

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in doubt as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in E2-Capital (Holdings) Limited, you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



E2 - Capital
GROUP

E2-CAPITAL (HOLDINGS) LIMITED
(金滙投資(集團)有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock code: 378)

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

Financial Adviser to E2-Capital (Holdings) Limited



AURORA ASIA LIMITED
平明亞洲有限公司

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



AMS Corporate Finance Limited

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to the Proposed Transaction is set out on pages 19 to 20 of this circular. A letter from AMS Corporate Finance Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice in relation to the Proposed Transaction is set out on pages 21 to 28 of this circular.

A notice convening the SGM to be held on 12 July, 2005 at 11:00 a.m. (or any adjournment thereof) at Rooms 4301-4309, 43/F., Jardine House, One Connaught Place, Central, Hong Kong is set out on pages 74 to 76 of this circular. If you are not able to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	5
Letter from the Independent Board Committee	19
Letter from the Independent Financial Adviser	21
Appendix I – Financial Information of the Group	29
Appendix II – General Information	66
Notice of SGM	74
Accompanying document – Form of Proxy	

DEFINITIONS

In this circular, the following expressions have the meanings ascribed to them below unless the context requires otherwise:

“Affiliated Companies”	SBI E2-Capital Securities Limited, SBI E2-Capital Brokerage Limited and SBI E2-Capital Commodities Limited
“Announcement”	the announcement of the Company dated 27 May, 2005 in relation to, among other things, the Proposed Transaction
“associates”	shall have the meaning as defined in the Listing Rules
“Bank”	an authorized banking institution in Singapore which will provide the Guarantee
“Board”	the board of Directors
“Capital Markets Services Licence”	a licence granted by the MAS to conduct the regulated activities of dealing in securities and advising on corporate finance under the Securities and Futures Act of Singapore
“Company”	E2-Capital (Holdings) Limited, a company incorporated under the laws of Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“Corporate Guarantee”	the corporate guarantee to be given by the Company in favour of the Bank as security for the Guarantee
“Corporate Guarantee Amount”	an amount of S\$25 million (equivalent to approximately HK\$118.75 million) pursuant to the Corporate Guarantee
“Counter-indemnities”	the two counter-indemnities to be given by Softbank and Mr. Wong in favour of the Company in relation to 29.4% and 1.2% respectively of any amount paid out by the Company pursuant to the Corporate Guarantee
“Director(s)”	director(s) of the Company
“Goodwill”	Goodwill Investment (B.V.I.) Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries

DEFINITIONS

“Guarantee”	the guarantee to be provided by a Bank in favour of the MAS on behalf of SBSA Securities
“Guaranteed Amount”	an amount of not more than S\$25 million (equivalent to approximately HK\$118.75 million) pursuant to the Guarantee
“HK\$”	Hong Kong dollars, being the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Indemnity”	an indemnity to be granted by the Company to the Bank for the Guarantee, as mentioned in the Announcement and is replaced by the Corporate Guarantee
“Independent Board Committee”	an independent committee of the Board comprising the independent non-executive Directors to consider and advise the Independent Shareholders with regard to the Proposed Transaction
“Independent Financial Adviser”	AMS Corporate Finance Limited, a licensed corporation under the SFO to conduct types 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO and the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Transaction
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the SGM
“Latest Practicable Date”	15 June, 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“MAS”	Monetary Authority of Singapore
“Mr. Wong”	Dato’ Wong Sin Just, an executive director of the Company and Softbank

DEFINITIONS

“PRC”	People’s Republic of China
“Proposed Reorganization”	proposed reorganization of SBSA Holdings resulting in the Company, Softbank and Mr. Wong indirectly interested in 69.4%, 29.4% and 1.2% respectively of the issued share capital of SBSA Securities, subject to approval to be granted by the MAS
“Proposed Transaction”	provision of the Corporate Guarantee together with entering into of the Counter-indemnities
“S\$”	Singapore dollars, being the lawful currency of Singapore
“SBI E2-Capital Group”	SBI E2-Capital Limited, a company incorporated in the Cayman Islands owned indirectly as to 49% by the Company, and its subsidiaries
“SBSA Holdings”	SBI E2-Capital Asia Holdings Pte. Ltd., a company incorporated in Singapore owned indirectly as to 49% by the Company and the holding company of SBSA Securities
“SBSA Securities”	SBI E2-Capital Asia Securities Pte. Ltd., a company incorporated in Singapore and a wholly-owned subsidiary of SBSA Holdings
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened and held on Tuesday, 12 July, 2005 at 11:00 a.m. (or at any adjournment thereof) for the Independent Shareholders to consider and, if thought fit, to approve the Proposed Transaction, and all matters contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$1.00 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Softbank”	Softbank Investment International (Strategic) Limited, a company incorporated under the laws of Hong Kong with limited liability, the issued shares of which are listed on the main board of the Stock Exchange

DEFINITIONS

“Softbank Group”	Softbank and its subsidiaries
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“Westcomb”	Westcomb Financial Group Limited (formerly known as SBI E2-Capital Holdings Limited), a public company limited by shares and incorporated in Singapore, the issued shares of which are listed on the Singapore Exchange Securities Trading Limited
“%”	per cent.

Note: For the purpose of this circular, exchange rates of S\$1.00 to HK\$4.75 and US\$1.00 to HK\$7.80 have been used for illustration purposes only. No representation is made by the Company that such currencies could have been or could be converted at such rates or at any other rates at all.

LETTER FROM THE BOARD



E2 - Capital
GROUP

E2-CAPITAL (HOLDINGS) LIMITED

(金 滙 投 資 (集 團) 有 限 公 司) *

(Incorporated in Bermuda with limited liability)

(Stock code: 378)

Directors:

Mr. Fung Ka Pun

Dato' Wong Sin Just

Mr. Ongpin Roberto V.*

Mr. Chung Cho Yee, Mico*

Mr. Ho Kwan Tat*

Dr. Hui Ka Wah, Ronnie*

* *Independent Non-executive Directors*

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

*Head office and principal
place of business:*

43rd Floor

Jardine House

One Connaught Place

Central

Hong Kong

24 June, 2005

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

On 27 May, 2005, the Company announced that to enable SBSA Securities, an associated company of the Company, to meet regulatory requirements in obtaining a Capital Markets Services Licence from the MAS, the Company intends to grant the Indemnity to a Bank (which will be independent of and not being a connected person of the Company within the meaning of the Listing Rules) for the Guaranteed Amount under the Guarantee to be provided by the Bank in favour of MAS on behalf of SBSA Securities.

* *For identification purpose only*

LETTER FROM THE BOARD

Subject to the approval to be granted by the MAS, SBSA Holdings, the immediate holding company of SBSA Securities, will undergo the Proposed Reorganization. Since the Company will only beneficially own 69.4% equity interest in SBSA Securities after the Proposed Reorganization but it alone will take up full liability under the Indemnity, the other beneficial shareholders of SBSA Securities will give two Counter-indemnities on a several basis, one by Softbank and one by Mr. Wong to the Company, with their respective liabilities in the same proportion as their respective beneficial interests in SBSA Securities to cover the Company's additional liabilities in the event of actual loss suffered or amount paid out by the Company in connection with the lawful performance of its obligations under the Indemnity.

As a result of negotiations between the Bank and SBSA Securities subsequent to 27 May, 2005 (being the date of the Announcement), the Bank requested for the Corporate Guarantee to be given by the Company. Under such circumstances, the Company is no longer required to provide the Indemnity which is replaced by the Corporate Guarantee with the same principal terms.

The Company intends to seek approval from the Independent Shareholders before entering into the Proposed Transaction.

The Proposed Transaction will constitute a major and connected transaction of the Company under the Listing Rules. As the Corporate Guarantee Amount, together with the guaranteed amounts under various guarantees to other affiliated companies of the Company (details of which were disclosed by the Company in an announcement dated 21 October, 2004) is in excess of 8% of the consideration test under Rule 14.07 of the Listing Rules, the Company has made disclosure of the relevant information in compliance with Rule 13.16 of the Listing Rules in the Announcement.

The purpose of this circular is to (a) provide Shareholders with further details of the Proposed Transaction and other information prescribed by the Listing Rules; (b) provide Shareholders with the recommendation from the Independent Board Committee and the advice of the Independent Financial Adviser on the Proposed Transaction; and (c) to give you notice of the SGM to seek the approval of the Independent Shareholders on the Proposed Transaction.

BACKGROUND

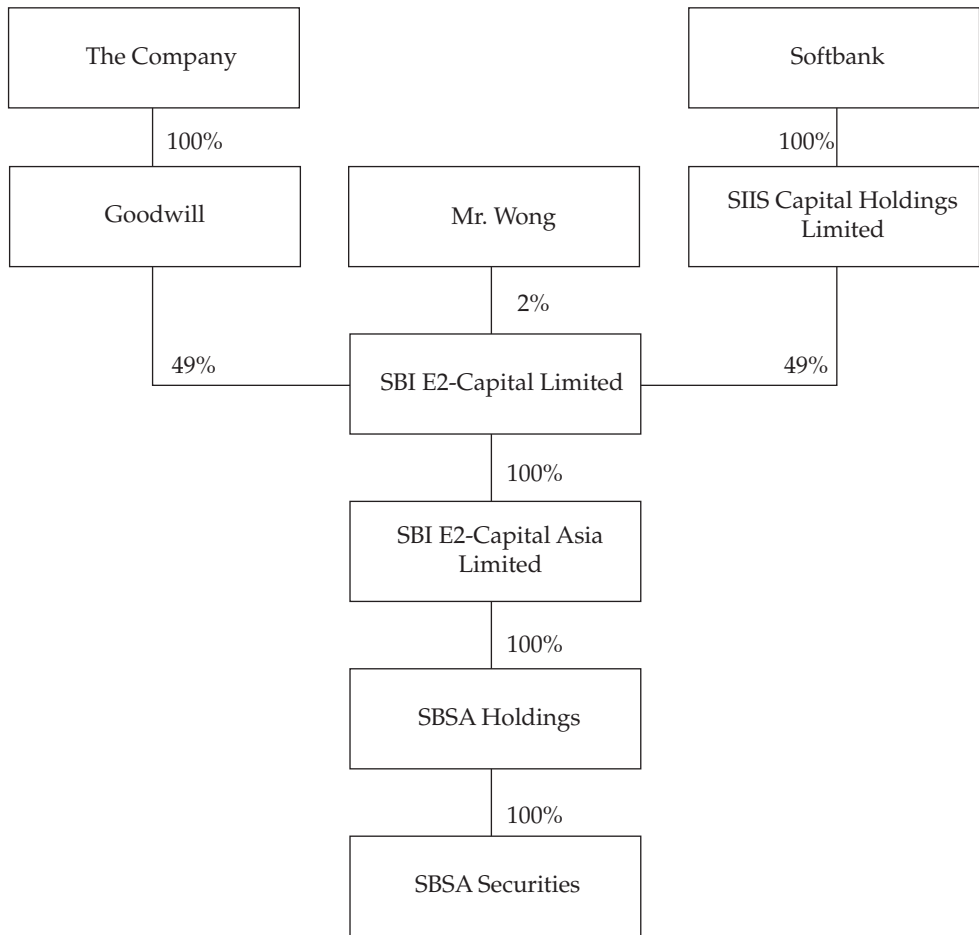
SBSA Holdings was incorporated in Singapore in September 2004 and is owned indirectly as to 49%, 49% and 2% by the Company, Softbank and Mr. Wong respectively. SBSA Holdings has allotted and issued two shares with an aggregate value of S\$2.00 (equivalent to approximately HK\$9.50) and has no business activities since incorporation. SBSA Securities, a wholly-owned subsidiary of SBSA Holdings, was incorporated in Singapore in October 2004. SBSA Securities allotted and issued 1 share for cash at par of S\$1.00 (equivalent to approximately HK\$4.75) to SBSA Holdings in October 2004 and Mr. Wong was appointed as the chief executive officer and executive director of SBSA Securities in November 2004.

LETTER FROM THE BOARD

Subject to the approval to be granted by the MAS, SBSA Holdings will undergo a reorganization resulting in the Company, Softbank and Mr. Wong indirectly interested in 69.4%, 29.4% and 1.2% respectively of the issued share capital of SBSA Securities. The Company, through its wholly-owned subsidiary, Goodwill, will subscribe for 2,000,000 shares in SBSA Holdings at S\$1.00 (equivalent to approximately HK\$4.75) per share, representing 40% of the enlarged issued share capital of SBSA Holdings for a consideration of S\$2 million (equivalent to approximately HK\$9.5 million) which will be funded by internal resources of the Group. SBI E2-Capital Asia Limited will subscribe for 2,999,998 shares in SBSA Holdings at S\$1.00 (equivalent to approximately HK\$4.75) per share, which together with the two shares already held will represent 60% of the enlarged issued share capital of SBSA Holdings. Upon completion of the Proposed Reorganization, the enlarged issued share capital of SBSA Holdings will be increased to S\$5 million (equivalent to approximately HK\$23.75 million). Apart from the consideration of S\$2 million (equivalent to approximately HK\$9.5 million) payable by Goodwill, it is envisaged no other capital commitment will be made by the Group to SBSA Holdings. As at the Latest Practicable Date, no subscription agreement has been signed by the Group. The subscription of 40% interest in SBSA Holdings by Goodwill is not conditional on the completion of the Proposed Transaction. The Board would like to clarify that the Corporate Guarantee to be given by the Company and the Counter-indemnities to be provided by Softbank and Mr. Wong are based on the premise that the Proposed Reorganization is completed. If the Proposed Reorganization does not take place, the Company will withdraw the resolution in relation to the approval of the Corporate Guarantee and the Counter-indemnities, or even if the resolution is passed, it will become void and has no effect at law and the Company will make further announcement in this regard. In the event that the Proposed Reorganization does not take place and the Company proposes to provide the Corporate Guarantee and obtain the Counter-indemnities from Softbank and Mr. Wong based on their then respective beneficial interests in SBSA Securities, the Company will re-comply with the Listing Rules requirements (including seeking Shareholders' approval if required).

