

# CHAIRMEN'S STATEMENT



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 2006. The Group has been successfully transformed into an integrated investment firm with a vision to accomplish long-term sustainable returns for our shareholders.

## Business Principles

As mentioned in our 2005 annual report, we have set out to transform our operation to deliver shareholder value via a balanced and steady growth of integrated investment portfolios which aimed at achieving a sustainable return to our shareholders. We believe that this would help capture the growth of economy in the Asia Pacific region, especially from the Mainland China.

## Business Review

Despite the uncertainty in interest rates and energy prices, the consolidated profit attributable to shareholders for the year ended 31 December 2006 amounted to HK\$54 million, representing an increase of 6.9% over that of last year. In terms of financial strength and resources management, the Group continues to focus on increasing shareholder wealth through prudent treasury management and selective investments. We continue to recognize the importance of maintaining financial resources flexibility and are pleased to report that the Group has further increased its liquidity with cash and bank balance of HK\$151 million as compared with HK\$96 million last year. As with the previous year, the Parent Company has zero borrowings.

As joint Chairmen, we continue to focus on our belief of "Delivering Shareholder Values". During the year, Winbox International (Holdings) Limited ("Winbox"), an associated company of the Group which operated its packaging business principally out of China, was successfully listed on the Main Board of the Hong Kong Stock Exchange on 6 June 2006. Our entire interest in Winbox was distributed to our shareholders by way of dividend in specie and Winbox ceased as an associated company of the Group thereafter. We believe this can help to realize the value for our shareholders and to broaden the shareholder base of Winbox.

Our proprietary asset management arm, 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 a portfolio up to US\$20 million by February 2007, performed well during the year. This investment division had made substantial contributions to our bottom line with an operating profit of HK\$90.9 million for the year ended 31 December 2006 as compared with HK\$7.7 million in 2005. In fact, our investment team with varied training, discipline and experience in local and other major markets had performed ably to optimize returns both for the short and long term balanced against timing and risk. In assessing our existing and potential investments, we ensure our investment infrastructure would generate sustainable economic value to our shareholders. In the coming future, we expect Winslow remains the growth driver to the Group.

Apart from proprietary asset management, 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 recognized as premium brand names among the financial community and homebuyers respectively. Thanks to the hard work and devotion of our team members, SBI E2-Capital has established a reputation and franchise in the financial services industry, and it has been recognized in the financial sector for the fourth consecutive year as the Best Local Brokerage House – Hong Kong from 2003 to 2006 by Asiamoney. On the other hand, GPL also worked intensively to pursue opportunities both in the Hong Kong and the PRC properties market after the acquisition of a residential site at Grampian Road in Kowloon Tong in 2005.

### Prospects

With the rising of interest rates in Europe and Japan, as well as the uncertain economy in the US, we believe investment environment will remain volatile in 2007. We are prepared to face the challenging investment environment with prudent management and selective investments strategy which we believe are fundamental to delivering sustainable returns to our shareholders. We are cautiously optimistic on the market condition this year since it is anticipated that Mainland China is able to maintain steady economic growth in 2007. With the emphasis on delivering shareholder values, premised on our strong financial position and the quality of our management team, we are confident that the Group is able to grow upon our existing operation which is similar to a "fund of funds" that is adopted by other investment houses.



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