

Kim Eng Holdings (Hong Kong) Limited

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VXL Capital Partners Corporation Limited

(Incorporated in the British Virgin Islands with limited liability)



KIM ENG

Kim Eng Holdings (Hong Kong) Limited

(Incorporated in Hong Kong with limited liability)

JOINT ANNOUNCEMENT

Acquisition of Shares in Kim Eng Holdings (Hong Kong) Limited by VXL, possible mandatory cash offer by Somerley Limited on behalf of VXL to acquire all the issued Shares in Kim Eng Holdings (Hong Kong) Limited not already owned or agreed to be acquired by VXL and parties acting in concert with it,

and

grant of put option to Kim Eng Holdings (Hong Kong) Limited and disposal of assets by Kim Eng Holdings (Hong Kong) Limited (each constituting a connected transaction under the Listing Rules and a special deal under Rule 25 of the Takeovers Code)

Financial adviser to

VXL Capital Partners Corporation Limited

Joint financial advisers to

Kim Eng Holdings (Hong Kong) Limited



SOMERLEY LIMITED

KIM ENG CAPITAL (HONG KONG) LIMITED

AND

**KIM ENG CORPORATE FINANCE
(HONG KONG) LIMITED**

SHARE SALE AGREEMENT

The Vendors, being the controlling Shareholders, entered into the Share Sale Agreement on 7th December, 2003 with VXL pursuant to which the Vendors has conditionally agreed to sell, and VXL has conditionally agreed to purchase, the Sale Shares at a total consideration of HK\$187,626,800, equivalent to approximately HK\$3.723 per Sale Share. The Sale Shares represent approximately 70.01% of the issued share capital of the Company as at the date of the Share Sale Agreement. Completion of the Share Sale Agreement is subject to fulfillment of a number of conditions precedent including, among other things, the approval of the Independent Shareholders and consent of the Executive in respect of the Put Option Agreement and the Disposal Agreement.

OFFER

Upon Completion, VXL will be interested in approximately 70.01% of the then issued share capital of the Company and will be obliged under Rule 26 of the Takeovers Code to make a mandatory cash offer to acquire all the issued Shares other than those already owned or agreed to be acquired by VXL and parties acting in concert with it. The Offer price will be HK\$3.723 per Share, which is equal to the purchase price payable by VXL for each Sale Share under the Share Sale Agreement.

PUT OPTION AGREEMENT

Upon Completion, KEHL and the Company will enter into the Put Option Agreement whereby KEHL will grant the Put Option to the Company pursuant to which the Company will have the right, but not the obligation, to require KEHL to purchase the entire issued share capital of Kim Eng Capital at a fixed consideration of HK\$9,000,000 at any time during the period from Completion to twelve months thereafter. The transaction contemplated under the Put Option Agreement constitutes a connected transaction of the Company under the Listing Rules and a special deal under Rule 25 of the Takeovers Code. It is therefore subject to, inter alia, the approval of the Independent Shareholders and the Executive granting the Special Deal Consent.

DISPOSAL AGREEMENT

On 7th December, 2003, the Company and KEI entered into the Disposal Agreement pursuant to which the Company has conditionally agreed to sell, and KEI has conditionally agreed to purchase, the Company's (i) 100% equity interest in Kim Eng CF; (ii) 100% equity interest in Hart; and (iii) 25% equity interest in Eva for a total cash consideration of HK\$6,706,000. Completion of the Disposal Agreement is subject to a number of conditions as detailed below. The transaction contemplated under the Disposal Agreement constitutes a connected transaction of the Company under the Listing Rules and a special deal under Rule 25 of the Takeovers Code. It is therefore subject to, inter alia, the approval of the Independent Shareholders and the Executive granting the Special Deal Consent.

DESPATCH OF DOCUMENTS

A circular containing, amongst other things, details of the Put Option Agreement and the Disposal Agreement, a notice convening the EGM, the letter of advice from the Independent Board Committee and the letter of advice from the independent financial adviser in respect of the Put Option Agreement and the Disposal Agreement will be sent to the Shareholders as soon as practicable.

Subject to Completion, a composite offer document setting out details of the Offer and attaching thereto the acceptance and transfer form and incorporating the letter of advice from the Independent Board Committee in relation to the Offer and the letter of advice from the independent financial adviser on the Offer will be sent to the Shareholders in accordance with the Takeovers Code.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the main board of the Stock Exchange was suspended with effect from 9:30 a.m. on 8th December, 2003 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 17th December, 2003.