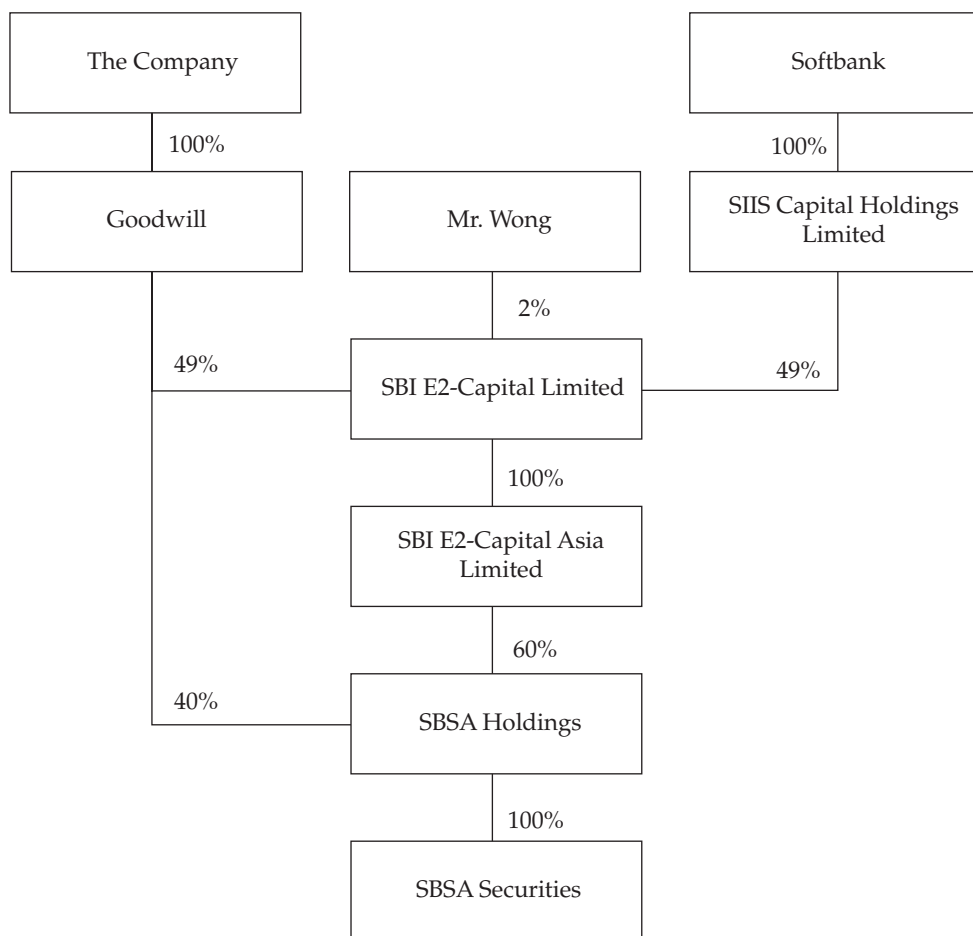
LETTER FROM THE BOARD

The chart below shows the shareholding structure of SBSA Securities as at the Latest Practicable Date and immediately **BEFORE** the implementation of the Proposed Reorganization (assuming no other changes since then):-



LETTER FROM THE BOARD

The chart below shows the shareholding structure of SBSA Securities immediately **AFTER** the implementation of the Proposed Reorganization (assuming no other changes since then):-



SBSA Securities was established with the goal to provide a wide range of capital market advisory, independent equity research and other related financial services. Its primary focus is to assist quality small and medium enterprises in Asia Pacific region to raise capital through Singapore's equity capital market and advise them in the origination and execution of mergers and acquisitions and corporate activities. In addition, SBSA Securities will engage in investment activities where it identifies and invests in businesses with the aim of building a full-service financial services group in the region. In order to carry out such activities, SBSA Securities has to obtain, among other things, approval from the MAS. In December 2004, SBSA Securities made an application to the MAS to obtain a Capital Markets Services Licence. On 13 May, 2005, the MAS issued a letter to SBSA Securities stating that it was prepared to approve SBSA Securities' application provided that certain requirements set out therein are complied with within three months from the date of the letter. SBSA Securities has to satisfy the MAS that, among other things, it will be able to maintain a sound financial position at all times and procure a written banker's guarantee of an amount of not less than S\$25 million (equivalent to approximately HK\$118.75 million) to meet all of its obligations and liabilities. The provision of the Guarantee will enable SBSA Securities to fulfill one of the requirements.

LETTER FROM THE BOARD

The Company intends to provide the Corporate Guarantee in favour of the Bank as security for the Guarantee to be provided by the Bank in favour of MAS on behalf of SBSA Securities. Since the Company will only beneficially own 69.4% equity interest in SBSA Securities after the Proposed Reorganization but it alone will take up full liability under the Corporate Guarantee, the other beneficial shareholders of SBSA securities will give two Counter-indemnities on a several basis, one by Softbank and one by Mr. Wong to the Company, with their respective liabilities in the same proportion as their respective beneficial interests in SBSA Securities to cover the Company's additional liabilities in the event of actual loss suffered or amount paid out by the Company in connection with the lawful performance of its obligations under the Corporate Guarantee.

The Company intends to seek approval from the Independent Shareholders before entering into the Proposed Transaction. As at the Latest Practicable Date, (i) a banking facility letter regarding the Guarantee has been issued by the Bank to SBSA Securities; (ii) the security document in respect of the Corporate Guarantee has not been executed; and (iii) no Counter-indemnities have been provided.

SBSA Securities has not engaged in any business activities since its incorporation. Upon obtaining the Capital Markets Services Licence, the paid-up capital of SBSA Securities will be increased to S\$5 million (equivalent to approximately HK\$23.75 million) and such funding will be provided by SBSA Holdings, subsequent to the Proposed Reorganization which is expected to be completed prior to obtaining the Capital Markets Services Licence from the MAS. In accordance with the Proposed Reorganization, SBI E2-Capital Asia Limited and Goodwill will subscribe for 2,999,998 and 2,000,000 shares of SBSA Holdings at S\$1.00 (equivalent to approximately HK\$4.75) per share respectively.

PRINCIPAL TERMS OF THE GUARANTEE AND THE PROPOSED TRANSACTION

The Proposed Transaction will be conducted on terms which will be no less favourable to the Company than the following principal terms:

A. The Guarantee

- | | |
|--------------------|---|
| Date: | To be executed after the Company obtains approval from the Independent Shareholders at the SGM for the Proposed Transaction and within three months from the date of the conditional approval letter issued by the MAS mentioned in the section headed "Background" above, being 12 August, 2005. |
| Guarantor: | The Bank (which will be independent of and not being a connected person of the Company within the meaning of the Listing Rules). |
| Guaranteed Amount: | Not more than S\$25 million (equivalent to approximately HK\$118.75 million). |

LETTER FROM THE BOARD

- In favour of: MAS.
- Nature: To comply with regulatory requirement of the MAS.
- Period to be covered: One calendar year from date of execution and for successive periods of one year thereafter unless either the Bank or MAS serves a notice of non-renewal upon the other party and the Guarantee may not be amended, withdrawn or terminated without the prior written consent of MAS.
- Fees: The relevant expenses to be paid by SBSA Securities in obtaining the Guarantee will comprise (i) an arrangement fee of S\$62,500 (equivalent to approximately HK\$296,875); and (ii) commission at 0.75% per annum of the Guaranteed Amount. The commission rates are subject to periodic review by the Bank and changes at its discretion.
- Other conditions:
- (i) SBSA Securities shall not without the prior written consent of the Bank substantially alter the nature of its business and amend or alter any of the provisions in its memorandum and articles of association relating to its borrowing powers and principal business activities.
 - (ii) SBSA Securities shall not without the prior written consent of the Bank substantially or materially change the ownership of the company.

SBSA Securities shall upon demand from the Bank, fund, reimburse and indemnify the Bank for any amount demanded and any other amount payable under the Guarantee including but not limited to cost, loss incurred or suffered by the Bank in connection therewith.

B. Proposed Transaction

B1) Security in favour of the bank

a) The Corporate Guarantee

Date: To be executed after obtaining approval from the Independent Shareholders at the SGM.

Corporate Guarantor: The Company.

LETTER FROM THE BOARD

- Nature: As a security for the Guarantee.
- Maximum liability: The maximum liability of the Company under the Corporate Guarantee shall not exceed the maximum aggregate amount of (i) the Corporate Guarantee Amount; (ii) default interest on the Corporate Guarantee Amount, if any, at such rate as may be specified by the Bank, compounded monthly, if not paid on the dates specified by the Bank; and (iii) expenses incurred by the Bank in enforcing the Corporate Guarantee on a full indemnity basis.
- Period to be covered: Concurrent with the period to be covered under the Guarantee.

The Corporate Guarantee is a continuing security and shall secure the whole of the maximum liabilities under the Guarantee until one calendar month after receipt by the Bank of notice in writing by the Company or a liquidator or receiver of the Company to terminate the same and despite the giving of such notice, the Corporate Guarantee shall continue to apply to the maximum liabilities under the Guarantee in respect of which SBSA Securities is or becomes actually or contingently liable up to such termination and the Company guarantees to pay such maximum liabilities under the Guarantee to the Bank on demand whether that demand is made before, at the time of or after such termination.

Upon execution of the Corporate Guarantee, SBSA Holdings will pay a fee of 1% per annum based on the Corporate Guarantee Amount to the Company for providing the Corporate Guarantee. Such fees are determined on arms length basis and are made on normal commercial terms. The amount payable to the Company shall be calculated and settled semi-annually by SBSA Holdings.

b) Lien

A lien over time deposit of S\$12.5 million (equivalent to approximately HK\$59.375 million) in the name of the Company.

LETTER FROM THE BOARD

B2) *The Counter-indemnities*

Date: To be executed upon execution of the Corporate Guarantee.

Indemnifiers: (i) Softbank; and
(ii) Mr. Wong.

Beneficiary: The Company.

Nature: To counter-indemnify the Company in any event within seven business days, being days (other than Saturdays, Sundays, and any days on which a tropical cyclone warning No.8 or above or a "black rainstorm warning signal" is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are generally open in Hong Kong for business, upon written demand of the Company with their respective liabilities in the same proportion as their respective beneficial interests in SBSA Securities to cover the Company's additional liabilities in the event of actual loss suffered or amount paid out by the Company in connection with the lawful performance of its obligations under the Corporate Guarantee.

Indemnified amounts: (i) for Softbank, 29.4% of any amount paid out by the Company pursuant to the Corporate Guarantee, subject to the maximum limit of S\$7.35 million (equivalent to approximately HK\$34.9 million) (i.e. 29.4% of the Guaranteed Amount); and
(ii) for Mr. Wong, 1.2% of any amount paid out by the Company pursuant to the Corporate Guarantee, subject to the maximum limit of S\$300,000 (equivalent to approximately HK\$1.425 million) (i.e. 1.2% of the Guaranteed Amount),

plus any interest or expenses actually incurred on or paid by the Company in respect of the Corporate Guarantee in the same proportion as their respective beneficial interests in SBSA Securities.

In addition, Mr. Wong will place a deposit in the amount of HK\$1.5 million into the Company's bank account as a security for his obligations under the Counter-indemnities for a period concurrent with the period to be covered under the Guarantee and the Counter-indemnities.

LETTER FROM THE BOARD

The indemnifying obligations of Softbank and Mr. Wong are several, and not joint and several.

Period to be covered: Concurrent with the period to be covered under the Guarantee and the Counter-indemnities cannot be terminated or withdrawn without the prior written consent of the Company.

Each of the Directors confirms that, to the best of their knowledge and belief and having made all reasonable enquiries, (i) the terms of the Corporate Guarantee will be made on normal commercial terms which are no less favourable to the Company than terms available from other independent third parties; (ii) the Bank will be independent of and not a connected person of the Company and any of its connected persons (as defined in the Listing Rules); (iii) the fees to be paid by SBSA Securities to the Bank for providing the Guarantee will be made on normal commercial terms and on arms length basis; (iv) the fees to be paid by SBSA Holdings to the Company for providing the Corporate Guarantee will be made on normal commercial terms and on arms length basis; (v) the Counter-indemnities will be made on normal commercial terms and on arms length basis; and (vi) the Company and the 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 issued share capital of the Company and the Company holds beneficial interests of approximately 4.28% of the 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.

REASONS FOR ENTERING INTO THE PROPOSED TRANSACTION AND EFFECT ON THE COMPANY

Subsequent to the disposal of the remaining 10.92% interest in Westcomb which is a company listed on the SESDAQ of the Singapore Exchange Securities Trading Limited in January 2005 to realize the Group's investment, the Group no longer has any foothold in Singapore for the provision of financial services in that region. In order to maintain the presence of the SBI E2-Capital brand in Singapore and to complement the financial services to be provided to the Group's clients, in particular for clients in the PRC, SBSA Securities made an application to the MAS for a Capital Markets Services Licence to carry out the regulated activities of dealing in securities and advising on corporate finance. The Directors consider that the advantages to the Group arising from the proposed provision of the Corporate Guarantee by the Company are that the Guarantee would serve to satisfy one of the conditions imposed by the MAS in agreeing to grant the Capital Markets Services Licence to SBSA Securities and the Group will benefit from the profit contributions from SBSA Securities arising from its business activities to be carried out under the Capital Markets Services Licence in the future. In addition, the Group would generate positive cash flows as a result of the fees to be received from SBSA Holdings for the Company to provide the Corporate Guarantee.

LETTER FROM THE BOARD

The Directors have noted that the maximum liabilities under the Corporate Guarantee would constitute part of the Company's contingent liabilities and only in the event of the enforcement of the Corporate Guarantee by the Bank would it be materialized into an actual liability of the Company. The Group had a cash balance of approximately HK\$222.9 million as shown in the latest audited consolidated balance sheet of the Company as at 31 December, 2004 and the Group has a substantial amount of investment in securities. According to the Company's audited consolidated balance sheet as at 31 December, 2004, the Group had total assets and total liabilities amounting to approximately HK\$623.7 million and approximately HK\$55.8 million respectively. In view of such a strong asset backing, the Directors believe that the maximum liabilities under the Corporate Guarantee (disregarding the Counter-indemnities to be provided by Softbank and Mr. Wong) together with other financial commitments for the benefit of certain affiliated companies are within the limits which the Company could absorb.

Taking into account the background of, the reasons for and the terms of the Proposed Transaction, the Directors consider that the terms of the Proposed Transactions are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Applying the consideration test to the Corporate Guarantee Amount, the percentage ratio computed exceeds 25% but is less than 75% of the total market capitalization of the Company determined in accordance with Rule 14.07(4) of the Listing Rules.

Mr. Wong is a connected person of the Company (within the meaning of the Listing Rules) by virtue of him being a Director and holding an aggregate of approximately 26.61% of the issued capital of the Company through his direct personal interest of approximately 0.57% of the issued capital of the Company and his indirect beneficial interests of approximately 26.04% of the issued share capital of the Company. The Proposed Transaction will therefore constitute a connected transaction of the Company within the meaning of Rule 14A.13(3) of the Listing Rules as it is a transaction for the benefit, albeit indirectly, of a connected person (i.e. Mr. Wong).

Hence, the Proposed Transaction will constitute a major and connected transaction of the Company. Since the Proposed Transaction will constitute a connected transaction of the Company under Rule 14A.13(3) of the Listing Rules, it will be subject to the disclosure and the Independent Shareholders' approval requirements at the SGM under Rule 14A.48 of the Listing Rules. The votes of the Independent Shareholders at the SGM will be taken by way of a poll. To the best knowledge and belief of the Directors, Mr. Wong, Softbank and their respective associates will, to the extent they hold any Share(s), be required to abstain from voting at the SGM.

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

LETTER FROM THE BOARD

The Company does not control the board of SBSA Securities and has no intention to control the board of SBSA Securities after the Proposed Reorganization. After the Proposed Reorganization, SBSA Securities remains as a subsidiary of SBI E2-Capital Limited and is managed independently by the management of the SBI E2-Capital Group. As SBSA Securities remains an associated company of the Company after the Proposed Reorganization, there will be Rule 13.16 implications on the provision of the Corporate Guarantee. As the Corporate Guarantee Amount, together with the guaranteed amounts under various guarantees to other affiliated companies of the Company (details of which were disclosed by the Company in an announcement dated 21 October, 2004) is in excess of 8% of the consideration test under Rule 14.07 of the Listing Rules, the Company has made disclosure of the relevant information in compliance with Rule 13.16 of the Listing Rules in the Announcement.

