

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 2004.

Business Principles

During the year under review, we further enhanced our belief "Delivering Shareholder Values" by enhancing earnings to capital and improving asset quality for our shareholders. We firmly believe that this is a better approach to assist us in making appropriate economic decisions especially under the current challenging and dynamic environment.

Business Review

Our belief "Delivering Shareholder Values" is the most critical element in the assessment of our existing investments with the view of generating optimum economic value as well as further adapting our operating structure during the year under review which experienced a significant recovery from the impact of SARS as well as the Iraq war in 2003.

In streamlining the Group's operating structure, resources have continued to be channeled more directly to the main operating units with a view to further improving accountability and operating responsibility.

We are pleased to report that the Group has further enhanced its financial resources flexibility and the Group has uplifted its cash and bank balance to HK\$223 million as at 31 December 2004 (2003: HK\$155 million). As with the previous two years, the Parent Company has zero borrowings in 2004. Such financial strength has positioned us well to capture strategic investment opportunities as they arise.

As joint Chairmen, we continue to focus 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 recognised for the second year as the Best Local Broker in Hong Kong by Asiamoney, 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. The Group has also realised a substantial gain from the sale of part of its interest in an associated company, Westcomb Financial Group ("Westcomb") following its listing in Singapore in early 2004 and upon which Westcomb has been reclassified as an investment.

The Group has also refocused its resources and in light of the robustness of the global market for digital consumer devices, we are extending the Group's activities into digital consumer products market. In this regard, we have established NAPA Global Limited to spearhead the Group's efforts to develop digital consumer and electronics products under the Company's own brand name.

As mentioned in last year's report, we hope to continue to discover good investments and transform them into value for shareholders just like how a common base element like sand that can enrich our lives in its myriad form of applications from building materials to high technology.



Community Service

The Group continues to be proactive in the community and responds to the needs of various communities and organisations. The Group participated in the Run-up Two ifc Charity Race. In response to the calls for relief to the victims of the Asia Tsunami Disaster, the Group has also organised efforts to contribute to the Hong Kong Red Cross South Asia Relief Fund.

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 as well as uncertainties over commodity prices, it is anticipated that China will continue to lead global economic growth in 2005.

With substantial cash flow generated from the sale of properties and investments in securities, the Group has a comparatively high level of financial resources and liquidity. We are now well positioned to capture strategic investment opportunities that may arise in the current business cycle particularly in North and South East Asia. Going forward, the Group will adjust its focus to better take advantage of the skill and expertise available in the Group and the market place such as that adopted by other investment houses similar to a "fund of funds". Perhaps a good parallel would be like silicon, one of the most abundant elements on earth and a key component of sand, quartz, clay, etc. but it is not found free in nature. We believe that our skill and expertise will continue to be the key ingredient to our success.



E2-CAPITAL IS NOW WELL
POSITIONED TO CAPTURE STRATEGIC
INVESTMENT OPPORTUNITIES