

We are pleased to present herewith the Annual Report of E2-Capital (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2005 and we have made further progress in transforming the Company into an integrated investment firm and enhancing our belief in "Delivering Shareholder Values" during the reporting period.

Business Principles

Despite high energy prices and interest rate hikes, we are transforming our operation to deliver shareholder values via a balanced and steady growth of an integrated investment portfolios so as to achieve a consistent and sustainable return to our shareholders. Under the current challenging and dynamic environment, we continue to focus on our core investments in key identified geographical markets where there is good potential for growth with attractive returns.

Business Review

During the year, we continued to focus on our belief of "Delivering Shareholder Values" and to progress on our journey towards becoming an integrated investment firm and regional financial services group in the Asia Pacific region. In assessing our existing and potential investments, we ensure our investment infrastructure would generate sustainable economic value to our shareholders. In streamlining the Group's operating structure, resources have continued to be channeled more directly to the main operating units with a view to further improving accountability and operating responsibility.

In terms of financial strength and resources management, the Group continues to focus on increasing shareholder wealth through prudent management and selective investments. Significant financial resources have been utilized to capture strategic investment opportunities, but the Group still maintained sufficient cash and bank balances at HK\$96 million as at 31 December 2005 (2004: HK\$223 million) to capture new investment opportunities. As with the previous year, the Parent Company has zero borrowings in 2005.

As joint Chairmen, we continue to focus our resources to growing the brand name of each of the major business units in its respective industry, particularly the financial services and property sectors. We are pleased to report that both SBI E2-Capital Group ("SBI E2-Capital") and Goodwill Properties Limited ("GPL") have been recognised as premium brand names among the financial community and homebuyers respectively. SBI E2-Capital has been recognised in the financial sector for the third consecutive year as the Best Local Brokerage House – Hong Kong 2003, 2004 and 2005 as well as the Best Domestic Equity House – Hong Kong 2004 and 2005 by Asiamoney. On the other hand, Yuen Long Greenery Gardens, a property project that was developed by GPL, was awarded the "2005 Top Ten Flat Layout Award" by the Hong Kong Institute of Surveyors in December 2005. During the year, GPL worked intensively to pursue opportunities in the Hong Kong properties market and it has acquired a residential site at Grampian Road in Kowloon Tong which can be redeveloped into a high-rise luxurious residential building. It is believed that this project will further enhance the returns to our shareholders. The Group has also realised a substantial gain from the sale of an industrial property in Tsuen Wan in 2005.

Winslow Asset Management Limited ("Winslow"), a Limited Partnership type of investment vehicle to allocate funds to promising General Partnership in hedge funds and venture capital with portfolio up to US\$20 million by February 2006, performed well and we have decided to streamline and institutionalize our direct investment activities via investing in institutional funds and we will invest 3 to 5 more funds in 2006 and expect they can contribute a fruitful result to the Group.

Prospects

In order to enhance shareholders value and meet the challenging investment environment, we are committed to deploying dedicated resources so as to maintain prudent management and selective investments which we believe are fundamental to delivering sustainable returns to the shareholders. Notwithstanding current uncertainties in oil prices and interest rates as well as the effect of implementation of macro-economic policies in China, it is anticipated that China will continue to lead global economic growth in 2006 as its growth in GDP is still expected to be over 8% in the coming years.

Exchange rate reforms in China and the reforms of the China Stock Market present both threats and opportunities and we will continue to capture strategic investment opportunities that may arise in the current business cycle particularly in the region. Looking forward, we will make full use of the skill and expertise available in the Group and the market place such as that adopted by other investment houses similar to a "fund of funds". Notwithstanding the ebbs and flows of investment cycles, the skill and expertise within our management team will be key to our success.