A summary of the Corporate Guarantee Amount and guaranteed amounts in relation to the provision of guarantees to various affiliated companies is set out as follows:

Name of the affiliated companies	Attributable equity interest held/to be held directly/indirectly by the Company	Guaranteed amount	Total HK\$'000
<i>Approved by Shareholders:</i>			
SBI E2-Capital Securities Limited	34%	HK\$105 million	105,000
SBI E2-Capital Brokerage Limited	34%	HK\$28 million	28,000
SBI E2-Capital Commodities Limited	34%	HK\$10 million	10,000
<i>To be approved by Shareholders:</i>			
SBSA Securities	69.4%	S\$25 million	118,750
Total			261,750

The terms of the guarantee provided by the Company to a bank for banking facilities given to the Affiliated Companies have been set out in the Company's announcement dated 21 October, 2004. As at the Latest Practicable Date, no banking facilities are being utilized by the Affiliated Companies which are guaranteed by the Company.

In the event of the enforcement of the Corporate Guarantee by the Bank against the Company, the Company will satisfy any outstanding amount due under the Corporate Guarantee from its internal resources.

Save as disclosed in this circular, as at the Latest Practicable Date, the Company has not provided any financial assistance or guarantee to any of the affiliated companies.

LETTER FROM THE BOARD

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The principal activities of the Group are investment holding, property development, consulting, marketing and technology services, direct investments, and industrial and management operations.

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 in 2004 and in 2005, the Group is 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 continue to explore investment opportunities which will enhance shareholders value with the skill and expertise available in the Group and the market place.

SGM

The Proposed Transaction is subject to approval by the Independent Shareholders at the SGM. The resolution to be proposed at the SGM for the Independent Shareholders to consider and, if thought fit, to approve the Proposed Transaction is set out in the notice of the SGM on pages 74 to 76 of this circular.

As at the Latest Practicable Date, Mr. Wong and Softbank are beneficially interested in approximately 26.61% and 5.68% respectively of the share capital of the Company. Mr. Wong's interest is held through his direct personal interest of approximately 0.57% in the Company and his beneficial shareholdings in e2-Capital Inc. which holds approximately 26.04% in the Company. Softbank is directly interested in 5.68% of the share capital of the Company. Given that Mr. Wong is a Director and has substantial beneficial interest in the share capital of the Company, Mr. Wong is a connected person of the Company (within the meaning of the Listing Rules). Both Mr. Wong and Softbank will be the counter-parties in giving the Counter-indemnities to be executed upon execution of the Corporate Guarantee. In view of the above, Mr. Wong and Softbank are considered to have a material interest in the Proposed Transaction. Accordingly, Mr. Wong, Softbank and their respective associates will, to the extent they hold any Share(s), be required to abstain from voting at the SGM to consider and, if thought fit, to approve the Proposed Transaction.

As at the Latest Practicable Date, to the best knowledge and belief of the Directors and having made all reasonable enquiries, Mr. Wong, Softbank and their respective associates have control over a total of approximately 32.29% of the voting rights in the Company and none of Mr. Wong or Softbank is subject to (i) any voting trust or other agreement or arrangement or understanding entered into by or binding upon him/it; or (ii) any obligation or entitlement, whereby he/it has or may have temporarily or permanently passed control over the exercise of voting right in respect of his/its holdings of Shares to a third party.

LETTER FROM THE BOARD

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you intend to be present at the SGM, you are requested to complete and return the enclosed form of proxy to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 19 to 20 of the circular which contains its advice to the Independent Shareholders as to voting at the SGM regarding the Proposed Transaction. Your attention is also drawn to the letter of advice received from the Independent Financial Adviser which contains, among other things, its recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Transaction and the principal factors and reasons considered by it in concluding its advice. The letter from the Independent Financial Adviser is set out on pages 21 to 28 of this circular.

The Independent Board Committee, having taking into account the advice from the Independent Financial Adviser, considers that the terms of the Proposed Transaction are fair and reasonable and are in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the Proposed Transaction.

ADDITIONAL INFORMATION

Your attention is drawn to the appendices to this circular and the notice of the SGM.

By order of the Board of
E2-Capital (Holdings) Limited
Wong Sin Just
Executive Co-chairman



E2 - Capital
GROUP

E2-CAPITAL (HOLDINGS) LIMITED

(金滙投資(集團)有限公司)*

(Incorporated in Bermuda with limited liability)

(Stock code: 378)

24 June, 2005

To the Independent Shareholders

Dear Sir or Madam,

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

As the Independent Board Committee, we have been appointed to advise you in relation to the Proposed Transaction, details of which are set out in the "Letter from the Board" contained in the circular to the Shareholders dated 24 June, 2005 (the "Circular") of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Your attention is drawn to the "Letter from the Board", the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Transaction as set out in the "Letter from the Independent Financial Adviser" as well as other additional information set out in other parts of the Circular.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the background of, the reasons for and the principal terms of the Proposed Transaction and the advice of the Independent Financial Adviser in relation thereto as set out on pages 21 to 28 of the Circular, we are of the opinion that the terms of the Proposed Transaction are fair and reasonable and are in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole. We therefore recommend that you vote in favour of the resolution to be proposed at the SGM to consider and, if thought fit, to approve the Proposed Transaction.

Your faithfully,
for and on behalf of

Independent Board Committee

Roberto V. Ongpin

Independent Non-executive Director

Chung Cho Yee, Mico

Independent Non-executive Director

Ho Kwan Tat

Independent Non-executive Director

Dr. Hui Ka Wah, Ronnie

Independent Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Proposed Transaction for the inclusion in the Circular.



博資財務顧問有限公司
AMS Corporate Finance Limited

20th Floor
Hong Kong Diamond Exchange Building
8-10 Duddell Street
Central
Hong Kong

24 June 2005

*To the independent board committee
and the independent shareholders of
E2-Capital (Holdings) Limited*

Dear Sirs,

PROPOSED MAJOR AND CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders of E2-Capital (Holdings) Limited (the "Company") in respect of the Proposed Transaction, details of which are set out in the letter from the Board (the "Letter from the Board") contained in the circular dated 24 June 2005 issued by the Company to the Shareholders (the "Circular"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the Proposed Transaction is in the interests of the Company and the Shareholders as a whole and whether the terms of the Proposed Transaction are fair and reasonable so far as the Independent Shareholders are concerned. As the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to i) whether or not the Proposed Transaction is in the interests of the Company and the Shareholders as a whole; ii) whether the terms of the Proposed Transaction are fair and reasonable so far as the Independent Shareholders are concerned; and iii) how the Independent Shareholders should vote in respect of the resolution to approve the Proposed Transaction at the SGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information and representations contained or referred to in the Circular and the information and representations provided to us by the Company and the Directors. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the Company and the Directors, for which they are solely and wholly responsible, were true and accurate at the time when they were made and continue to be so at the date hereof. The Directors have confirmed, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have no reason to doubt the truth, accuracy or completeness of the information provided to us by the Company and the Directors. We consider that we have reviewed sufficient information to reach an informed view. We have not, however, conducted any independent verification of the information provided, nor have we carried out any form of in-depth investigation into the business and affairs of the Group or the prospects of the market in which it operates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion regarding the Proposed Transaction, we have taken into consideration the following principal factors and reasons:

Background information

As stated in the Letter from the Board, SBSA Holdings was incorporated in Singapore in September 2004 and is owned indirectly as to 49%, 49% and 2% by the Company, Softbank and Mr. Wong, respectively, whereas SBSA Securities was incorporated in Singapore in October 2004 and is a wholly-owned subsidiary of SBSA Holdings. Subject to the approval to be granted by the MAS, SBSA Holdings will undergo the Proposed Reorganization resulting in the Company, Softbank and Mr. Wong having indirect attributable interests of 69.4%, 29.4% and 1.2%, respectively, in the issued share capital of SBSA Holdings. Nevertheless, SBSA Securities will remain as a wholly-owned subsidiary of SBSA Holdings.

As stated in the Letter from the Board, SBSA Securities was established with the goal to provide a wide range of capital market advisory, independent equity research and other related financial services. The primary focus of SBSA Securities will be to assist quality small and medium sized enterprises in the Asia Pacific region to raise capital through Singapore's equity capital market as well as to advise them in the origination and execution of mergers and acquisitions and corporate activities. In this connection, SBSA Securities applied to the MAS in December 2004 for a Capital Markets Services Licence so that it could conduct the regulated activities of dealing in securities and advising on corporate finance under the Securities and Futures Act of Singapore. On 13 May 2005, the MAS issued a letter to SBSA Securities stating that it was prepared to approve SBSA Securities' application provided that certain requirements set out therein are complied

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

with within three months from the date of the letter. In particular, SBSA Securities has to satisfy the MAS that, among other things, it will be able to maintain a sound financial position at all times and procure a written banker's guarantee of an amount of not less than S\$25 million (equivalent to approximately HK\$118.75 million) to meet all of its obligations and liabilities.

In order to indemnify the Bank with any liabilities or losses which might arise as a result of its obligations under the Guarantee, the Corporate Guarantee for an amount of S\$25 million (equivalent to approximately HK\$118.75 million) plus any interest or expenses incurred by the Bank in respect of the Guarantee will be given by the Company to the Bank. In addition, upon the execution of the Corporate Guarantee, Softbank and Mr. Wong will provide the Counter-indemnities in favour of the Company to the extent that any liabilities or losses which might be incurred by the Company as a result of its obligations under the Corporate Guarantee will be counter-indemnified by Softbank and Mr. Wong proportionally to their respective beneficial interests in SBSA Securities. The respective terms of the Guarantee, the Corporate Guarantee and the Counter-indemnities have been stated in the Letter from the Board.

Since Mr. Wong is a Director and owns beneficially an aggregate of approximately 26.61% of the issued capital of the Company, he is considered to be a connected person of the Company pursuant to the Listing Rules. As the Proposed Transaction involves the granting of guarantee for the benefit of Mr. Wong indirectly through the provision of the Corporate Guarantee for the interests of SBSA Securities in which Mr. Wong has beneficial interest of 1.2%, the Proposed Transaction will constitute a connected transaction of the Company in accordance with Rule 14A.13(3) of the Listing Rules and will be subject to the Independent Shareholders' approval requirements under Rule 14A.48 of the Listing Rules. The votes of the Independent Shareholders at the SGM will be taken by way of a poll and Mr. Wong, Softbank and their respective associates will be required to abstain from voting at the SGM.

Reasons for the Proposed Transaction

As stated in the Letter from the Board, subsequent to the disposal of the remaining 10.92% interest in Westcomb Financial Group Limited (formerly known as SBI E2-Capital Holdings Limited and a company listed on the SESDAQ of the Singapore Exchange Securities Trading Limited) by the Group in January 2005, the Group no longer has any foothold in Singapore for the provision of financial services in that region. The Directors consider that, through the establishment of SBSA Securities, the Group will be able to maintain its presence in Singapore and to complement its existing financial services. In addition, the Directors believe that the Group may benefit from the profit contributions from SBSA Securities arising from its business activities to be carried out under the Capital Markets Services Licence in the future. As the requirements laid down by the MAS must be fully satisfied before the grant of the Capital Markets Services Licence to SBSA Securities and the successful implementation of the Proposed Transaction will enable the fulfillment of one of such requirements, the Directors consider the Proposed Transaction to be in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As stated in the Letter from the Board, the principal activities of the Group are investment holding, property development, sourcing and distribution of digital consumer products, consulting, marketing and technology services, direct investments, and industrial and management operations. SBI E2-Captial Limited, a 49%-owned associate of the Company, is the holding company of the SBI E2-Capital Group which is principally engaged in the provision of financial services such as securities broking, provision of margin financing, commodities, options and futures trading, and provision of corporate finance services in Hong Kong. As advised by the Company, for the year ended 31 December 2004, the share of profits of SBI E2-Captial Limited by the Group amounted to approximately HK\$5.8 million. On the other hand, for the year ended 31 December 2004, the Group shared profits of approximately HK\$7.3 million of Westcomb Financial Group Limited, which was a former associated company of the Group and is principally engaged in the provision of financial services in Singapore. In sum, for the year ended 31 December 2004, the share of profits by the Group of its associated companies in respect of financial services business was approximately HK\$13.1 million, representing approximately 17.5% of the Group's profit before taxation of approximately HK\$74.9 million. Given that SBSA Securities will be engaged in the financial services business similar to those of the SBI E2-Capital Group but with a regional focus on the Singapore market, we concur with the Directors' view that the business of SBSA Securities in the future will be able to complement the existing financial services business of the SBI E2-Capital Group, which may be of significant importance to the Group in view of the Group's share of the results of such associated companies.

As regards the prospects of the financial services business in Singapore, we note from the website of the Singapore Exchange that the securities market in Singapore has experienced robust growth during the year ended 30 June 2004 and remains positive based on market statistics for the quarter ended 31 March 2005. Particularly, the turnover value of the securities market was approximately S\$208.0 billion for the year ended 30 June 2004, representing a significant increase of over 100% from approximately S\$102.6 billion of the previous year. For the quarter ended 31 March 2005, the turnover value of the securities market was approximately S\$47.0 billion, representing an increase of approximately 12.8% from the previous quarter. During the year ended 30 June 2004, 70 companies became listed with funds raised in the amount of approximately S\$1.8 billion, compared to a total of 45 new listings during the year ended 30 June 2003. As at 30 June 2004, the Singapore Exchange had a total of 584 listed companies of which 439 were listed on the Mainboard and 145 on the SESDAQ (i.e. the board for small and medium sized companies) and the total market capitalisation amounted to approximately S\$410.9 billion. Given the recent developments of the securities market in Singapore, we are optimistic about the future prospects of the financial services business in Singapore in general.

In view of the fact that i) the provision of the Guarantee is one of the conditions to the granting of the Capital Markets Services Licence by the MAS; ii) the Corporate Guarantee is incidental to the execution of the Guarantee by the Bank; iii) the availability of the Capital Markets Services Licence is essential for SBSA Securities to carry on the regulated financial services business in Singapore; and iv) through its share of the financial results of the associated companies, the Group will benefit from the financial services

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

business of SBSA Securities of which the future prospects appear to be positive, we concur with the Directors' view that the Proposed Transaction is in the interests of the Company and the Shareholders as a whole.

Operational control by the Company in SBSA Securities

As stated in the Letter from the Board, although the Company will be indirectly interested in 69.4% of the issued share capital of SBSA Securities upon the completion of the Proposed Reorganization, the Company will not, and has no intention to, control the board of the directors of SBSA Securities (the "Board of SBSA Securities") after the completion of the Proposed Reorganization. This is because SBSA Securities will remain as a subsidiary of SBI E2-Capital Limited and will be independently managed by the management of the SBI E2-Capital Group.