WARNING: The Offer will only be made if Completion takes place pursuant to the Share Sale Agreement. Completion is subject to satisfaction and/or waiver of the conditions contained in the Share Sale Agreement as detailed below. Accordingly, the Offer may or may not be made. Potential investors and Shareholders should exercise extreme caution when dealing in the Shares.

SHARE SALE AGREEMENT

On 7th December, 2003, VXL and the Vendors entered into the Share Sale Agreement, details of which are as follows:–

Name of Vendors	No. of Sale Shares	% of issued share capital
KEI	10,907,200	15.15%
KEHL	39,500,000	54.86%
Total	50,407,200	70.01%

Note: KEI is a wholly-owned subsidiary of KEHL. The Sale Shares represent the Vendors' entire interests in the Company. Upon Completion, the Vendors will cease to have any direct or indirect interests in the Company.

Purchaser: VXL

Both VXL and its sole beneficial shareholder, Datuk Lim, are independent third parties not connected with the chief executive, directors or substantial shareholders of the Company or its subsidiaries or any of their respective associates.

Consideration:

Cash consideration of HK\$187,626,800 (subject to adjustment), equivalent to approximately HK\$3.723 per Sale Share, which has been/shall be paid as follows:–

- (i) a deposit of HK\$7,000,000 (the "Deposit") which has been paid upon signing of the Share Sale Agreement;
- (ii) HK\$86,813,400 payable upon Completion; and
- (iii) HK\$93,813,400 (the "Retained Consideration"), subject to adjustment, payable on a date which is one year immediately after Completion. The amount of the Retained Consideration shall not exceed HK\$93,813,400 in any event.

The Consideration has been arrived at after arm's length negotiation between the parties taking into consideration of the unaudited net tangible asset value of the Group as at 30th September, 2003 of approximately HK\$196.6 million. The payment terms of the Consideration have been arrived at after arm's length negotiations between the Vendors and VXL after taking into account the potential liability of the Vendors in respect of claims for breach of representations, undertakings and warranties given in the Share Sale Agreement and the period during which such claims may be brought against the Vendors by VXL.

At Completion, VXL will deliver to the Vendors' solicitors an unconditional and irrevocable bank guarantee in a form acceptable to the Vendors and VXL to secure the payment of the Retained Consideration.

Kim Eng Holdings (Hong Kong) Limited

As soon as possible after Completion and by no later than the date which is 120 days after Completion, VXL will appoint and instruct the auditors of the Company or other firm of certified public accountants to prepare the accounts of the Group as at Completion Date and to certify the net tangible asset value (the "Certified NAV") and the total amount of cash and bank balances less all payables and liabilities (the "Certified Net Cash") of the Company as at the Completion Date. Upon determination of the Certified NAV and the Certified Net Cash, the Retained Consideration will be adjusted as follows:

- (i) if the Certified NAV is less than HK\$198,000,000 (the "Warranted NAV") but the Certified Net Cash is not less than HK\$189,000,000 (the "Warranted Net Cash"), then the Retained Consideration will be adjusted to an amount represented by:
Retained Consideration (prior to adjustment) – (Warranted NAV – Certified NAV);
- (ii) if the Certified Net Cash is less than the Warranted Net Cash but the Certified NAV is not less than the Warranted NAV, then the Retained Consideration will be adjusted to an amount represented by:
Retained Consideration (prior to adjustment) – (Warranted Net Cash – Certified Net Cash); and
- (iii) if the Certified NAV is less than the Warranted NAV and the Certified Net Cash is less than the Warranted Net Cash, then the Retained Consideration will be adjusted to an amount represented by the lesser of:
 - (a) Retained Consideration (prior to adjustment) – (Warranted Net Cash – Certified Net Cash); and
 - (b) Retained Consideration (prior to adjustment) – (Warranted NAV – Certified NAV).

