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E2-Capital (Holdings) Limited
(金匯投資(集團)有限公司)*
(Incorporated in Bermuda with limited liability)
(Stock code: 378)

**MAJOR TRANSACTION
AND CONNECTED TRANSACTION
GENERAL DISCLOSURE UNDER
RULE 13.16 OF THE LISTING RULES**



**Softbank Investment International
(Strategic) Limited**
(軟庫發展有限公司)
(Incorporated in Hong Kong with limited liability)
(Stock code: 648)

**DISCLOSEABLE TRANSACTION
GENERAL DISCLOSURE UNDER
RULE 13.16 OF THE LISTING RULES**

E2-Capital will provide a guarantee to a bank (which is independent of and not being a connected person to E2-Capital or Softbank within the meaning of the Listing Rules) for the guaranteed amount of HK\$143,000,000 for banking facilities to be given by the Bank to the Affiliated Companies.

Since E2-Capital only beneficially owns 34.3% equity interests in each of the Affiliated Companies but it alone will take up full liability under the Guarantee, the other shareholders of the Affiliated Companies will give three Counter-indemnities on a several basis, one by Softbank and the other two by Mr. Wong and SECE respectively, with all of which in substantially the same terms, to E2-Capital, with their liabilities in the same proportion as their respective equity interests in each of the Affiliated Companies plus any interest and expenses, to cover E2-Capital's additional liabilities in the event of any actual loss suffered or amount paid out by E2-Capital in connection with the lawful performance of its obligations under the Guarantee.

The provision of the Guarantee (disregarding the amount to be counter-indemnified by Softbank, Mr. Wong and SECE under the Counter-indemnities) by E2-Capital will constitute a major transaction of E2-Capital under Chapter 14 of the Listing Rules. The provision of the Counter-indemnity by Softbank will constitute a discloseable transaction of Softbank under Chapter 14 of the Listing Rules.

The Guaranteed Amount to be provided by E2-Capital under the Guarantee (disregarding the amount to be counter-indemnified by Softbank, Mr. Wong and SECE under the Counter-indemnities) is in excess of 8% of the assets and consideration ratio tests under Rule 14.07 of the Listing Rules in respect of the E2-Capital Group. The maximum liability limit attributable to Softbank under the Counter-indemnity is also in excess of 8% of the assets and consideration ratio tests under Rule 14.07 of the Listing Rules in respect of the Softbank Group. In compliance with Rule 13.16 of the Listing Rules, each of E2-Capital and Softbank therefore discloses the information set out in this announcement which will also be disclosed in the circular to be despatched to their respective shareholders.

Mr. Wong is a connected person of E2-Capital Group (within the meaning of the Listing Rules) by virtue of him being a director of E2-Capital and indirectly holding beneficial interests of approximately 26.04% of the entire issued share capital in E2-Capital. E2-Capital Group is not connected with Softbank Group under the Listing Rules except that Softbank holds beneficial interests of approximately 5.68% of the entire issued share capital of E2-Capital and E2-Capital holds beneficial interests of approximately 4.37% of the entire issued share capital of Softbank as well as an indirect interest in the convertible notes issued by SIIS Treasury Limited, a wholly-owned subsidiary of Softbank, in a total principal amount of HK\$19 million. The provision of the Guarantee will therefore constitute a connected transaction of E2-Capital Group within the meaning of Rule 14A.13(3) of the Listing Rules as it is a transaction for the benefit, albeit indirectly, to a connected person (i.e. Mr. Wong himself). The giving of the Counter-indemnity to E2-Capital by Mr. Wong as mentioned above will also constitute a connected transaction of E2-Capital.