Since the Company will be subject to the risk of any liabilities or losses which might arise from the Corporate Guarantee in case of the Guarantee being enforced against the Bank by the MAS, there will be a reasonable concern about the risk of SBSA Securities being in default in any of its obligations owed to the MAS. In this connection, we have inquired with and have been informed by the Company that although the Company will not control the board of the directors of SBSA Securities, Mr. Wong, an executive Director, has been appointed as an executive director and the chief executive officer of SBSA Securities. Mr. Wong will be in charge of the overall management and operation of SBSA Securities including, but not limited to, local regulatory compliance matters, risk management and treasury management. As a result, the Directors are confident that the Group will be able to monitor closely the operations and financial position of SBSA Securities in all material respects.

Furthermore, the financial services business to be carried on by SBSA Securities is supervised and regulated by the Singapore Exchange and/or the MAS. Coupled with the role of Mr. Wong as an executive director and the chief executive officer of SBSA Securities, we consider that the Group will have reasonable measures to monitor and control the operation of SBSA Securities notwithstanding that the Company will not control the Board of SBSA Securities.

Counter-indemnities by Softbank and Mr. Wong

As mentioned above, since the Company will, subject to the Independent Shareholders' approval, provide guarantee to honour 100% of the Corporate Guarantee Amount, which is greater than the Company's proportionate beneficial interest of 69.4% in SBSA Securities, Softbank and Mr. Wong (respectively own 29.4% and 1.2% beneficial interests in SBSA Securities) will provide counter-indemnities on a several basis to the Company in the same proportion as their respective beneficial interests in SBSA Securities. As discussed with the Directors, the purpose of the Counter-indemnities is to safeguard the interests of the Company and limit its exposure under the Corporate Guarantee up to its proportionate beneficial interest in SBSA Securities. Under the Counter-indemnities, the financial exposure of Softbank will be equal to 29.4% of any amount paid out by the Company pursuant to the Corporate Guarantee, subject to the maximum limit of S\$7.35

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

million (equivalent to approximately HK\$34.9 million) plus any interest or expenses actually incurred on or paid by the Company in respect of the Corporate Guarantee in the same proportion as its beneficial interest in SBSA Securities. As for Mr. Wong, his financial exposure will be limited to the maximum amount of S\$300,000 (equivalent to approximately HK\$1.425 million, being 1.2% of the Corporate Guarantee Amount) plus his proportional share of any interest or expenses actually incurred on or paid by the Company in respect of the Corporate Guarantee.

As the effectiveness of the Counter-indemnities will largely depend on the abilities of the relevant parties to fulfill their obligations as and when demanded by the Company in accordance with the terms of the Counter-indemnities, there will be a reasonable concern as to the financial strength of the indemnifiers, i.e. Softbank and Mr. Wong. Based on the latest published annual report of Softbank for the year ended 31 December 2004, Softbank had cash and bank balances and net assets of approximately HK\$61.1 million and HK\$238.9 million, respectively. In view of the latest audited financial position of Softbank, it appears that Softbank will have the financial resources to meet its obligations under the Counter-indemnities if required. On the other hand, pursuant to the terms of the Counter-indemnity by Mr. Wong, he will place a deposit in the amount of HK\$1.5 million with the Company as security for his obligations under the Counter-indemnity. Given the maximum financial exposure of S\$300,000 (equivalent to approximately HK\$1.425 million), we consider that such deposit of HK\$1.5 million as security by Mr. Wong will be able to meet his obligations under the Counter-indemnity. Accordingly, we are satisfied that the Counter-indemnities would be able to protect the Company against the risk associated with the Corporate Guarantee that is beyond its share based on its proportionate beneficial interests in SBSA Securities.

Taking into account the Counter-indemnities, as well as the operation and financial control of the Group in SBSA Securities through Mr. Wong being its chief executive officer and executive director, we consider that the Directors have taken due and careful steps in considering the Proposed Transaction and to safeguard the interests of the Company and limit its exposure under the Corporate Guarantee.

Financial effects of the Proposed Transaction

The Proposed Transaction will not have any direct material impact on the financial position of the Group unless and until such time that the Guarantee is called upon by the MAS and the Bank in turn enforces the Corporate Guarantee against the Company.

As stated in the Letter from the Board, time deposit of S\$12,500,000 (equivalent to HK\$59.4 million) in the name of the Company will be charged to the Bank as security for the Guarantee. As confirmed with the Company, such charge on the Company's deposit will not have any material adverse effects on the Group's working capital requirements. As noted from the Company's latest annual report, the bank balances and cash of the Group amounted to approximately HK\$222.9 million as at 31 December 2004. The Group had net current assets and shareholders' funds of approximately HK\$314.3 million and HK\$566.8 million, respectively, as at 31 December 2004. In view of the financial position of the Group as well as the availability of the Counter-indemnities, we are of the view that

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

the charge on the Company's deposit will not have any material adverse effects on the working capital of the Group and that the Group has sufficient financial resources to meet its obligations under the Corporate Guarantee.

Pursuant to the terms of the Proposed Transaction, the Company will receive a fee of 1% per annum of the Corporate Guarantee Amount from SBSA Holdings in consideration of the provision of the Corporate Guarantee by the Company. Accordingly, the Company will record an income of S\$250,000 (equivalent to approximately HK\$1.2 million) per annum as a result of the provision of the Corporate Guarantee. As stated in the Letter from the Board, such fee is determined on arm's length basis and made on normal commercial terms. In view of (i) the Bank, an authorised banking institution in Singapore, is an independent third party not connected with the Company, Softbank or Mr. Wong; (ii) the commission rate charged by the Bank for the provision of the Guarantee is determined on arm's length basis and made on normal commercial terms; and (iii) the fee to be received by the Company for the provision of the Corporate Guarantee is comparable to the commission charged to SBSA Holdings by the Bank, we consider that the fee arrangement for the Corporate Guarantee is in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned.

RECOMMENDATION

In formulating our recommendation to the Independent Board Committee and the Independent Shareholders, we have considered all the above factors and reasons, in particular, the following:

1. The Corporate Guarantee is incidental to the Guarantee which is one of the conditions to the granting of the Capital Markets Services Licence by the MAS and the Capital Markets Services Licence is essential for SBSA Securities to carry on the regulated financial services business in Singapore. Through its shareholdings in SBSA Securities, the Group is expected to benefit from the financial services business of SBSA Securities in Singapore which appears to be positive in view of the recent sentiment of the Singapore stock market.
2. Mr. Wong, an executive Director, has been appointed as an executive director and the chief executive officer of SBSA Securities and will be in charge of the overall management and operation of SBSA Securities. As a result, the Group will be able to closely monitor the operations and financial position of SBSA Securities in all material respects despite the lack of control over the Board of SBSA Securities.
3. The Counter-indemnities will ensure that any liabilities or losses which might be incurred by the Company as a result of its obligations under the Corporate Guarantee will be counter-indemnified by Softbank and Mr. Wong proportionally to their respective beneficial interests in SBSA Securities. Effectively, the Group's financial exposure under the Corporate Guarantee will be limited to its beneficial interests in SBSA Securities only.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the above consideration, we are of the opinion that the Proposed Transaction is in the interests of the Company and the Shareholders as a whole and the terms of the Proposed Transaction are fair and reasonable so far as the Independent Shareholders are concerned. Therefore, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the resolution to approve the Proposed Transaction at the SGM.

Yours faithfully,
For and on behalf of
AMS Corporate Finance Limited
Jinny Mok
Director

1. SHARE CAPITAL

The authorized and issued share capitals of the Company as at the Latest Practicable Date were as follows:

<i>Authorized:</i>		<i>HK\$</i>
<u>750,000,000</u>	Shares	<u>750,000,000</u>
<i>Issued and fully paid:</i>		
<u>400,633,217</u>	Shares	<u>400,633,217</u>

All the shares in issue rank pari passu in all respects including all rights as to dividends, voting and return of capital.

As at the Latest Practicable Date, there were no outstanding share options, warrants or any other securities of the Company in issue which are convertible into shares.

2. AUDITED FINANCIAL INFORMATION

Set out below are (a) the audited consolidated profit and loss account of the Company for each of the three financial years ended 31st December, 2004; (b) the audited consolidated balance sheet of the Company as at 31st December, 2004, 2003 and 2002; (c) the audited balance sheet of the Company as at 31st December, 2004 and 2003; (d) the audited consolidated statement of changes in equity and the audited consolidated cash flow statement for each of the two financial years ended 31st December, 2004; and, (e) notes to the financial statements as extracted from the Company's annual report and accounts for the year ended 31st December, 2004.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	2	316,387	51,703	116,014
Cost of sales		<u>(275,506)</u>	<u>(47,533)</u>	<u>(93,770)</u>
Gross profit		40,881	4,170	22,244
Other revenues	2	10,729	788	310
Gain on disposal of discontinued operations		-	-	12,189
Gain on disposal of interests in subsidiaries (net)		-	-	820
Gain on disposal of interests in associated companies (net)		22,095	-	-
Realised and unrealised gain/(loss) on investments in securities (net)		27,943	(5,480)	(121,913)
Distribution costs		(453)	(355)	(347)
General and administrative expenses		<u>(45,158)</u>	<u>(33,027)</u>	<u>(51,920)</u>
Operating profit/(loss) before provision for impairment of assets		56,037	(33,904)	(138,617)
Provision for impairment of assets	3	<u>-</u>	<u>(102,568)</u>	<u>(220,509)</u>
Operating profit/(loss)	4	56,037	(136,472)	(359,126)
Finance costs	5	(2,893)	(2,746)	(3,890)
Share of profits less losses of associated companies		<u>21,799</u>	<u>17,565</u>	<u>5,133</u>
Profit/(loss) before taxation		74,943	(121,653)	(357,883)
Taxation	6	<u>(5,278)</u>	<u>(2,473)</u>	<u>1,419</u>
Profit/(loss) after taxation		69,665	(124,126)	(356,464)
Minority interests		<u>(2,603)</u>	<u>(272)</u>	<u>4,786</u>
Profit/(loss) attributable to shareholders	7	<u><u>67,062</u></u>	<u><u>(124,398)</u></u>	<u><u>(351,678)</u></u>
Dividends	8	<u><u>40,064</u></u>	<u><u>-</u></u>	<u><u>2,862</u></u>
Basic earnings/(loss) per share	9	<u><u>16.74 cents</u></u>	<u><u>(31.05 cents)</u></u>	<u><u>(87.78 cents)</u></u>

CONSOLIDATED BALANCE SHEET

	Note	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Non-current assets				
Fixed assets	12	25,324	25,487	102,980
Properties for development	13	43,000	63,000	89,201
Interests in associated companies	15	105,570	110,143	99,799
Investments in securities	16	47,567	22,427	46,721
Loans receivable from investee companies		1,894	9,075	125,116
Mortgage loans receivable – due after one year	17	29,624	20,496	26,133
Other non-current assets	18	2,192	2,242	2,292
		<u>255,171</u>	<u>252,870</u>	<u>492,242</u>
Current assets				
Properties for sale/properties under development for sale	19	20,064	231,911	143,506
Inventories	20	7,834	7,414	8,573
Trade and other receivables	21	49,364	34,846	44,479
Investments in securities	16	65,408	18,660	461
Mortgage loans receivable – current portion	17	2,916	629	1,157
Bank balances and cash		222,925	154,518	126,766
		<u>368,511</u>	<u>447,978</u>	<u>324,942</u>
Current liabilities				
Trade and other payables	22	26,018	39,612	36,052
Current portion of long-term liabilities	26	24,267	104,536	93,801
Loan from a minority shareholder of a subsidiary	23	3,943	20,066	–
		<u>54,228</u>	<u>164,214</u>	<u>129,853</u>
Net current assets		<u>314,283</u>	<u>283,764</u>	<u>195,089</u>
Total assets less current liabilities		<u><u>569,454</u></u>	<u><u>536,634</u></u>	<u><u>687,331</u></u>

CONSOLIDATED BALANCE SHEET

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Financed by:				
Share capital	24	400,633	572,333	892,840
Reserves	25	85,544	85,814	217,586
Retained earnings/ (Accumulated losses)	25	80,574	(138,156)	(466,037)
Shareholders' funds		566,751	519,991	644,389
Minority interests		1,126	161	192
Non-current liabilities				
Long-term liabilities	26	1,577	16,482	22,684
Loan from a minority shareholder of a subsidiary		–	–	20,066
		<u>569,454</u>	<u>536,634</u>	<u>687,331</u>

BALANCE SHEET*As at 31 December 2004*

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Non-current assets			
Fixed assets	12	645	912
Investments in subsidiaries	14	1,205,188	1,185,916
Investments in securities	16	–	189
Other non-current assets	18	2,017	2,017
		<u>1,207,850</u>	<u>1,189,034</u>
Current assets			
Trade and other receivables	21	630,288	653,866
Bank balances and cash		190,376	125,940
		<u>820,664</u>	<u>779,806</u>
Current liabilities			
Trade and other payables	22	1,286,962	1,185,462
		<u>1,286,962</u>	<u>1,185,462</u>
Net current liabilities		<u>(466,298)</u>	<u>(405,656)</u>
Total assets less current liabilities		<u><u>741,552</u></u>	<u><u>783,378</u></u>
Financed by:			
Share capital	24	400,633	572,333
Reserves	25	340,919	211,045
Shareholders' funds		<u><u>741,552</u></u>	<u><u>783,378</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2004

	<i>Note</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Total equity as at 1 January		519,991	644,389
Exchange difference	25	(270)	–
Dividends	25	(20,032)	–
Profit/(loss) for the year	25	67,062	(124,398)
		<hr/>	<hr/>
Total equity as at 31 December		<u>566,751</u>	<u>519,991</u>

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2004

	Note	2004 HK\$'000	2003 HK\$'000
Net cash inflow/(outflow) from operating activities	28(a)	195,510	(73,201)
Investing activities			
Purchase of fixed assets		(1,262)	(555)
Sale of fixed assets		–	440
Expenditure incurred in properties for development		(64)	–
Sale of associated companies		30,963	–
Purchase of investments in securities		(28,075)	(28,559)
Sale of investments in securities		2,462	30,686
(Increase)/decrease in mortgage loans receivable		(11,415)	6,165
Decrease in other non-current assets		50	50
Decrease in loans receivable from investee companies		7,181	90,939
Net cash (outflow)/inflow from investing activities		(160)	99,166
Net cash inflow before financing		195,350	25,965
Financing	28(b)		
New loans payable		–	74,369
Repayment of amounts borrowed		(105,049)	(69,836)
Interest paid		(1,863)	(2,746)
Dividend paid		(20,031)	–
Net cash (outflow)/inflow from financing		(126,943)	1,787
Increase in cash and cash equivalents		68,407	27,752
Cash and cash equivalents at 1 January		154,518	126,766
Cash and cash equivalents at 31 December		<u>222,925</u>	<u>154,518</u>
Analysis of balances of cash and cash equivalents			
Bank balances and cash		222,925	154,518
		<u>222,925</u>	<u>154,518</u>

NOTES TO THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of preparation

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain properties and investments in securities are stated at fair value.

(b) Group accounting*(i) Consolidation*

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December.