Conditions precedent:

Completion of the Share Sale Agreement is subject to the following conditions being fulfilled or waived:–

- (a) completion of the due diligence review by VXL on the Group to the satisfaction of VXL, including in relation to the Group's assets, liabilities, contracts, commitments, and its business and financial, legal, taxation and compliance aspects within two months from the date of the Share Sale Agreement;
- (b) the obtaining of the approval of the Independent Shareholders by way of poll in general meeting in respect of the entering into of the Put Option Agreement and the Disposal Agreement in compliance with the Listing Rules and the Takeovers Code;
- (c) the SFC having granted its consent to the Put Option Agreement and the Disposal Agreement;
- (d) the change of substantial shareholders of all relevant members of the Group being approved by the SFC pursuant to section 132 of the SFO;
- (e) (1) the current listing of the Shares not having been withdrawn and the Shares continuing to be traded on the Stock Exchange (save for any temporary suspension pending any announcement in connection with the execution of the Share Sale Agreement or the transactions contemplated thereunder); (2) no indication having been received on or before Completion from the Stock Exchange or the SFC to the effect that the listing of the Shares may be withdrawn or objected to including without limitation as a result of Completion or in connection with the terms of the Share Sale Agreement or for any reason other than an inadequate percentage of the issued Shares being in public hands following the close of the Offer; and (3) no other event having arisen which may adversely affect the listing status of the Company on the Stock Exchange;
- (f) the warranties under the Share Sale Agreement remaining true and accurate and not misleading in any material respect at Completion;
- (g) the Disposal Agreement being completed simultaneously;
- (h) the Vendors being able to demonstrate to the full satisfaction of VXL that the Company shall have at Completion, cash reserves (net of any payables and liabilities) in good and clear funds of an amount not less than HK\$189,000,000, provided that such cash reserves may include bank drafts and/or cashier orders and/or other bank instruments acceptable to VXL;
- (i) the licensed corporation registration of Kim Eng Capital under the SFO not being revoked by the SFC on or before the date of Completion and Kim Eng Capital not having been notified of such revocation or of any event which might lead to such revocation;
- (j) the approval of the Share Sale Agreement and the actions contemplated thereunder under any applicable laws or regulations, including the approval of the shareholders of KEHL, if required;
- (k) the Put Option Agreement having been duly executed; and
- (l) the obtaining of all necessary waivers or consents as VXL may require to enable VXL or its nominees to be registered as the holders of all and any of the Sale Shares.

Kim Eng Holdings (Hong Kong) Limited

VXL may waive conditions (a), (e), (f), (g) and (h) above at any time by notice in writing to the Vendors. As at the date of this announcement, VXL has indicated that it has not made any decision as to whether it will waive any of the aforesaid conditions. Completion shall take place simultaneously with completion of the Disposal Agreement (as provided in the Disposal Agreement) on the third business day after all of the conditions having been fulfilled or duly waived (or such later date as the parties may mutually agree in writing). If the above conditions are not fulfilled or waived by VXL prior to 7th June, 2004 (or such later date as the parties thereto may agree), then VXL shall not be bound to proceed with the purchase of the Sale Shares and the Vendors shall forthwith instruct their solicitors to immediately return the Deposit to VXL together with all accumulated interest accrued thereon and the Share Sale Agreement shall cease to have any effect save in respect of any claims arising out of any antecedent breach of the Share Sale Agreement.

Other terms

On Completion, the Vendors shall deliver, inter alia, evidence satisfactory to VXL that:

- (i) the subsisting service contract as at the date of Completion between Kim Eng Capital and Mr. Chum Hon Wang, Michael, an executive Director, shall contain terms to the effect that the notice period for termination of such service contract shall be not less than six months and such notice shall not be given by such director until the expiry of six months from Completion;
- (ii) any and all indemnities given by the Company and Kim Eng Capital in relation to the listing application of one of its potential clients being unconditionally cancelled and released prior to the Completion Date without any compensation or other payment;
- (iii) the deed of guarantee and undertaking given by the Company in favour of Kim Eng Capital for the purpose of the GEM Listing Rules and any supplemental deed thereof having been unconditionally cancelled and released prior to the Completion Date without any compensation or other payment; and
- (iv) the mandates requiring Kim Eng Capital to act or otherwise perform duties as a sponsor for the purpose of the GEM Listing Rules subsisting as at the date of the Share Sale Agreement having been unconditionally cancelled and released prior to the Completion Date without any compensation or other payment.

