEND

The Directors have resolved not to pay any interim dividend in respect of the six months ended 30 June 2007 (six months ended 30 June 2006: nil).

9. DEPOSIT AND ADVANCE FOR ACQUISITION OF A SUBSIDIARY

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

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

10. TRADE RECEIVABLES

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

Notes:

(a) The settlement terms of trade receivables arising from the ordinary course of business of dealing in securities are 2 days after the trade date, whereas the settlement terms for those arising from the ordinary course of business of dealing in options and futures contracts are 1 day after the trade date.

(b) Trade receivables from securities margin clients are secured by clients' pledged securities, payable on demand and bear interest at commercial rates.

(c) The credit terms of trade receivables arising from garment manufacturing range from 30 days to 180 days.

(d) The credit terms of trade receivables arising from media, consulting, marketing and technology services range from 30 days to 60 days.

(e) The aging analysis of the trade receivables balance is as follows:

	30 June 2007 *HK$'000* *(Unaudited)*	**31 December 2006** *HK$'000* *(Audited)*
Within one month	77,510	45,008
Over one month but not exceeding three months	9,468	5,776
Over three months but not exceeding six months	2,840	1,987
Over six months	1,219	581
	91,037	53,352

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

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

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

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

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

Notes:

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

(ii) The trade and other payables are aged within one month.

12. TRADE PAYABLES

	30 June 2007 *HK$'000* *(Unaudited)*	**31 December 2006** *HK$'000* *(Audited)*
Trade payables arising from the ordinary course of business of dealing in securities, options and futures contracts	69,198	33,521
Trade payables arising from garment manufacturing	11,930	11,556
Other trade payables	5	5
	81,133	45,082

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

	30 June 2007	31 December 2006
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Within one month	74,996	38,356
Over one month but not exceeding three months	5,060	5,701
Over three months but not exceeding six months	540	721
Over six months	537	304
	81,133	45,082

CONSOLIDATED FINANCIAL REVIEW

For the six months ended 30 June 2007, the Company recorded a consolidated turnover of HK$96,339,000, representing an increase of approximately 28% over the corresponding period last year. The increase was mainly contributed from the financial services group under SBI E2-Capital Limited ("SBI E2").

The loss attributable to shareholders for the period was HK$39,816,000 (six months ended 30 June 2006: HK$13,549,000). Basic loss per share was HK0.76 cents (six months ended 30 June 2006: HK0.30 cents).

BUSINESS REVIEW

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

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

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

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

1. **Investment Holding Division**

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

2. **Financial Services Division**

   Hong Kong/China

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

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

   Our research team has further expanded during the period with increased coverage on China related stocks on top of small-mid cap companies. We will continue to keep up the quality of our research products, especially as SBI E2-Capital has been recognized as the Best Local Brokerage House — Hong Kong during 2003 to 2006 by Asiamoney.

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

Singapore

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

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

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

4. **Garment Manufacturing Division**

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

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

5. **Property Holding Division and Others**

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

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

PROSPECTS

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

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

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

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

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

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

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

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

On 28 August 2002, the Company, through its wholly-owned subsidiary, SIIS Treasury Limited, issued 5% guaranteed convertible notes due 2005 (the "2005 Notes"). On 25 August 2005, the Group entered into a supplemental agreement with the noteholder whereby the maturity date of the outstanding 2005 Notes in the principal amount of HK$5,000,000 has been extended from 29 August 2005 to 28 August 2008 (the "2008 Notes"). Save as the extension of the maturity date, all other terms and conditions remain unchanged. As at 30 June 2007, the outstanding principal amounts of the 2008 Notes were HK$5,000,000. There was no conversion of the 2008 Notes during the six months ended 30 June 2007 and up to the date hereof.

On 2 February 2004 and 13 February 2004, the Company, through its wholly-owned subsidiary SIIS Treasury Limited, issued 5% guaranteed convertible notes (collectively the "2006 Notes") with principal amounts of HK$33,200,000 and HK$14,800,000, which are due on 2 February 2006 and 13 February 2006 respectively. On 2 February 2006, the Group entered into a new subscription agreement with a noteholder under which the Group agreed to the issuance of HK$14,000,000 6% guaranteed new convertible notes due on 2 February 2009 (the "2009 (Feb) Notes") to the noteholder to replace the 2006 Notes in the principal amount of HK$14,000,000. As at 30 June 2007, the outstanding principal amounts of the 2009 (Feb) Notes were HK$14,000,000. There was no conversion of the 2009 (Feb) Notes during the six months ended 30 June 2007. Subsequent to the period under review and up to the date hereof, all outstanding 2009 (Feb) Notes were fully converted into 140,000,000 ordinary shares of the Company at conversion price of HK$0.10 per share.

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

As at 30 June 2007, the Company's total outstanding consolidated borrowings (excluding the above mentioned convertible notes and other borrowings classified as liabilities held for sale) amounted to HK$70,969,000 (31 December 2006: HK$72,614,000). The total borrowings will be repayable, as to approximately HK$4,020,000 within one year and the remainder of approximately HK$66,949,000 between two to five years. Included in the total borrowings are amounts denominated in Japanese yen and Renminbi which were equivalent to HK$66,949,000 and HK$4,020,000 respectively. The borrowings denominated in Japanese yen were borrowed from former group companies in Japan against which the Company does not hedge the related foreign exchange fluctuation risk. Owing to this foreign exchange fluctuation, the Company recorded a HK$1,681,000 exchange gain on translation for six months ended 30 June 2007 (six months ended 30 June 2006: exchange loss of HK$2,102,000).

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

CHARGES ON GROUP ASSETS

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

COMMITMENTS

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

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2007, the total number of employees of the Group was approximately 720 (excluding employees of jointly controlled entities). The employees are offered discretionary bonuses based on merit and performance. The Group also encourages and subsidises employees to enrol in external training courses and seminars organised by professional bodies. Employees of the Group are eligible to be granted share options under the Company's share option scheme at the discretion of the Board. The Group also provides other benefits to the employees including retirement benefits and medical scheme.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2007, except for the following deviation:

Code provision A.4.1

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

Not all the existing Non-executive Directors of the Company are appointed for a specific term. This constitutes a deviation from the code provision. However, all the Non-executive Directors of the Company are subject to retirement by rotation at the annual general meetings pursuant to the articles of association of the Company. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30 June 2007.

At the request of the Audit Committee, the Group's external auditors have carried out a review of the unaudited interim accounts in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiry of all Directors, each of them has confirmed that they have complied with the required standard as set out in the Model Code for the six months ended 30 June 2007.

By Order of the Board
Dato' Wong Sin Just
Co-Chairman

Hong Kong, 19 September 2007

As at the date of this announcement, the Board comprises six Executive Directors, namely, Dato' Wong Sin Just, Mr. Sheng Yang, Mr. Yu Chung Hang, Lucian, Mr. Wong Kean Li, Ms. Duan Xuzhen and Mr. Zhao Jun Jie; two Non-executive Directors, namely Mr. Yu Kam Yuen, Lincoln and Ms. Sun Huali; and three Independent Non-executive Directors, namely Dr. Lo Wing Yan, William, Mr. Ng Sau Kei, Wilfred and Raja Datuk Karib Shah bin Shahrudin.