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

Where an interest in a subsidiary was acquired with the intention that the control is temporary, the interest is classified as a current asset and is accounted for at the same policy as other investments under the accounting policies of investments in securities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Associated companies

An associated company is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and also goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates, unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the Company on the basis of dividends received and receivable.

(iii) *Translation of foreign currencies*

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(c) Properties for development

Properties for development are investments in land and buildings on which construction work has not been completed and which, upon completion, management intends to hold for investment purposes or no decision has yet been made on their future use. These properties are carried at cost which includes development and construction expenditure incurred and interest and other direct costs attributable to the development less any accumulated impairment losses.

(d) Properties for sale/properties under development for sale

Properties for sale are stated at the lower of cost and net realisable value. Cost includes land cost, construction cost, interest, finance charges and other direct costs. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

Where presale has taken place, properties under development for sale are stated at cost plus attributable profits less foreseeable losses and deposits received from presale; otherwise, properties under development for sale are stated at the lower of cost and net realisable value. Cost includes land cost, construction cost, interest, finance charges and other direct costs attributable to the development of the properties. Foreseeable losses represent estimated or actual selling price less all costs to completion and selling expenses. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(e) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are valued at intervals of not more than three years by independent valuers; in each of the intervening years valuations are undertaken by professionally qualified executives of the Group. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations

on a portfolio basis and thereafter are debited to operating results. Any subsequent increases are credited to operating results up to the amount previously debited.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

(f) Leasehold land and buildings and other fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended uses.

(g) Depreciation

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Leasehold land is depreciated over the period of the lease while other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Land	2%
Buildings	2%
Leasehold improvements	20% – 33 ¹ / ₃ %
Furniture, fixtures and equipments	20% – 33 ¹ / ₃ %
Motor vehicles	20%

Improvements are capitalised and depreciated over their expected useful lives to the Group.

(h) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in investment properties, properties for development, properties for sale/properties under development for sale and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset other than investment properties, properties for development and properties for sale/properties under development for sale is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(i) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(j) Investments in securities

(i) Investment securities

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts.

When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(ii) *Other investments*

Other investments are carried at fair value. At each balance sheet date, the net unrealized gains or losses arising from the changes in fair value of other investments are recognized in the profit and loss account. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(iii) *Held-to-maturity securities*

Held-to-maturity securities are stated in the balance sheet at cost plus/less any discount/premium amortised to date. The discount or premium is amortised over the period to maturity and included as interest income/expenses in the profit and loss account. Provision is made when there is a diminution in value other than temporary.

The carrying amounts of individual held-to-maturity securities or holdings of the same securities are reviewed at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised in the profit and loss account as an expense immediately.

(k) Inventories

Inventories comprise stocks and work in progress and are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase and, where appropriate, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated on the first-in-first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(l) Loans and accounts receivable

Provision is made against loans and accounts receivable to the extent they are considered to be doubtful. Loans and accounts receivable in the balance sheet are stated net of such provision.

(m) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from the date of investment and bank overdrafts.

(n) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(o) Employee benefits*(i) Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Profit sharing and bonus plans

Provisions for profit sharing and bonus plans due wholly within twelve months after balance sheet date are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(iii) Pension Obligations

The Group operates a defined contribution plan under the mandatory provident fund scheme and the ORSO scheme, the assets of which are held in separate trustee-administered funds. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to the profit and loss account represents contributions payable by the Group to the scheme.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(p) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary difference arising on investments in subsidiaries and associated companies, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not be reverse in the foreseeable future.

(q) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

(r) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Service income is recognized on completion of contract which typically lasts for one to six months.

Proceeds from disposal of securities are recognised when a sale and purchase contract is entered into.

Income from the sale of completed properties is recognised on execution of a binding sales agreement.

Income from properties pre-sold prior to completion of development is recognised over the period from the execution of a binding sales agreement to the completion of development on the basis of development costs to date as a proportion of estimated total development costs.

Interest income is accrued on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Advisory fees, introductory fees and management fees are recognised when the service is rendered, the income can be reliably estimated and it is probable that the revenue will be received.

Dividend income is recognized when the right to receive payment is established.

Operating lease rental income is recognised on a straight line basis over the lease term.

(s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(t) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, fixed assets, investment properties, properties for development, properties for sale/properties under development for sale, inventories, receivables, operating cash and investment in securities. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to intangible assets and fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

2. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of financial services, direct investments, industrial and management operating services, digital consumer products and property development. Revenues recognised during the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Turnover		
Sales of properties and properties for development	268,728	11,905
Sales of goods	40,180	34,765
Advisory fee, introductory fee and other commission income	660	553
Dividend income		
– listed investments	349	–
– unlisted investments	977	–
Interest income	3,740	1,633
Rental income and building management fee income	1,753	2,847
	<hr/>	<hr/>
Total turnover	316,387	51,703
Other revenues	10,729	788
	<hr/>	<hr/>
Total revenues	<u>327,116</u>	<u>52,491</u>

Primary reporting format – business segments

The Group is organised on a regional basis into six main business segments:

- Broking Services – securities broking and provision of margin financing, commodities, options and futures broking
- Investment Banking – provision of corporate finance services
- Direct Investments – securities trading
- Industrial and Management Operating Services – manufacture of quality plastic and paper boxes for luxury consumer goods, and trading of dyestuffs
- Digital Consumer Products – sourcing and distribution of digital consumer products
- Property – property development and holding

Secondary reporting format – geographical segments

Although the Group's six business segments are managed on a regional basis, they operate in two main geographical areas:

The People's Republic of China including Hong Kong – broking services, investment banking, direct investments, industrial and management operating services and property.

Europe – digital consumer products.

There are no sales between the geographical segments.

	2004						Group
	HK\$'000						
	Broking Services	Investment Banking	Direct Investments	Industrial & Management & Operating Services	Digital Consumer Products	Property	
Revenues	<u>-</u>	<u>-</u>	<u>3,566</u>	<u>37,551</u>	<u>2,629</u>	<u>272,641</u>	<u>316,387</u>
Segment results	<u>-</u>	<u>(57)</u>	<u>4,365</u>	<u>2,131</u>	<u>-</u>	<u>25,085</u>	<u>31,524</u>
Net investment gain	-	-	50,038	-	-	-	50,038
General corporate expenses							<u>(25,525)</u>
Operating profit before provision for impairment of assets							56,037
Provision for impairment of assets	-	-	-	-	-	-	<u>-</u>
Operating profit							56,037
Finance costs	-	-	(1,030)	-	-	(1,863)	(2,893)
Share of profits less losses of associated companies	2,049	11,084	-	8,666	-	-	<u>21,799</u>
Profit before taxation							74,943
Taxation							<u>(5,278)</u>
Profit after taxation							69,665
Minority interests							<u>(2,603)</u>
Profit attributable to shareholders							<u>67,062</u>
Segment assets	-	-	138,266	38,636	2,629	126,931	306,462
Interests in associated companies	42,496	6,930	-	56,144	-	-	105,570
Unallocated assets							<u>211,650</u>
Total assets							<u>623,682</u>
Segment liabilities	-	-	213	12,430	2,629	36,549	51,821
Unallocated liabilities							<u>5,110</u>
Total liabilities							<u>56,931</u>
Capital expenditure	-	-	307	33	-	986	1,326
Depreciation	-	-	311	782	-	330	1,423

APPENDIX I
FINANCIAL INFORMATION OF THE GROUP

	2003					
	HK\$'000					
	Broking Services	Investment Banking	Direct Investments	Industrial & Management Operating Services	Property	Group
Revenues	-	553	1,633	34,765	14,752	51,703
Segment results	-	(73)	2,042	(1,251)	(10,239)	(9,521)
Net investment loss	-	-	(5,480)	-	-	(5,480)
General corporate expenses						(18,903)
Operating loss before provision for impairment of assets						(33,904)
Provision for impairment of assets	-	-	(22,597)	-	(79,971)	(102,568)
Operating loss						(136,472)
Finance costs	-	-	-	(15)	(2,731)	(2,746)
Share of profits less losses of associated companies	(325)	8,768	-	9,122	-	17,565
Loss before taxation						(121,653)
Taxation						(2,473)
Loss after taxation						(124,126)
Minority interests						(272)
Loss attributable to shareholders						(124,398)
Segment assets	-	-	55,169	31,389	341,850	428,408
Interests in associated companies	40,063	17,268	-	52,812	-	110,143
Unallocated assets						162,297
Total assets						700,848
Segment liabilities	-	-	21	7,658	165,245	172,924
Unallocated liabilities						7,933
Total liabilities						180,857
Capital expenditure	-	74	13	350	118	555
Depreciation	-	-	1,084	197	979	2,260

	Turnover		Operating profit/ (loss) before provision for impairment of assets	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Geographical segment:				
The People's Republic of China including Hong Kong	313,758	51,703	56,037	(33,904)
Europe	2,629	–	–	–
	<u>316,387</u>	<u>51,703</u>	<u>56,037</u>	<u>(33,904)</u>

As the total carrying amount of segment assets and the total cost incurred during the year to acquire segment assets for each geographical segment other than the People's Republic of China including Hong Kong are less than 10% of the total assets of all geographical segments, no separate disclosure is shown for segment assets by geographical segment.

3. PROVISION FOR IMPAIRMENT OF ASSETS

	2004 HK\$'000	2003 HK\$'000
Provision for impairment of:		
Investments in securities	–	16,687
Investment properties	–	6,792
Leasehold land and buildings	–	4,774
Properties for development (<i>Note 13</i>)	–	26,201
Properties for sale/properties under development for sale (<i>Note 19</i>)	–	23,012
Loans receivable from investee companies	–	25,102
	<u>–</u>	<u>102,568</u>

4. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging and crediting the following:

	2004 HK\$'000	2003 HK\$'000
Charging		
Depreciation on owned fixed assets	1,423	2,260
Staff costs (including directors' remuneration)	27,137	17,820
Pension costs – defined contribution plans (<i>Note 10</i>)	403	402
Operating leases on land and buildings	1,140	720
Auditors' remuneration	1,000	600
Loss on disposal of fixed assets	–	1,782
Provision for doubtful receivables	6,548	3,018
Realised loss on investments in securities	–	1,788
Unrealised loss on investments in securities	–	3,692
	<u>–</u>	<u>3,692</u>
Crediting		
Realised gain on investments in securities	7,539	–
Unrealised gain on investments in securities	20,404	–
Reversal of provision on construction cost	2,774	–
	<u>27,717</u>	<u>–</u>

5. FINANCE COSTS

	2004 HK\$'000	2003 HK\$'000
Interest on bank loans		
Wholly repayable within five years	1,764	5,389
Interest on other loans		
Wholly repayable within five years	1,026	–
Not wholly repayable within five years	103	128
	<hr/>	<hr/>
Total borrowing costs incurred	2,893	5,517
Less: amount capitalised in properties for development and properties under development for sale	–	(2,771)
	<hr/>	<hr/>
	<u>2,893</u>	<u>2,746</u>

The interest rate applied to funds borrowed generally and used for the development of properties under development is between Hong Kong Interbank Offered Rate plus 1.25% and Hong Kong dollar prime rate plus 0.5% per annum.

6. TAXATION

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year 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:

	2004 HK\$'000	2003 HK\$'000
Current taxation:		
– Hong Kong profits tax	–	–
– Overseas taxation	–	–
– Under/(over)-provision in prior years	1,965	(34)
Share of taxation attributable to associated companies	3,313	2,507
	<hr/>	<hr/>
	<u>5,278</u>	<u>2,473</u>

The taxation on the Group's profit/(loss) before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company is reconciled as follows:

	2004 HK\$'000	2003 HK\$'000
Profit/(loss) before taxation	74,943	(121,653)
	<hr/>	<hr/>
Calculated at a taxation rate of 17.5% (2003: 17.5%)	13,115	(21,289)
Under/(over)-provision for previous years	1,965	(34)
Income not subject to taxation	(9,777)	(4,709)
Expenses not deductible for taxation purpose	14,321	16,206
Share of taxation attributable to associated companies	3,313	2,507
(Utilization)/addition of unrecognised tax losses	(17,659)	9,792
	<hr/>	<hr/>
Taxation charge	<u>5,278</u>	<u>2,473</u>

7. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the financial statements of the Company to the extent of HK\$21,794,000 (2003: HK\$112,795,000).

8. DIVIDENDS

	2004 HK\$'000	2003 HK\$'000
Interim, paid, of 5 HK cents (2003: nil) per ordinary share	20,032	–
Final, proposed of 5 HK cents (2003: nil) per ordinary share	20,032	–
	<u>40,064</u>	<u>–</u>

The final dividend has been proposed by the directors subject to the approval by the shareholders in the forthcoming annual general meeting.

9. BASIC EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share are based on the Group's profit attributable to shareholders of HK\$67,062,000 (2003: loss of HK\$124,398,000).

The basic earnings/(loss) per share is based on the weighted average of 400,633,217 (2003: 400,633,217) as restated ordinary shares in issue during the year.

10. STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

	2004 HK\$'000	2003 HK\$'000
Wages and salaries	16,924	17,820
Discretionary bonus	10,055	–
Termination benefits	158	–
Pension costs – defined contribution plans	403	402
	<u>27,540</u>	<u>18,222</u>

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2004 HK\$'000	2003 HK\$'000
Fees		
– Executive	–	–
– Independent non-executive	65	–
Other emoluments:		
Basic salaries, housing allowances, discretionary bonus, other allowances and benefits in kind	14,240	6,240
Contributions to pension schemes for directors		
– as directors	24	24
– for other officers	–	–
	<u>14,329</u>	<u>6,264</u>

The emoluments of the directors fell within the following bands:

<i>Emolument bands</i>	Number of directors	
	2004	2003
HK\$nil – HK\$1,000,000	4	2
HK\$3,000,001 – HK\$3,500,000	–	2
HK\$7,000,001 – HK\$7,500,000	<u>2</u>	<u>–</u>

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2003: two) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining three (2003: three) individuals during the year are as follows:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries, housing allowances, discretionary bonus, other allowances and benefits in kind	3,449	2,910
Pensions	<u>24</u>	<u>36</u>
	<u>3,473</u>	<u>2,946</u>

The emoluments fell within the following bands:

<i>Emolument bands</i>	Number of individuals	
	2004	2003
HK\$nil – HK\$1,000,000	1	1
HK\$1,000,001 – HK\$1,500,000	<u>2</u>	<u>2</u>

12. FIXED ASSETS

	Group					Total
	Investment property	Leasehold land and buildings	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:						
At 1 January 2004	6,300	41,292	4,904	7,645	2,763	62,904
Additions	–	922	15	314	11	1,262
Written-off/disposals	–	–	–	(4,867)	–	(4,867)
At 31 December 2004	<u>6,300</u>	<u>42,214</u>	<u>4,919</u>	<u>3,092</u>	<u>2,774</u>	<u>59,299</u>
Accumulated depreciation and impairment:						
At 1 January 2004	1,800	21,720	4,676	7,439	1,782	37,417
Charge for the year	–	860	109	107	347	1,423
Written-off/disposals	–	–	–	(4,865)	–	(4,865)
At 31 December 2004	<u>1,800</u>	<u>22,580</u>	<u>4,785</u>	<u>2,681</u>	<u>2,129</u>	<u>33,975</u>
Net book value:						
At 31 December 2004	<u>4,500</u>	<u>19,634</u>	<u>134</u>	<u>411</u>	<u>645</u>	<u>25,324</u>
At 31 December 2003	<u>4,500</u>	<u>19,572</u>	<u>228</u>	<u>206</u>	<u>981</u>	<u>25,487</u>

The Group's interests in investment properties and other properties at their net book values are analysed as follows:

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
In Hong Kong, held on Leases of between 10 to 50 years	23,224	24,072
Outside Hong Kong, held on Leases over 50 years	910	–
	<u>24,134</u>	<u>24,072</u>

Investment property was valued on an open market value basis as at 31 December 2004 by a member of the Hong Kong Institute of Surveyor employed by the Group.

