

CHAIRMEN'S STATEMENT

We present herewith the Annual Report of E2-Capital (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2003.

Business Principles

During the year under review, we continue to focus on increasing "Dual Economic Value Added" ("E2VA™") - returns on assets and capital appreciation for our shareholders instead of the traditional operating profit and loss. We firmly believe that this financial measure better assists us in making appropriate economic decisions especially under the current challenging and dynamic environment.

Business Review


We continue to apply E2VA™ critically in the assessment of our existing investments with the view of generating optimum economic value as well as optimizing our operating structure during the year under review which experienced painfully the impact of SARS as well as the Iraq war in the first half of the year.

Faced with this situation, we took a more aggressive stance in disposing of investments with unacceptable return while embarking on the search for new strategic investments with high potential return only towards the later part of the year. Additionally, our operating structure was further streamlined to focus our resources to providing strategic and long term directions. Resources have been channeled more directly to the main operating units with a view to further improving accountability and operating responsibility.

These efforts have placed the Group in a much stronger position even though the operations and the results for the year were adversely impacted by the adjustments arising from the various external factors.

We are pleased to report that the Group continued to enhance its financial resources flexibility and the Parent Company has further increased its liquidity with cash and bank balance of HK\$126 million as at 31 December 2003 (2002: HK\$96 million). As in the previous year, the Parent Company has zero borrowings. Such financial strength has positioned us well to capture strategic investment opportunities as they arise. Going forward, we hope to reward our shareholders through dividend distribution as well as appreciation in market value.



An aerial photograph of a city at sunset, with a large, textured gold bar in the foreground. The city lights are visible in the background, and the sky is a warm orange color. The gold bar is the central focus, with its surface reflecting the light from the setting sun.

As joint Chairmen, we focused our resources to growing the brand name of each of the major business units in its respective industry, particularly the financial services and property sectors. We are pleased to report that both SBI E2-Capital and Goodwill Properties have been recognised as premium brand names among the financial community and homebuyers at large with SBI E2-Capital being awarded in 2003 as Best Local Broker in Hong Kong by Asiamoney, Top Hong Kong/China Local Brokerage House First Runner Up by The Asset Magazine and Best Small-Cap Equity House by FinanceAsia, and Goodwill Properties receiving overwhelming response in its housing launches having completely sold out both its Vision Court apartment units in Kowloon and the Greenery Garden luxury villa development in Yuen Long, New Territories. Additionally, our Singapore associate, SBI E2-Capital Holdings Limited, was successfully listed on the Singapore Exchange on 21 January 2004.

We are hoping that investors will see their holding in E2-Capital as good as gold in the long term. Perhaps a good analogy can be drawn between a financial investment and gold. In more ways than one, E2-Capital hopes to deliver quality, lasting value and liquidity just like how gold has endured all the changes since time immemorial.

Prospects

At E2-Capital, we will continue to focus on increasing shareholder wealth through prudent management and selective investments which we believe are fundamental to delivering superior returns to the shareholders. Notwithstanding current uncertainties of the global economy caused by exchange rates adjustments, it is anticipated that Mainland China will continue to lead global economic growth in 2004. We have demonstrated our resilience in withstanding one of the most challenging years in recent history and premised on our strong financial position and our ability to unveil and enhance the values of our investments, we are confident that we are able to grow upon our existing operation while at the same time, seize new growth opportunities in this rapidly changing economy.

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