Each of E2-Capital and Softbank will despatch to its shareholders as soon as practicable a circular containing, among others, further information in respect of the above as soon as practicable. The circular containing details of the Banking Facilities and the Guarantee, the Counter-indemnities, the recommendation of the independent board committee of E2-Capital, a letter of advice from an independent financial adviser of E2-Capital and a notice of the special general meeting of E2-Capital to be convened at which ordinary resolution will be proposed to consider, and if thought fit, to approve the Banking Facilities and the Guarantee and all matters contemplated thereunder. The votes of the independent shareholders of E2-Capital in the said special general meeting will be taken by poll. To the best knowledge and belief of the directors of E2-Capital, Softbank, Mr. Wong, Mr. Fung Ka Pun and their respective associates will be required to abstain from voting at the said special general meeting.

At the request of E2-Capital, trading in its shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 11 October 2004 pending release of this announcement and an announcement in relation to another major and connected transaction. Applications have been made by E2-Capital to the Stock Exchange to resume trading in its shares with effect from 9:30 a.m. on 25 October 2004.

Background

Certain banking facilities have been provided to three affiliated companies of both E2-Capital (Holdings) Limited (“**E2-Capital**”) and Softbank Investment International (Strategic) Limited (“**Softbank**”), namely, SBI E2-Capital Securities Limited, SBI E2-Capital Brokerage Limited and SBI E2-Capital Commodities Limited (collectively, the “**Affiliated Companies**”), the details of which are as follows:

The Banking Facilities

Date:	To be executed upon obtaining the approval from the shareholders of E2-Capital at a special general meeting to be convened on a date to be advised by E2-Capital upon despatch of the circular
Borrowers:	the Affiliated Companies
Lender:	An authorised banking institution in Hong Kong (the “ Bank ”) which is independent of and not a connected person to E2-Capital Group or Softbank Group (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “ Listing Rules ”))
Facilities:	Secured banking facilities comprise a combined Hong Kong dollars overdraft and uncommitted multi-currency revolving loan, foreign exchange line, overdraft, payment settlement limit and guarantee line in an aggregate amount of HK\$143 million, as to HK\$105 million to be utilised by SBI E2-Capital Securities Limited, HK\$28 million to be utilised by SBI E2-Capital Brokerage Limited and HK\$10 million to be utilised by SBI E2-Capital Commodities Limited
Purpose:	To facilitate the general working capital and to cope with the business operations of the Affiliated Companies
Conditions:	Subject to the shareholders’ approval of E2-Capital and the payment of the relevant fees or commission on the facilities to be payable by the Affiliated Companies to the Bank, E2-Capital will provide a corporate guarantee (the “ Guarantee ”) in favour of the lender, the Bank, to the total amount of the banking facilities of HK\$143,000,000 (the “ Guaranteed Amount ”)
Interest Rate:	At 0.5% over the Bank’s best lending rate or at overnight HIBOR (Hong Kong Interbank Money Market Offer Rate) whichever is higher on the overdraft facility

Other Security: A counter indemnity, unlimited cross guarantee and letters of set-off to be given by each of SBI E2-Capital Securities Limited, SBI E2-Capital Brokerage Limited and SBI E2-Capital Commodities Limited in favour of the Bank; and a charge over securities from SBI E2-Capital Securities Limited