	Company		
	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:			
At 1 January 2004	105	1,422	1,527
Additions	<u>2</u>	<u>10</u>	<u>12</u>
At 31 December 2004	<u>107</u>	<u>1,432</u>	<u>1,539</u>
Accumulated depreciation:			
At 1 January 2004	33	582	615
Charge for the year	<u>21</u>	<u>258</u>	<u>279</u>
At 31 December 2004	<u>54</u>	<u>840</u>	<u>894</u>
Net book value:			
At 31 December 2004	<u>53</u>	<u>592</u>	<u>645</u>
At 31 December 2003	<u>72</u>	<u>840</u>	<u>912</u>

13. PROPERTIES FOR DEVELOPMENT

	Group	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Cost:		
At 1 January	166,146	166,146
Additions	64	–
Reclassified to properties under development for sale	<u>(44,208)</u>	<u>–</u>
At 31 December	<u>122,002</u>	<u>166,146</u>
Provision for impairment:		
At 1 January	103,146	76,945
Additions	–	26,201
Reclassified to properties under development for sale	<u>(24,144)</u>	<u>–</u>
	<u>79,002</u>	<u>103,146</u>
At 31 December	<u>43,000</u>	<u>63,000</u>

The properties for development are situated in Hong Kong under the following lease terms:

	2004 HK\$'000	2003 HK\$'000
Leases of between 10 to 50 years	<u>43,000</u>	<u>63,000</u>

As at 31 December 2004, interest expenses capitalised in the cost of properties for development amounted to HK\$22,108,000 (2003: HK\$33,152,000).

The properties for development have been pledged to secure banking facilities granted to the Group of HK\$24,190,000 (2003: HK\$24,190,000).

14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares at cost	<u>1,205,188</u>	<u>1,185,916</u>
Amounts due from subsidiaries (<i>Note 21</i>)	624,471	632,843
Amounts due to subsidiaries (<i>Note 22</i>)	<u>(1,284,325)</u>	<u>(1,182,577)</u>
	<u>(659,854)</u>	<u>(549,734)</u>

Amounts due from/to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

At 31 December 2004, the Company held interests in the following principal subsidiaries:

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital	Interest held	
				Direct %	Indirect %
Access Way Investment Limited	Hong Kong	Property development	HK\$2	–	100
Active Way International Limited	Hong Kong	Property development	HK\$2	–	100
Cheung Wah Ho Dyestuffs Company Limited	Hong Kong	Trading of dyestuffs	Ordinary HK\$1,000 Non-voting deferred HK\$800,100 (<i>Note a</i>)	–	70
Coreford Investments Limited	British Virgin Islands	Investment holding	US\$1	–	100
e2-Capital Venture Limited	Cayman Islands	Venture capital	US\$2	100	–

APPENDIX I

FINANCIAL INFORMATION OF THE GROUP

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital	Interest held	
				Direct %	Indirect %
Ever Lead Limited	Hong Kong	Property development	Ordinary HK\$98 Non-voting deferred HK\$2 (<i>Note a</i>)	–	100
Ever Loyal Development Limited	Hong Kong	Property development	HK\$2	–	100
Full Success Investments Limited	Hong Kong	Property holding	HK\$2	–	100
Goodwill Investment (BVI) Limited	British Virgin Islands	Investment holding	US\$100	100	–
Goodwill Properties (Holdings) Limited	British Virgin Islands	Investment holding	US\$1	–	100
Goodwill Properties Limited	Hong Kong	Investment holding	HK\$2	–	100
Lucky Happy Development Limited	Hong Kong	Property holding	HK\$100	–	100
NAPA Global Limited (formerly known as “OpenOffering Capital Limited”)	Hong Kong	Sourcing and distribution of digital consumer products	HK\$20,000,000	–	100
Right Way Holdings Limited	Hong Kong	Property development	HK\$10	–	70
SBI E2-Capital Holdings Sdn Bhd	Malaysia	Investment holding	RM1,000	100	–

Note:

- (a) The non-voting deferred shares are not owned by the Group. These non-voting deferred shares carry no voting rights and holders are not entitled to participate in the profits of the Company.

The Company’s principal subsidiaries listed above principally operate in Hong Kong. The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of all other subsidiaries of the Company would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding as at 31 December 2004, or at any time during the year.

15. INTERESTS IN ASSOCIATED COMPANIES

	Group	
	2004	2003
	HK\$'000	HK\$'000
Share of net assets	105,570	110,143
Loans to associated companies (<i>Note 21</i>)	2,611	1,700
Loans from associated companies (<i>Note 22</i>)	–	(242)
	<u>2,611</u>	<u>1,458</u>

The loans to/from associated companies are unsecured, interest free and have no fixed terms of repayment.

At 31 December 2004, the Company held interests in the following associated companies:

Name	Place of incorporation/ registration	Principal activities	Interest held indirectly %
SBI E2-Capital China Holdings Limited	Hong Kong	Investment holding	34%
– SBI E2-Capital (HK) Limited	Hong Kong	Provision of corporate finance service	34%
– SBI E2-Capital Securities Limited	Hong Kong	Securities broking and margin financing	34%
Winbox Company Limited	Hong Kong	Manufacture and sale of quality plastic and paper boxes for luxury consumer goods	38%
Guangzhou Science Compile & Flourish Environmental Protective Technic Development Co Limited	The People's Republic of China	Provision of drinking water filtration services and supply of bottled water	36%

The principal place of operation of each company listed above is the same as its place of incorporation/registration.

To give details of all other associated companies of the Group would, in the opinion of the directors, result in particulars of excessive length.

The summary of financial information of the SBI E2-Capital China Holdings Limited (“SBI E2-Capital China”), Winbox Company Limited (“Winbox”) and Westcomb Financial Group Limited (“Westcomb Financial Group”) for the year ended 31 December 2004 is as follows:

	SBI E2-Capital China <i>HK\$'000</i> <i>(Note a)</i>	Winbox <i>HK\$'000</i> <i>(Note b)</i>	Westcomb Financial Group <i>HK\$'000</i> <i>(Note c)</i>
Consolidated profit and loss			
Turnover	<u>48,260</u>	<u>106,218</u>	<u>82,795</u>
Profit before taxation	<u>6,772</u>	<u>30,322</u>	<u>33,102</u>
Consolidated balance sheet			
Total assets	111,124	227,427	–
Total liabilities	<u>46,027</u>	<u>15,071</u>	<u>–</u>
Total net assets	<u>65,097</u>	<u>212,356</u>	<u>–</u>

Note:

- (a) In 2003, an equity compensation scheme (“Scheme”) was adopted whereunder 30% interest in SBI E2-Capital China has been set aside for the purpose of permitting eligible group employees to participate in the equity of SBI E2-Capital China. The value of interest vested in the Scheme is recognized in the results of the associated companies.
- (b) Winbox has a financial accounting period of 31 March which is not coterminous with the Group.
- (c) Westcomb Financial Group Limited was ceased to be an associated company of the Group in August 2004. The financial information disclosed above is for the 7 months period ended 31 July 2004.

16. INVESTMENTS IN SECURITIES

	Group	
	2004 HK\$'000	2003 HK\$'000
Investment securities		
Unlisted, at cost	44,757	30,871
Less: provision for impairment loss	(17,544)	(17,544)
	<u>27,213</u>	<u>13,327</u>
Unlisted debt securities, at cost	<u>20,354</u>	<u>6,354</u>
Total carrying amount of investment securities	<u><u>47,567</u></u>	<u><u>19,681</u></u>
Investment securities analysed for reporting purpose:		
Current	–	–
Non-current	47,567	19,681
	<u>47,567</u>	<u>19,681</u>
Held-to-maturity securities		
Unlisted, at cost	<u>3,891</u>	–
Held-to-maturity securities analysed for reporting purpose:		
Current	3,891	–
Non-current	–	–
	<u>3,891</u>	–
Other investments		
Equity securities at fair value		
Listed in Hong Kong	23,756	21,406
Listed overseas	31,069	–
	<u>54,825</u>	<u>21,406</u>
Unlisted, at cost	<u>6,692</u>	–
Total carrying amount of other investments	<u><u>61,517</u></u>	<u><u>21,406</u></u>
Market value		
Listed equity securities	<u>54,825</u>	<u>21,406</u>
Other investments analysed for reporting purpose:		
Current	61,517	18,660
Non-current	–	2,746
	<u>61,517</u>	<u>21,406</u>
Total investments in securities	<u><u>112,975</u></u>	<u><u>41,087</u></u>
Total investments in securities analysed for reporting purpose:		
Current	65,408	18,660
Non-current	47,567	22,427
	<u>112,975</u>	<u>41,087</u>

	Company	
	2004 HK\$'000	2003 HK\$'000
Investment securities		
Unlisted equity shares at cost	–	9,960
Less: provision for impairment loss	–	(9,771)
	<u>–</u>	<u>189</u>

17. MORTGAGE LOANS RECEIVABLE

	Group	
	2004 HK\$'000	2003 HK\$'000
Due within one year	2,916	629
Due after one year	31,174	21,896
	<u>34,090</u>	<u>22,525</u>
Less: Provision for doubtful receivables	(1,550)	(1,400)
	<u>32,540</u>	<u>21,125</u>

The mortgage loans receivable are secured by sub-mortgages of second ranking on certain residential properties in Hong Kong and bear interest at commercial rate.

18. OTHER NON-CURRENT ASSETS

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Statutory and other deposits relating to the securities dealing businesses	50	100	–	–
Chinese antiques	2,017	2,017	2,017	2,017
Other deposits	125	125	–	–
	<u>2,192</u>	<u>2,242</u>	<u>2,017</u>	<u>2,017</u>

19. PROPERTIES FOR SALE/PROPERTIES UNDER DEVELOPMENT FOR SALE

	Group	
	2004 HK\$'000	2003 HK\$'000
Cost		
At 1 January	314,915	153,120
Additions	–	65,845
Disposals	(314,915)	(23,358)
Reclassified from fixed assets	–	119,308
Reclassified from properties for development	44,208	–
	<u>44,208</u>	<u>314,915</u>
At 31 December	44,208	314,915
Provision		
At 1 January	83,004	9,614
Additions	–	23,012
Disposals	(83,004)	(6,930)
Reclassified from fixed assets	–	57,308
Reclassified from properties for development	24,144	–
	<u>24,144</u>	<u>83,004</u>
At 31 December	24,144	83,004
Net book value	<u>20,064</u>	<u>231,911</u>

As at 31 December 2004, interest expense capitalised in the cost of properties for sale and properties under development for sale is HK\$11,044,000 (2003: HK\$6,371,000).

At 31 December 2004, the properties under development for sale of HK\$20,064,000 is situated Hong Kong and is held under medium term lease.

At 31 December 2003, the properties for sale of HK\$62,450,000 and properties under development for sale of HK\$169,461,000 are situated in Hong Kong and are held under long term lease and medium term lease respectively.

20. INVENTORIES

	Group	
	2004 HK\$'000	2003 HK\$'000
Finished goods	<u>7,834</u>	<u>7,414</u>

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Due from:				
Subsidiaries	–	–	624,471	632,843
Associated companies	2,611	1,700	2,065	1,147
Trade receivables	17,509	11,372	–	–
Other receivables, prepayments and deposits (<i>Note</i>)	29,244	21,774	3,752	19,876
	<u>49,364</u>	<u>34,846</u>	<u>630,288</u>	<u>653,866</u>

- (a) The Group allows an average credit period of 61-90 days to trade debtors. As at 31 December 2004, the ageing analysis of the trade receivables is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
0-60 days	8,597	6,114
61-90 days	3,439	2,019
Over 90 days	5,473	3,239
	<u>17,509</u>	<u>11,372</u>

Note:

- (a) Included in the balance was HK\$596,000 (2003: Nil) receivables from a broker which was an associated company of the Group. The money was held in trust account and was intended to invest in quality listed securities in Hong Kong and overseas.
- (b) As at 31 December 2004, the Group has a loan receivable with interest totalling HK\$9,800,000. The Group is currently in a litigation process to pursue the outstanding balance. Directors are of the view that the recoverability of the loan is not certain and full provision is maintained.

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Due to:				
Subsidiaries	–	–	1,284,325	1,182,577
Associated companies	–	242	–	–
Trade payables	13,224	7,497	–	–
Other accounts payables and accruals	12,794	31,873	2,637	2,885
	<u>26,018</u>	<u>39,612</u>	<u>1,286,962</u>	<u>1,185,462</u>

At 31 December 2004, the ageing analysis of trade payables is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
0-60 days	6,033	3,837
61-90 days	3,561	1,806
Over 90 days	3,630	1,854
	<u>13,224</u>	<u>7,497</u>

23. LOAN FROM A MINORITY SHAREHOLDER OF A SUBSIDIARY

The loan from a minority shareholder of a subsidiary is unsecured, non-interest bearing and will be repaid in the next twelve months.

24. SHARE CAPITAL

Share capital

	No. of shares	Nominal value US\$'000
Authorised:		
At 31 December 2003 and 31 December 2004	<u>750,000,000</u>	<u>750,000</u>
Issued and fully paid		
At 1 January 2003 (ordinary share of US\$0.10 each)	1,144,666,336	<u>114,467</u>
		HK\$'000
Share consolidation (<i>Note (a)</i>)	<u>(572,333,168)</u>	<u>–</u>
Currency redenomination (<i>Note (b)</i>)	572,333,168	892,840
Capital reduction (<i>Note (c)</i>)	<u>–</u>	<u>(320,507)</u>
At 31 December 2003 and 1 January 2004	572,333,168	572,333
Capital reduction (<i>Note (f)</i>)	–	(171,700)
Share Consolidation (<i>Note (g)</i>)	<u>(171,699,951)</u>	<u>–</u>
At 31 December 2004	<u>400,633,217</u>	<u>400,633</u>
	2004	2003
	HK\$'000	HK\$'000
Shown in the financial statements as	<u>400,633</u>	<u>572,333</u>

Notes:

By a special resolution passed on 18 June 2003, the Company effected the following exercise (referred as “Capital Reorganisation”) on 19 June 2003 pursuant to which (all capitalized terms used in sub paragraphs (a) to (e) have the same meaning ascribed to them as stated in the Circular issued by the Company dated 23 May 2003):

- (a) every two issued and unissued shares in the Company were consolidated into one Consolidated Share;
- (b) the currency denomination of all the Consolidated Shares was changed from US\$0.20 into HK\$1.56 on the basis of US\$1.00 into HK\$7.80;
- (c) the nominal value of all the Redenominated Shares was reduced from HK\$1.56 to HK\$1.00 each by the cancellation of HK\$0.56 of the paid-up capital on each issued Redenominated Share;
- (d) the entire authorised but unissued share capital, including the share capital arising from the Capital Reduction was cancelled and subsequently increased by the creation of such number of new shares as was necessary to bring the authorised share capital to HK\$750,000,000 divided into 750,000,000 new shares; and
- (e) the credit of HK\$320,507,000 arising from the captioned reduction on the basis of 1,144,666,336 shares in issue was transferred to a contributed surplus account of the Company, where it may be utilised in accordance with the Bye-laws of the Company and all applicable laws, including elimination of the accumulated losses of the Company.