For item (ii) above, as the mandate with the potential listing applicant was not confirmed, VXL considered that such indemnities were onerous on the Group and accordingly requested that the said indemnities be unconditionally cancelled and released prior to Completion. For items (iii) and (iv) above, as Kim Eng Capital may not be able to fulfill the minimum net tangible asset value requirement for the purpose of acting as a GEM sponsor upon Completion, VXL may consider other ways to re-capitalise Kim Eng Capital in order to fulfill the aforesaid requirement other than by means of a guarantee and undertaking given by the Company in favour of Kim Eng Capital. Accordingly, VXL has requested that any guarantee and undertaking given by the Company in favour of Kim Eng Capital be unconditionally cancelled and released prior to Completion and considered it appropriate to cancel the existing mandates requiring Kim Eng Capital to act as a sponsor for the purpose of the GEM Listing Rules before any possible re-capitalisation plan for Kim Eng Capital may be finalised in future.

The documents referred to in (i) to (iv) above will only be delivered by the Vendors to VXL at Completion. If the Vendors do not comply with such obligations, VXL may elect to (i) defer Completion to a date not more than 28 days thereafter; (ii) proceed to Completion so far as practicable; or (iii) rescind the Share Sale Agreement and in such case, the Vendors will return to VXL the Deposit together with all accrued interest thereon forthwith.

THE OFFER

Warning: The Offer will only be made if Completion takes place pursuant to the Share Sale Agreement. Completion is subject to satisfaction and/or waiver of the conditions contained in the Share Sale Agreement as detailed above. Accordingly, the Offer may or may not be made. Potential investors and Shareholders should exercise extreme caution when dealing in the Shares.

Upon Completion, VXL and parties acting in concert with it will be interested in 50,407,200 Shares, representing approximately 70.01% of the then issued share capital of the Company. Subject to Completion, Somerley Limited, the financial adviser to VXL, will make on behalf of VXL a mandatory unconditional cash offer to acquire all the issued Shares not already owned or agreed to be acquired by VXL and parties acting in concert with it on the following basis:

For each Share HK\$3.723 in cash

The Offer price is the same as the price per Sale Share under the Share Sale Agreement. The Shares to be acquired under the Offer shall be free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attaching to them as at the date of this announcement, including the right to receive in full all dividends and other distributions, if any, declared, made or paid on or after the date of this announcement.

The Offer, if and when made, will be unconditional in all respects.

VXL will pay seller's ad valorem stamp duty arising in connection with acceptance of the Offer at a rate of HK\$1 for every HK\$1,000 (or part thereof) of the value of the consideration payable in respect of the relevant acceptance by the Shareholders, which amount will be deducted from the amount payable to the relevant Shareholders who accept the Offer.

Kim Eng Holdings (Hong Kong) Limited

The Offer price of HK\$3.723 per Share represents:-

- (a) a premium of approximately 16.3% over the closing price of the Share of HK\$3.2 as quoted on the Stock Exchange on 5th December, 2003, being the last trading day immediately prior to the suspension of trading in the Shares on 8th December, 2003;
- (b) a premium of approximately 20.5% over the average closing prices of the Share of HK\$3.09 for the last ten trading days immediately prior to the suspension of trading in the Shares on 8th December, 2003;
- (c) a premium of approximately 40% over the audited net tangible asset value of the Group of approximately HK\$2.66 per Share as at 31st March, 2003 (calculated based on the audited consolidated net tangible asset value of the Group of approximately HK\$191.6 million as at 31st March, 2003 and 72,000,000 Shares in issue); and
- (d) a premium of approximately 36.4% over the unaudited net tangible asset value of the Group of approximately HK\$2.73 per Share (calculated based on the unaudited net tangible asset value of the Group of approximately HK\$196.6 million as at 30th September, 2003 and 72,000,000 Shares in issue).

The highest and lowest closing prices of the Share as quoted by the Stock Exchange during the six-month period preceding the date of this announcement were HK\$3.40 on 24th November, 2003 and HK\$2.45 on 29th July, 2003 respectively.

The Company has no convertible securities, options, derivatives or warrants outstanding and has not entered into any agreement for the issue of any convertible securities, options, warrants or derivatives of the Company.

There is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Company or VXL which might be material to the Offer.

On the basis of the Offer price of HK\$3.723 per Share, the entire issued share capital of the Company of 72,000,000 Shares is valued at approximately HK\$268.1 million. Based on 21,592,800 Shares subject to the Offer, the Offer is valued at approximately HK\$80.4 million.

The Purchaser intends to finance the Offer from its own resources. Somerley Limited is satisfied that sufficient financial resources are available to VXL to meet full acceptance of the Offer.