Terms of the Banking Facilities

Each of the directors of E2-Capital and Softbank confirms that, to the best of their knowledge and belief and having made all reasonable enquiries, (i) the terms of the Banking Facilities are to be made on normal commercial terms which are no less favourable to the Affiliated Companies than terms available to or from other independent third parties; (ii) the Guarantee to be provided by E2-Capital to the Bank and the Counter-indemnity to be provided by Softbank in favour of E2-Capital are to be made on normal commercial terms which E2-Capital and its subsidiaries (the “**E2-Capital Group**”) and Softbank and its subsidiaries (the “**Softbank Group**”) may obtain from other independent third parties on arms length basis; (iii) the Bank is independent of and not a connected person to E2-Capital Group or Softbank Group and any of their respective connected persons (as defined in the Listing Rules); and (iv) E2-Capital Group and Softbank Group are not connected with each other (within the meaning of the Listing Rules) except that Softbank holds beneficial interests of approximately 5.68% of the entire issued share capital of E2-Capital and E2-Capital holds beneficial interests of approximately 4.37% of the entire issued share capital of Softbank as well as an indirect interest in the convertible notes issued by SIIS Treasury Limited, a wholly-owned subsidiary of Softbank, in a total principal amount of HK\$19 million. Notwithstanding that E2-Capital is to provide the Guarantee fully to the Bank, each of the directors of E2-Capital and Softbank believes that by taking into account of the Counter-Indemnities to be given by Softbank, Mr. Wong and SECE (details of which are set out below), the Banking Facilities to be provided to the Affiliated Companies are fair and reasonable and in the best interest of the respective shareholders of the E2-Capital Group and the Softbank Group as a whole because each of the shareholders in each of the Affiliated Companies will effectively guarantee (directly by E2-Capital and indirectly by Softbank, Mr. Wong and SECE) their respective interests in each of the Affiliated Companies which will sustain the growth of the Affiliated Companies and facilitate the generation of additional profits for both of them through the businesses operated by the Affiliated Companies. In the event of default by the Affiliated Companies and the enforcement of the Guarantee by the Bank against E2-Capital, E2-Capital shall satisfy any outstanding amount due under the Guarantee from its internal resources.

Principal Terms of the Guarantee

The principal terms of the Guarantee are as follows:

Date: To be executed by E2-Capital upon obtaining its shareholders’ approval at a special general meeting to be convened on a date to be advised by E2-Capital upon despatch of the circular and the execution of the three Counter-indemnities mentioned below

Guarantor: E2-Capital will guarantee to pay the Guaranteed Amount to the Bank upon demand

Maximum Liability: The maximum liability of E2-Capital under the Guarantee shall not exceed the maximum aggregate amount of HK\$143 million under the Banking Facilities available to the Affiliated Companies plus (i) default interest, if any, as may be specified by the Bank, compounded monthly, if not paid on the dates specified by the Bank, on that sum or part thereof (to the extent that it is not paid by E2-Capital (as guarantor) on demand by the Bank); and (ii) expenses incurred by the Bank in enforcing the Guarantee on a full indemnity basis

Default Interest: Default interest shall be payable by E2-Capital on the Guaranteed Amount or part thereof (to the extent that it is not paid by E2-Capital to the Bank on demand), and the default interests shall be at such rate as may be specified by the Bank, compounded monthly, if not paid on the dates specified by the Bank and shall accrue from the date of demand by the Bank on E2-Capital until full settlement of the Guaranteed Amount

Continuing Security: The Guarantee shall be a continuing security and shall secure the whole of the Guaranteed Amount until one calendar month after receipt by the Bank of notice in writing by E2-Capital to terminate the same and despite the giving of such notice, the Guarantee shall continue to apply to the Guaranteed Amount in respect of which the Affiliated Companies shall or shall become actually or contingently liable up to the date of such termination and E2-Capital shall guarantee to pay such Guaranteed Amount plus any interest due to the Bank on demand whether such demand is made before, at the time of or after such termination

Lien: The Bank shall be authorised to exercise a lien over all property of E2-Capital coming into the possession or control of the Bank, for custody or any other reason and whether or not in the ordinary course of banking business, with power for the Bank to sell such property to satisfy the Guaranteed Amount

There is no fee or commission payable by the Affiliated Companies to E2-Capital for providing the Guarantee.

The Three Counter-indemnities

Date: To be executed upon obtaining the approval from the shareholders of E2-Capital at a special general meeting to be convened on a date to be advised by E2-Capital upon despatch of the circular