By a special resolution passed on 30 April 2004, the Company effected the following exercise (referred as "Capital Reduction") on 3 May 2004 pursuant to which (all capitalized terms used in sub paragraphs (f) to (h) have the same meaning ascribed to them as stated in the circular issued by the Company dated 7 April 2004):

- (f) the nominal value of all the issued Existing Shares will be reduced from HK\$1.00 to HK\$0.70 each by the cancellation of HK\$0.30 of the paid-up capital on each issued Existing Share;
- (g) every ten Reduced Shares in the Company will be consolidated into seven New Shares; and
- (h) the credit of HK\$171,699,951 arising from the Capital Reduction on the basis of 572,333,168 issued Existing Shares will be transferred to a contributed surplus account of the Company, where it may be utilised in accordance with the Bye-laws of the Company and all applicable laws.

Share option scheme

No share option scheme has been adopted by the Company since the expiration of the previous share option scheme on 14 December 2002.

25. RESERVES

	Contributed surplus HK\$'000	Other reserve HK\$'000	Group Retained profits/ Accumulated losses HK\$'000	Exchange reserve HK\$'000	Total HK\$'000
At 1 January 2003	214,217	3,369	(466,037)	-	(248,451)
Capital reorganisation (<i>Note 24(e)</i>)	320,507	-	-	-	320,507
Transfer from contributed surplus to accumulated losses (<i>Note</i>)	(452,279)	-	452,279	-	-
Loss for the year	-	-	(124,398)	-	(124,398)
At 31 December 2003	<u>82,445</u>	<u>3,369</u>	<u>(138,156)</u>	<u>-</u>	<u>(52,342)</u>
Representing:					
Company and subsidiaries	82,445	3,369	(134,650)	-	(48,836)
Associated companies	-	-	(3,506)	-	(3,506)
At 31 December 2003	<u>82,445</u>	<u>3,369</u>	<u>(138,156)</u>	<u>-</u>	<u>(52,342)</u>
At 1 January 2004	82,445	3,369	(138,156)	-	(52,342)
Capital reorganisation (<i>Note 24(h)</i>)	171,700	-	-	-	171,700
Transfer from contributed surplus to accumulated loss (<i>Note</i>)	(171,700)	-	171,700	-	-
Dividend	-	-	(20,032)	-	(20,032)
Exchange difference	-	-	-	(270)	(270)
Profit for the year	-	-	67,062	-	67,062
At 31 December 2004	<u>82,445</u>	<u>3,369</u>	<u>80,574</u>	<u>(270)</u>	<u>166,118</u>
Representing:					
Company and subsidiaries	82,445	3,369	71,557	(270)	157,101
Associated companies	-	-	9,017	-	9,017
At 31 December 2004	<u>82,445</u>	<u>3,369</u>	<u>80,574</u>	<u>(270)</u>	<u>166,118</u>

	Company			Total HK\$'000
	Contributed surplus HK\$'000	Other reserve HK\$'000	Retained profits/ (Accumulated losses) HK\$'000	
At 1 January 2003	131,772	2,184	(130,623)	3,333
Capital reorganisation (Note 24(e))	320,507	-	-	320,507
Transfer from contributed surplus to accumulated losses (Note)	(452,279)	-	452,279	-
Loss for the year	-	-	(112,795)	(112,795)
At 31 December 2003	<u>-</u>	<u>2,184</u>	<u>208,861</u>	<u>211,045</u>
At 1 January 2004	-	2,184	208,861	211,045
Capital reorganisation (Note 24(h))	171,700	-	-	171,700
Transfer from contributed surplus to accumulated losses (Note)	(171,700)	-	171,700	-
Loss for the year	-	-	(21,794)	(21,794)
Dividend	-	-	(20,032)	(20,032)
At 31 December 2004	<u>-</u>	<u>2,184</u>	<u>338,735</u>	<u>340,919</u>

Note:

- (a) HK\$45,240,000 of the Group's contributed surplus represents the difference between net assets of the companies acquired as at 15 December 1992 and the aggregate nominal value of shares issued by the Company under the scheme of arrangement which became effective on that date, less dividend paid and payable from this financial statement thereafter. The balance of the Group's contributed surplus represents other realised capital reserves. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus account if:
- (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or
 - (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

By a special resolution passed on 18 June 2003, the full amount of contributed surplus of the Company has been transferred to accumulated losses.

- (b) Other reserve of the Company arose as a result of repurchase of the Company's listed securities and represents the excess of the nominal value of the shares repurchased over the consideration paid.
- (c) In the opinion of the directors, the Company's reserves available for distribution to shareholders as at 31 December 2004 were as follows.

	HK\$'000
Other reserve	2,184
Retained profits	338,735
	<u>340,919</u>

26. LONG-TERM LIABILITIES

	Group	
	2004 HK\$'000	2003 HK\$'000
Bank Loans		
Secured	24,190	119,209
Other loans		
Secured	1,654	1,809
	25,844	121,081
Current portion of long-term liabilities	(24,267)	(104,536)
	<u>1,577</u>	<u>16,482</u>
The analysis of the above is as follows:		
Bank loans		
Wholly repayable within five years	24,190	119,209
Other loans		
Not wholly repayable within five years	1,654	1,809
	25,844	121,018
Current portion of long-term liabilities	(24,267)	(104,536)
	<u>1,577</u>	<u>16,482</u>

Other loans not wholly repayable within five years are repayable by instalments from 1 January 2002 to 30 November 2018. Interest is charged on the outstanding balances at Prime +1.5% p.a. (2003: Prime +1.5% p.a.).

At 31 December 2004, the Group's bank loans and other borrowings were repayable as follows:

	Bank loans		Other loans	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Within one year	24,190	104,459	77	77
In the second year	–	5,900	77	77
In the third to fifth year	–	8,850	231	231
After the fifth year	–	–	1,269	1,424
	<u>24,190</u>	<u>119,209</u>	<u>1,654</u>	<u>1,809</u>

27. DEFERRED TAXATION

At 31 December 2004, the Group has an estimated unused tax losses of HK\$323,897,000 (2003: HK\$419,655,000) available for set off against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Such losses can be carried forward indefinitely.

No deferred tax liability has been provided in respect of the accelerated tax depreciation of the Group's properties, plant and equipment as the amount involved is immaterial and also the Company and its operating subsidiaries have substantial accumulated tax losses which are available for set off such deferred tax liability.

28. CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) before taxation to net cash inflow/(outflow) from operating activities:

	2004 HK\$'000	2003 HK\$'000
Profit/(loss) before taxation	74,943	(121,653)
Share of results of associated companies	(21,799)	(17,565)
Depreciation	1,423	2,260
Dividend income from associated companies	3,800	4,411
Gain on disposal of interests in associated companies (net)	(22,095)	–
Provision for impairment of investments in securities	–	16,687
Realised and unrealised (gain)/loss on investments in securities (net)	(27,943)	5,480
Loss on disposal of fixed assets	–	1,782
(Recovery)/Provision for loans receivables	(6,248)	3,018
Provision for impairment of assets	–	85,881
Decrease/(increase) in properties for sale/properties under development for sale	231,911	(29,417)
(Increase)/decrease in inventories	(420)	1,159
(Increase)/decrease in trade and other receivables	(14,518)	6,615
Increase in investments in securities	(8,139)	(18,199)
Increase in trade and other payables	(15,026)	(16,406)
Interest income	(3,740)	(1,633)
Interest expenses	2,894	2,746
Exchange difference	(270)	–
Net cash inflow/(outflow) from operation activities	194,773	(74,834)
Interest income	3,740	1,633
Interest expenses	(1,030)	–
Hong Kong tax paid	(1,973)	–
Net cash inflow/(outflow) from operating activities	<u>195,510</u>	<u>(73,201)</u>

(b) Analysis of changes in financing during the year:

	Share capital and other reserve		Bank loans and other loans		Minority interests	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
At 1 January	575,702	896,209	141,084	136,551	161	192
New loans raised	–	–	–	74,369	–	–
Minority interests in share of profits/(losses)	–	–	–	–	2,603	272
Minority interests attributed to associated companies	–	–	–	–	(1,638)	(303)
Shares repurchased and cancelled	–	–	–	–	–	–
Decrease in minority interests upon disposal of subsidiaries	–	–	–	–	–	–
Repayment during the year	–	–	(105,049)	(69,836)	–	–
Other movements not involving cash flows:	–	–	(6,248)	–	–	–
Capital reorganisation (Note 24)	(171,700)	(320,507)	–	–	–	–
At 31 December	<u>404,002</u>	<u>575,702</u>	<u>29,787</u>	<u>141,084</u>	<u>1,126</u>	<u>161</u>

29. CONTINGENT LIABILITIES

Corporate guarantees were given to financial institutions for working capital facilities of associated companies and a third party in addition to collaterals given by these companies. The aggregate amount of such facilities utilised by these companies, together with the corporate guarantees given by the Company to its subsidiary companies, at 31 December 2004 were as follows:

	Group		Company	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Subsidiary companies	–	–	24,190	119,209
Associated companies	6,429	5,750	6,429	5,750
Third party	33,000	–	33,000	–
	<u>39,429</u>	<u>5,750</u>	<u>63,619</u>	<u>124,959</u>

30. OPERATING LEASE COMMITMENTS

At 31 December 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2004	2003
	Land and buildings HK\$'000	Land and buildings HK\$'000
Not later than one year	203	–
Later than one year and not later than five years	101	–
	<u>304</u>	<u>–</u>

The Company did not have any other commitments at 31 December 2004. (2003: Nil).

31. FUTURE OPERATING LEASE ARRANGEMENTS

As at 31 December 2004, the Group had future aggregate minimum lease receipts under non-cancellable operating leases as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Not later than one year	1,183	1,138
Later than one year and not later than five years	1,648	1,090
	<u>2,831</u>	<u>2,228</u>

32. RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business are as follows:

		Group	
		2004	2003
		HK\$'000	HK\$'000
Management fees received	(a)	867	1,227
Management fees paid	(b)	(746)	500
Financial advisory fees paid	(c)	(150)	–
		<u>–</u>	<u>–</u>

- (a) The Group performed certain administrative services for the SBI E2-Capital Group in which the Group has a 49% interest as at 31 December 2004. Management fees calculated on pre-agreed terms were charged to the SBI E2-Capital Group.
- (b) SBI E2-Capital Group performed certain administrative services for the Group. Management fees were calculated on a pre-agreed term.
- (c) The Group paid financial advisory fee to SBI E2-Capital Group for financial advisory services provided at agreed rates in accordance with the agreements entered into between the Group and SBI E2-Capital Group.
- (d) As of 31 December 2004, the Group had investments in Softbank Investment International (Strategic) Limited which was included in the current portion of investment in securities of HK\$15,129,000 (2003: HK\$15,670,000) and non-current portion of HK\$19,000,000 (2003: HK\$5,000,000).

33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 20 January 2005.

3. INDEBTEDNESS

Borrowings

As at 15 June, 2005, being the Latest Practicable Date for preparing this indebtedness statement, the Group had outstanding borrowings of approximately HK\$113.2 million, which comprised HK\$24.2 million repayable within 1 year and HK\$89 million repayable within 2 to 5 years, and all of the Group's abovementioned outstanding borrowings were bank loans. The Group also had outstanding loan from a minority shareholder of a subsidiary of approximately HK\$3.9 million.

Security

As at 15 June, 2005, being the Latest Practicable Date for preparing this indebtedness statement, the Group's bank loans were secured by properties under/for development and mortgage loans receivable of the Group.

Contingent liabilities

As at 15 June, 2005, being the Latest Practicable Date for preparing this indebtedness statement, the Group has contingent liabilities in the aggregate amount of approximately HK\$148 million which comprise guarantees given to banks for loans to the associated companies.

General

Save as disclosed above and apart from intra-group liabilities and normal trade payables, the Group did not have, at 15 June, 2005, being the Latest Practicable Date, any mortgages, charges, debentures, loan capital issued and outstanding or agreed to be issued, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptance or acceptance credits or any guarantees or other contingent liabilities.

4. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December, 2004, being the date to which the latest audited consolidated financial statements of the Company were prepared, up to and including the Latest Practicable Date.

5. WORKING CAPITAL

Taking into account the available facilities and internal resources of the Group as well as any liabilities and obligations to the Group which may arise from the full materialization of the guarantees entered into by the Company as at 15 June, 2005, being the Latest Practicable Date, the Directors are of the opinion that the Group has sufficient working capital for its present requirement.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company, as well as all information necessary to enable the Independent Shareholders to make a properly informed decision about the proposed major and connected transaction as set out in this circular which is subject to the Independent Shareholders' approval under the Listing Rules. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

DISCLOSURE OF INTERESTS

1. Directors' and Chief Executive's Interest

(a) Directors' and chief executive's interests and short positions in shares and underlying shares of the Company and associated corporations

As at the Latest Practicable Date, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO), as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), as recorded in the register required to be maintained by the Company under Section 352 of the SFO or as required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Relevant entity	Nature of interest/ capacity	Number of ordinary shares (Long position)
Mr. Fung Ka Pun	The Company	Beneficial owner	3,640,197
	The Company	Interest of controlled corporation (<i>note 1</i>)	106,018,484
	Boxmore Limited	Interest of spouse (<i>note 2</i>)	1,477,880
	Winpac Enterprises Limited	Interest of spouse (<i>note 3</i>)	50,000
Dato' Wong Sin Just	The Company	Beneficiary of a trust (<i>note 4</i>)	104,335,000
	The Company	Beneficial owner	2,310,000
	SBI E2-Capital Limited	Beneficial owner	6

Notes:

- (1) Mr. Fung Ka Pun has beneficial interests in Bo Hing Limited and Goodwill International (Holdings) Limited, which were interested in 1,862,303 and 104,156,181 Shares respectively as at the Latest Practicable Date.
- (2) Mr. Fung Ka Pun is the founder of a family trust which holds 2,955,760 shares in Boxmore Limited, an associated company of the Company owned as to 38% by the Company. Ms. Choi Hon Hing, the spouse of Mr. Fung Ka Pun, has 50% interest in a family trust which holds 2,955,760 shares in Boxmore Limited. By virtue of the SFO, Mr. Fung Ka Pun has deemed interests in 1,477,880 shares in Boxmore Limited.
- (3) Ms. Choi Hon Hing, the spouse of Mr. Fung Ka Pun, holds 50,000 shares in Winpac Enterprises Limited, an associated company of the Company indirectly owned as to approximately 32.3% by the Company, representing 5% of its issued share capital.
- (4) e2-Capital Inc., which is held under a family trust of which Dato' Wong Sin Just is one of the beneficiaries, has direct interests in 104,335,000 Shares, representing approximately 26.04% of the issued share capital of the Company. e2-Capital Inc. is directly held by E2 Inc. which is held as to 66.67% by Redshield Holdings Limited and 33.33% by Redlion Investment Limited respectively. Both Redshield Holdings Limited and Redlion Investment Limited are directly held by Coutts (Cayman) Limited, which is the trustee of the aforesaid family trust.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any Directors or chief executive of the Company, none of the Directors and chief executive of the Company had any interests in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of the SFO), as required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions, if any, which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors to be notified to the Company and the Stock Exchange.