- Indemnifiers:
- (i) One to be given by Softbank, not being a connected person to E2-Capital Group within the meaning of the Listing Rules and an ultimate beneficial shareholder of 34.3% of the issued share capital of each of the Affiliated Companies;
 - (ii) The other two to be given by:
 - SBI E2-Capital China Employees Limited (“SECE”), a company incorporated in the British Virgin Islands and an ultimate beneficial shareholder of 30% in the issued share capital of each of the Affiliated Companies. Apart from Mr. Wong Sin Just, to the best knowledge and belief of the directors of E2-Capital and Softbank, the shareholders of SECE are a group of individuals who are employees of the Affiliated Companies and not being a connected person to E2-Capital or Softbank within the meaning of the Listing Rules; and
 - Mr. Wong Sin Just (“Mr. Wong”), an executive director of E2-Capital and Softbank and a director of SECE, and indirectly owns beneficial interests of 26.04% of the entire issued share capital in E2-Capital and owns beneficial interests of 0.07% of the entire issued share capital in Softbank and is a registered and beneficial owner of 16.7% of the issued share capital of SECE. Mr. Wong is also an ultimate beneficial owner of 1.4% of the issued share capital of each of the Affiliated Companies (excluding his interests in each of the Affiliated Companies through his shareholdings in E2-Capital, Softbank and SECE).
- Beneficiary: E2-Capital in all cases
- Nature: To counter-indemnify E2-Capital forthwith (in any event within 7 business days upon written demand of E2-Capital) with their liabilities in the same proportion as their respective equity interests in the Affiliated Companies plus any interest or expenses, to cover E2-Capital’s additional liabilities in the event of any actual loss suffered or amount paid out by E2-Capital in connection with the lawful and proper performance of its obligations under the Guarantee.
- Indemnified Amounts: (i) for Softbank, 34.3% of any amount paid out by E2-Capital pursuant to the Guarantee, subject to the maximum limit of HK\$49,049,000 (i.e. 34.3% of the Guaranteed Amount);

(ii) for SECE, 30% of any amount paid out by E2-Capital pursuant to the Guarantee, subject to the maximum limit of HK\$42,900,000 (i.e. 30% of the Guaranteed Amount); and

(iii) for Mr. Wong, 1.4% of any amount paid out by E2-Capital pursuant to the Guarantee, subject to the maximum limit of HK\$2,002,000 (i.e. 1.4% of the Guaranteed Amount),

plus any interest or expenses actually incurred on or paid by E2-Capital in respect of the Guarantee.

The indemnifying obligations of the Indemnifiers are several, and not joint and several. Each of the above Indemnifiers shall indemnify E2-Capital for such period which is concurrent with the period covered under the Guarantee.

Background of the Affiliated Companies

Each of the Affiliated Companies is indirectly and beneficially owned as to 34.3% by E2-Capital, 34.3% by Softbank, 30% by SECE and 1.4% by Mr. Wong. SBI E2-Capital Brokerage Limited is wholly owned by SBI E2-Capital Securities Limited. Mr. Fung Ka Pun and Ms. Lau On Wah are directors of each of the Affiliated Companies. Mr. Fung Ka Pun is a substantial shareholder of E2-Capital. Ms. Lau On Wah does not hold any interest in E2-Capital Group. Each of the Affiliated Companies is not a connected person to E2-Capital Group and Softbank Group under the Listing Rules.

Each of the Affiliated Companies is a licensed corporation registered under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). SBI E2-Capital Securities Limited engages in securities dealing, advising on investment, options trading, equity research, securities underwriting, sub-underwriting and placement activities. SBI E2-Capital Brokerage Limited engages in securities dealing and is a member participant of the Stock Exchange of Hong Kong Limited. SBI E2-Capital Commodities Limited engages in futures broking and advising and is a member of the Futures Exchange of Hong Kong Limited.

As at 31 December 2003, the audited net tangible assets of SBI E2-Capital Securities Limited, SBI E2-Capital Brokerage Limited and SBI E2-Capital Commodities Limited were HK\$74.1 million, HK\$22.2 million and HK\$24.7 million respectively. For the year ended 31 December 2003, the audited turnover of SBI E2-Capital Securities Limited, SBI E2-Capital Brokerage Limited and SBI E2-Capital Commodities Limited were HK\$54.2 million, HK\$40.4 million and HK\$9.2 million respectively. For the year ended 31 December 2003, the audited net profits of SBI E2-Capital Securities Limited, SBI E2-Capital Brokerage Limited and SBI E2-Capital Commodities Limited were HK\$9,052,137, HK\$67,386 and HK\$1,171,603 respectively.

Major Transaction and General Disclosure pursuant to Rule 13.16 of the Listing Rules in relation to E2-Capital

The provision of the Guarantee (disregarding the amount to be counter-indemnified by Softbank, Mr. Wong and SECE under the Counter-indemnities) by E2-Capital will constitute a major transaction of E2-Capital since the size tests for the Guarantee is more than 25% but less than 75% of the percentage ratios (where applicable) under Rule 14.07 of the Listing Rules.

E2-Capital will despatch to its shareholders as soon as practicable a circular containing, among others, further information in respect of the above and the special general meeting to be convened for approving the Guarantee as a major transaction under Chapter 14 of the Listing Rules. To the best knowledge and belief of the directors of E2-Capital, Softbank, Mr. Wong, Mr. Fung Ka Pun and their respective associates will be required to abstain from voting at the said special general meeting of E2-Capital. E2-Capital shall execute the Guarantee in favour of the Bank upon obtaining its independent shareholders approval at the said special general meeting.

The Guaranteed Amount to be provided by E2-Capital under the Guarantee (disregarding the amount to be counter-indemnified by Softbank, Mr. Wong and SECE under the Counter-indemnities) are in excess of 8% of the assets and consideration ratio tests under Rule 14.07 of the Listing Rules in respect of the E2-Capital Group. In compliance with Rules 13.16 of the Listing Rules, E2-Capital therefore discloses the information set out in this announcement which will also be disclosed in the circular to be despatched to shareholders.

Except for the Guarantee, E2-Capital does not provide any financial assistance or guarantee to any of the Affiliated Companies as of the date of this announcement.

Discloseable Transaction and General Disclosure pursuant to Rule 13.16 of the Listing Rules in relation to Softbank

The provision of the Counter-indemnity to E2-Capital by Softbank will constitute a discloseable transaction of Softbank since the size tests for the Counter-indemnity is more than 5% but less than 25% of the percentage ratios (where applicable) under Rule 14.07 of the Listing Rules.

Softbank will despatch to its shareholders as soon as practicable a circular containing, among others, further information in respect of the above.

The maximum liability limit attributable to Softbank in the amount of HK\$49,049,000 under the Counter-indemnity is in excess of 8% of the assets and consideration ratio tests under Rule 14.07 of the Listing Rules in respect of the Softbank Group. In compliance with Rule 13.16 of the Listing Rules, Softbank therefore discloses the information set out in this announcement which will also be disclosed in the circular to be despatched to shareholders.

Since the Bank has requested for a corporate guarantee to be provided by E2-Capital on the full Guaranteed Amount but Softbank also holds approximately 34.3% interests in each of the Affiliated Companies, therefore, E2-Capital has requested Softbank to give a Counter-indemnity on equity basis. The directors of Softbank believe that the terms of the Counter-indemnity to be given by Softbank to E2-Capital are fair and reasonable, on normal commercial terms and in the best interests of the shareholders of Softbank as a whole.

Connected Transaction in respect of E2-Capital

Mr. Wong is a connected person of E2-Capital Group (within the meaning of the Listing Rules) by virtue of him being a director of E2-Capital and indirectly holds beneficial interests of approximately 26.04% of the entire issued share capital in E2-Capital. E2-Capital Group is not connected with Softbank Group under the Listing Rules except that Softbank holds beneficial interests of approximately 5.68% of the entire issued share capital of E2-Capital and E2-Capital holds beneficial interests of approximately 4.37% of the entire issued share capital of Softbank as well as an indirect interest in the convertible notes issued by SIIS Treasury Limited, a wholly-owned subsidiary of Softbank, in a total principal amount of HK\$19 million. The provision of the Guarantee will therefore constitute a connected transaction of E2-Capital within the meaning of Rule 14A.13(3) of the Listing Rules as it is a transaction for the benefit, albeit indirectly, to a connected person (i.e. Mr. Wong himself). The giving of the Counter-indemnity to E2-Capital by Mr. Wong as mentioned above will also constitute a connected transaction of E2-Capital.