(b) *Competing Interest*

None of the Directors and their respective associates had any interests in a business which compete or may compete with the business of the Group as at the Latest Practicable Date.

(c) *Other Interests*

- (i) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have, since 31 December, 2004, being the date of the latest published audited accounts of the Group, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

- (ii) None of the Directors had any material interest in any contract or arrangement subsisting at the date of this circular which is significant in relation to the business of the Group.

2. Substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to Section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the persons, other than a Director or chief executive of the Company, who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group and the amount of each of such person's interest in such securities or in any options in respect of such capital were as follows:

(a) *Interests under Divisions 2 and 3 of Part XV of the SFO:*

Name of person	Number of Shares (Long position)	Capacity	Approximate percentage of interests
Goodwill International (Holdings) Limited (note 1)	104,156,181	Beneficial owner	26.00%
e2-Capital Inc. (note 2)	104,335,000	Beneficial owner	26.04%
E2 Inc.	104,335,000	Interest of controlled corporation	26.04%
Redshield Holdings Limited	104,335,000	Interest of controlled corporation	26.04%
Redlion Investment Limited	104,335,000	Interest of controlled corporation	26.04%
Coutts (Cayman) Limited	104,335,000	Trustee	26.04%
Kua Phek Long	25,376,750	Beneficial owner	6.33%
Softbank Investment International (Strategic) Limited (note 2)	22,750,000	Beneficial owner	5.68%
Strategic Capital Holdings Limited	22,722,000	Beneficial owner	5.67%

Name of person	Number of Shares (Long position)	Capacity	Approximate percentage of interests
Newmark Capital Corporation Limited (note 3)	44,620,588	Beneficial owner	11.13%
Newmark Capital Holdings Limited (note 3)	44,620,588	Interest of controlled corporation	11.13%
Ng Poh Meng (note 3)	44,620,588	Interest of controlled corporation	11.13%

Notes:

- (1) Mr. Fung Ka Pun, Executive Director and Co-chairman of the Company, is a director of Goodwill International (Holdings) Limited.
- (2) Dato' Wong Sin Just, Executive Director and Co-chairman of the Company, is a director of e2-Capital Inc. and Softbank Investment International (Strategic) Limited respectively.
- (3) Newmark Capital Corporation Limited, which has direct interests in 44,620,588 Shares, representing approximately 11.13% of the issued share capital of the Company, is wholly-owned by Newmark Capital Holdings Limited. Newmark Capital Holdings Limited is wholly-owned by Mr. Ng Poh Meng.

(b) Substantial shareholders of the subsidiaries of the Company

Name of subsidiary	Name of substantial shareholder	Number of ordinary shares	Approximate percentage of interests
Right Way Holdings Limited	King Ever Limited	3	30%
Bright Advise Holdings Limited	Win Hero International Limited	300	30%
Gain Profits Limited	Myddleton Company Limited	1,000	10%
	Prime Rich Investments Limited	1,995	19.95%
OpenOffering Technology Limited	Techpacific.com Investments Limited	300	30%

Save as disclosed above, as at the Latest Practicable Date, so far as is known to any Directors and chief executive, no person, other than a Director or chief executive of the Company, had any interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or had, directly or indirectly, any interests in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

SERVICE CONTRACTS

The independent non-executive Directors of the Company have service contracts with the Company for a period of two years subject to retirement and rotation at the General Meeting of the Company. Each of the independent non-executive Directors is entitled to a director fee of HK\$50,000.00 per annum together with a fee of HK\$20,000.00 if serving as a member of the audit committee (comprising Mr. Chung Cho Yee, Mico, Mr. Ho Kwan Tat and Dr. Hui Ka Wah, Ronnie) and a fee of HK\$10,000.00 each if serving as a member of the remuneration and nomination committees (each comprising Mr. Ho Kwan Tat and Dr. Hui Ka Wah, Ronnie) of the Company. The independent non-executive Directors may resign as a Director subject to a one-month written notice to the Company.

Saved as disclosed above, none of the Directors has entered or has proposed to enter into any service agreements with any member of the Group (other than contracts expiring or determinable by the Company and/or its subsidiaries within one year).

MATERIAL CONTRACTS

The following are the material contracts (not being contracts entered into in the ordinary course of business) entered into by members of the Group within two years immediately preceding the Latest Practicable Date:

- (a) the unconditional agreement dated 6 August, 2004 between Goodwill and Bigfield Investments Limited ("Bigfield") in respect of the sale by Goodwill and the purchase by Bigfield of 16,352,324 ordinary shares of S\$0.02 each in the capital of Westcomb, representing approximately 10.92% of the issued share capital of Westcomb at a cash sum of S\$7,031,499.32;
- (b) the conditional agreement dated 6 August, 2004 between Goodwill and Bigfield in respect of the sale by Goodwill and the purchase by Bigfield of 16,352,325 ordinary shares of S\$0.02 each in the capital of Westcomb, representing approximately 10.92% of the issued share capital of Westcomb at a cash sum of S\$7,031,499.75 subject to the conditions that the sale or the disposal of the shares could only take place after the expiry of the moratorium period on or after 22 January, 2005 and Bigfield was required to obtain the approval of the MAS to the proposed purchase of the shares by 24 January, 2005 or such other date as the parties may agree in writing;
- (c) the provisional sale and purchase agreement date 18 May, 2005 between Lucky Happy Development Limited and an independent third party in respect of the disposal of an industrial building situated at Nos. 12-16, Fui Yiu Kok Street, Tsuen Wan, New Territories, Hong Kong at a consideration of HK\$48,500,000;

- (d) a corporate guarantee dated 17 December, 2004 in favour of the bank in an aggregate sum of HK\$143,000,000 in respect of providing certain banking facilities to the Affiliated Companies; and
- (e) the following corporate guarantees entered by the Company in favour of various banks in respect of providing certain banking facilities to A-Max Technology Company Limited:
- i) a corporate guarantee for HK\$33,000,000 dated 31 August, 2004 which has been discharged on 7 June, 2005;
 - ii) a corporate guarantee for HK\$13,800,000 dated 26 January, 2005 which has been discharged on 7 June, 2005;
 - iii) a corporate guarantee for US\$2,500,000 (equivalent to approximately HK\$19.5 million) dated 26 January, 2005 which has been discharged on 11 May, 2005;
 - iv) corporate guarantees in an aggregate sum of HK\$41,000,000 dated 26 January, 2005 which have been discharged on 7 June, 2005;
 - v) a corporate guarantee for HK\$16,100,000 dated 26 January, 2005 which has been discharged on 7 June, 2005; and
 - vi) a corporate guarantee for US\$3,000,000 (equivalent to approximately HK\$23.4 million) dated 26 January, 2005 which has been cancelled in May 2005.

LITIGATION

As at the Latest Practicable Date, so far as was known to the Directors, there were no litigation or claims of material importance pending or threatened against any member of the Group.

QUALIFICATION, CONSENT AND INTERESTS OF EXPERT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
AMS Corporate Finance Limited	a licensed corporation under the SFO to carry on types 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities under the SFO

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the Independent Financial Adviser did not have any direct or indirect interests in any assets which had since 31 December, 2004 (being the date to which the latest published audited consolidated financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to the Bye-law 66 of the existing Bye-laws, a resolution put to the vote of any general meeting shall be decided on a show of hands unless a poll is taken as may from time to time be required under the Listing Rules or unless a poll is (before or on the declaration of the results of the show of hands or on the withdrawal of any other demand for a poll) demanded:

- (a) by the chairman of the meeting; or
- (b) by at least three members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or
- (c) by any member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or
- (d) by any member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting, being shares on which an aggregate sum has been paid up which is equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

A demand by a person as proxy for a member or, in the case of a member being a corporation, by its duly authorized representative shall be deemed to be the same as a demand by a member.

GENERAL

- (a) The company secretary of the Company is Mr. Cheung Chung Wai, Billy, a fellow member of Hong Kong Institute of Certified Public Accountants. The qualified accountant of the Company is Mr. Ong Tiang Lock, an associate member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (b) The registered office of the Company is situated at Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda.
- (c) The head office and principal place of business of the Company is situated at 43rd Floor, Jardine House, One Connaught Place, Central, Hong Kong.
- (d) The principal share registrar and transfer office of the Company in Bermuda is Butterfield Corporate Services Limited, 65 Front Street, Hamilton, Bermuda. The

branch share registrar of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited, 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

- (e) The English text of this circular shall prevail over the Chinese text in case of inconsistency.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business at Rooms 4301-4309, 43/F., Jardine House, One Connaught Place, Central, Hong Kong during normal business hours on any weekday, except public holidays, from the date of this circular up to and including 11 July, 2005:

- (a) this circular;
- (b) the memorandum of association and bye-laws of the Company;
- (c) the annual reports of the Company for the two years ended 31 December, 2003 and 2004;
- (d) the circular of the Company dated 18 February, 2005 relating to the grant of general mandates to issue and repurchase securities and notice of annual general meeting;
- (e) the circular of the Company dated 28 April, 2005 relating to a major transaction regarding the disposal of 16,352,324 shares in August 2004 and 16,352,325 shares in January 2005 in the issued share capital of Westcomb;
- (f) the circular of the Company dated 7 June, 2005 relating to a discloseable transaction regarding the disposal of a property;
- (g) the material contracts referred to in the paragraph under the heading "Material Contracts" in this Appendix;
- (h) the service contracts referred to in the paragraph under the heading "Service Contracts" in this Appendix;
- (i) written banker's guarantee to be executed by the Bank in favour of MAS;
- (j) the facility letter issued by the Bank to SBSA Securities;
- (k) the security document in respect of the Corporate Guarantee in final draft form;
- (l) the security documents in respect of the security over time deposit in the name of the Company with the Bank in final draft form;
- (m) the two counter-indemnities to be executed by Softbank and Mr. Wong in final draft form;
- (n) letter from the Independent Financial Adviser as set out in this circular;
- (o) the written consent from the Independent Financial Adviser as referred to in the paragraph under the heading "Qualification, Consent and Interests of Expert" in this Appendix; and
- (p) letter from the Independent Board Committee as set out in this circular.

NOTICE OF SGM



E2 - Capital
GROUP

E2-CAPITAL (HOLDINGS) LIMITED **(金 滙 投 資 (集 團) 有 限 公 司) ***

(Incorporated in Bermuda with limited liability)

(Stock code: 378)

NOTICE IS HEREBY GIVEN that a special general meeting of E2-Capital (Holdings) Limited (the "Company") will be held on 12 July, 2005 at 11:00 a.m. (or any adjournment thereof) at Rooms 4301-4309, 43/F., Jardine House, One Connaught Place, Central, Hong Kong (the "SGM") for the purpose of considering and, if thought fit, passing the following ordinary resolution, with or without modifications:

ORDINARY RESOLUTION

"THAT

- a) in consideration of the Guarantee (as defined in the circular of the Company dated 24 June, 2005 ("Circular")) to be provided by the Bank (as defined in the Circular) in favour of the Monetary Authority of Singapore on behalf of SBI E2-Capital Asia Securities Pte. Ltd. ("SBSA Securities") the Corporate Guarantee (as defined in the Circular) and any related documents to be executed by the Company as a security for the Bank with its liabilities in the event of actual loss suffered or amount paid out by the Bank in connection with the lawful and proper performance of its obligation under the Guarantee (a copy of the Corporate Guarantee is produced before the meeting marked "A" and initialed by the chairman of the meeting for the purpose of identification) be and are hereby approved and any director of the Company be and is hereby authorized to sign and execute all such documents and to do all such acts, matters and things as they may in their absolute discretion consider necessary, desirable or expedient for the transactions contemplated therein and any one director and the secretary be and are hereby authorised to affix, and witness the affixing of, the seal of the Company to all such documents or agreements (if required); and
- b) the Counter-indemnities (as defined in the Circular) to be given by Softbank Investment International (Strategic) Limited ("Softbank") and Dato' Wong Sin Just ("Mr. Wong") in favour of the Company to counter-indemnify the Company forthwith (in any event within 7 business days upon written demand of the Company) with their liabilities in the same proportion as their respective equity interests, i.e. 29.4% for Softbank and 1.2% for Mr. Wong, in the SBSA Securities plus any interest or expenses, to cover the Company's additional liabilities in the event of any actual loss suffered or amount paid out by the

* For identification purpose only

NOTICE OF SGM

Company in connection with the lawful and proper performance of its obligations under the Corporate Guarantee (details of the principal terms of the Counter-indemnities are set out in the Circular) (copies of the Counter-indemnities are produced before the meeting marked "B" and initialed by the chairman of the meeting for the purpose of identification) be and are hereby approved and any director be and is hereby authorized to sign and execute all such documents and to do all such acts, matters and things as they may in their absolute discretion consider necessary, desirable or expedient for the transactions contemplated therein and any one director and the secretary be and are hereby authorised to affix, and witness the affixing of, the seal of the Company to all such documents or agreements (if required)."

By order of the Board
E2-Capital (Holdings) Limited
Billy C.W. Cheung
Company Secretary

Hong Kong, 24 June, 2005

Registered Office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head office and Principal place of business:

43rd Floor
Jardine House
One Connaught Place
Central
Hong Kong

NOTICE OF SGM

Notes:

1. Any member entitled to attend and vote at the SGM convened by the above notice (or at any adjournment thereof) is entitled to appoint one or more person(s) as his proxy or proxies to attend and vote instead of him. A proxy need not be a member of the Company.
2. A form of proxy for use at the SGM is enclosed herewith. Completion and return of the form of proxy will not preclude a member from attending the meeting or any adjournment thereof and voting in person if he so wishes and in such event, the form of proxy will be deemed to be revoked.
3. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a certified copy of such power of attorney or authority, must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.
4. In the case of joint holders of any share of the Company, any one of such joint holders may vote at the SGM, either in person or by proxy, in respect of such shares of the Company as if he/she were solely entitled thereto; but if more than one of such joint holders be present at the SGM personally or by proxy, that one of such joint holders so present whose name stands first on the register of members of the Company in respect of such share of the Company shall alone be entitled to vote in respect thereof.
5. Only the Independent Shareholders (as defined hereinafter) of the Company will be entitled to vote by way of a poll at the SGM convened by the above notice. Independent Shareholders means shareholders of the Company other than Dato' Wong Sin Just and Softbank and their respective associates (as defined in the Circular).