The provision of the Guarantee will constitute a connected transaction of E2-Capital under Rule 14A.13(3) of the Listing Rules as it is for the benefit of a connected person, Mr. Wong, albeit indirectly and will be subject to the disclosure and independent shareholders' approval requirements under the Listing Rules. A circular containing details of the Banking Facilities and the Guarantee, the Counter-indemnities, the recommendation of the independent board committee, a letter of advice from an independent financial adviser and a notice of the special general meeting to be convened at which ordinary resolution will be proposed to consider, and if thought fit, to approve the Banking Facilities and the Guarantee and all matters contemplated thereunder, will be despatched to the shareholders of E2-Capital as soon as practicable. The votes of the independent shareholders in the said special general meeting will be taken by poll. To the best knowledge and belief of the directors of E2-Capital, Softbank, Mr. Wong, Mr. Fung Ka Pun and their respective associates will abstain from voting at the said special general meeting.

The board of directors of E2-Capital are of the view that the giving of the Counter-indemnity to E2-Capital by Mr. Wong is an exempted connected transaction under Rule 14A.65(4) since the provision of the Counter-indemnity by Mr. Wong is for the benefit of E2-Capital on normal commercial terms where no security over the assets of the listed issuer is granted in respect of the Counter-indemnity and therefore the approval from independent shareholders of E2-Capital will not be required.

Details of the Guarantee and the Counter-indemnities will be disclosed in the next published annual reports and accounts of E2-Capital in accordance with Rules 14A.45 to 14A.47 of the Listing Rules. Disclosure will also be included in the interim and annual reports of E2-Capital according to Rule 13.22 of the Listing Rules for so long as the obligation continues to exist.

Save as disclosed above under Rule 13.16, the directors of E2-Capital confirm that, to the best of their knowledge and belief, there is no other matter which is discloseable under the general disclosure obligations imposed by Rules 13.12 to 13.19 of the Listing Rules as at the date of this announcement.

General

The E2-Capital Group is principally engaged in investment holding, property development, industrial and management operating services, investment banking as well as direct investments. As at the date of this announcement, the executive directors of E2-Capital are Mr. Fung Ka Pun (alias K.B. Fung), Mr. Wong Sin Just, and the independent non-executive directors of E2-Capital are Mr. Roberto V Ongpin, Mr. Chung Cho Yee, Mico, Dr. Hui Ka Wah, Ronnie and Mr. Ho Kwan Tat.

The Softbank Group is principally engaged in investment holding, the provision of consulting and technology services, garment manufacturing and property holding. As at the date of this announcement, the executive directors of Softbank are Mr. Yu Kam Kee, Lawrence, Mr. Wong Sin Just, Mr. Wong Kean Li and Mr. Wang Ruiping, the non-executive director of Softbank is Mr. Yu Kam Yuen, Lincoln, and the independent non-executive directors of Softbank are Dr. Lo Wing Yan, William, Mr. Chan Kai Yu, Rudy and Raja Datuk Karib Shah bin Shahrudin.

At the request of E2-Capital, trading in its shares on the Stock Exchange was suspended with effect from 9:30 a.m. on 11 October 2004 pending release of this announcement and an announcement in relation to another major and connected transaction. Applications have been made by E2-Capital to the Stock Exchange to resume trading in its shares with effect from 9:30 a.m. on 25 October 2004.

By order of the board
E2-Capital (Holdings) Limited
Wong Sin Just
Executive Director

By order of the board
**Softbank Investment International
(Strategic) Limited**
Wong Kean Li
Executive Director

Hong Kong, 21 October 2004

** For identification purposes only*

Please also refer to the published version of this announcement in The Standard.