PUT OPTION AGREEMENT

Prior to Completion, KEHL and the Company will enter into the Put Option Agreement, details of which are as follows:-

Grantor: KEHL

Grantee: the Company

Put Option: KEHL will agree to grant to the Company the Put Option whereby the Company will be granted the right, but not the obligation, to require KEHL to purchase the entire issued share capital of Kim Eng Capital.

Kim Eng Capital is a licensed corporation under the SFO to undertake type 6 (advising on corporate finance) regulated activities. It is principally engaged in the provision of corporate finance and corporate advisory services mainly in Hong Kong and the PRC. For the year ended 31st March, 2003, Kim Eng Capital recorded an audited profit before taxation and after taxation of approximately HK\$0.9 million and HK\$0.8 million respectively. For the year ended 31st March, 2002, Kim Eng Capital recorded an audited profit before taxation and after taxation of approximately HK\$1.9 million and HK\$1.7 million respectively. As at 31st March, 2003, the audited net tangible asset value of Kim Eng Capital was approximately HK\$13.9 million.

Consideration: HK\$10

Exercise price: HK\$9,000,000

Exercise period: From the date of Completion and ending twelve months after Completion

Completion of the exercise of the Put Option will be conditional on the Company having obtained all required approvals and consents under all applicable legislation and regulatory codes and rules including without limitation the Listing Rules.

The terms of the Put Option Agreement was agreed by the parties after arm's length negotiations and taking into account of the unaudited net tangible asset value of Kim Eng Capital as at 30th September, 2003. The Put Option Agreement constitutes a connected transaction of the Company under the Listing Rules as KEHL is the controlling Shareholder. It also constitutes a special deal under Rule 25 of the Takeovers Code. The Put Option Agreement is therefore subject to the approval of the Independent Shareholders and the Executive granting the Special Deal Consent. The Vendors, their respective associates and parties acting in concert with them shall abstain from voting on the relevant resolution to be proposed at an extraordinary general meeting of the Company to approve the Put Option Agreement.

Kim Eng Holdings (Hong Kong) Limited

Upon completion of the Disposal Agreement (as described below), the Group will be engaged in the business of corporate finance and corporate advisory business. Upon Completion, VXL may assist the Group in exploring suitable business opportunities, including participation in new investments, so as to enhance the earning potential of the Group. If the Put Option is exercised at a time when the Group has no active line of business other than the corporate finance and advisory business being undertaken by Kim Eng Capital, the Group's principal business will only be investment holding. VXL has no intention to propose the Company to exercise the Put Option (if and when granted) if the exercise of the same will lead to the Company being unable to comply with Paragraph 38 of the Listing Agreement which requires listed issuer to carry out a sufficient level of operation or have sufficient assets to warrant the continued listing of its securities.

Reasons for the Put Option Agreement

The Put Option affords the Company with the right, but not the obligation, to dispose of its entire equity interest in Kim Eng Capital during the option period. As the corporate finance business is a highly regulated industry and deals with largely listed securities and/or listed companies, a licensed corporation is potentially exposed to certain business risk including claims from customers or investors or regulatory bodies. VXL considers that the Put Option Agreement will provide flexibility to the Company and safeguard the Company from material contingent liabilities, if any, of Kim Eng Capital which might arise during the option period, taken account of the nature of business of Kim Eng Capital. VXL is informed by the Vendors that they are not aware of any contingent liabilities in this respect and the Company has confirmed no such contingent liabilities have arisen.

The Stock Exchange has stated that:

- (a) if following the exercise of the Put Option, the Group's assets consist wholly or substantially of cash and the Stock Exchange, based on the then circumstances of the Company, considers the exercise of the Put Option to be in effect a withdrawal of listing by the Company, the Company will not exercise the Put Option unless it has obtained (i) the advice of an independent financial adviser; and (ii) the prior approval of three-fourths in value of Shareholders and holders of any other class of listed securities of the Company (other than the then directors, chief executive and any controlling shareholder of the Company and their respective associates) present and voting, either in person or by proxy, at the relevant general meeting(s) of Shareholders in accordance with Rule 6.12 of the Listing Rules; and
- (b) if the Put Option is not exercised by the last month prior to the expiry of the option exercise period and the Board has decided not to exercise the Put Option, the Company will obtain the advice of the independent board committee of the Company (comprising of all the then independent non-executive Directors) and seek its confirmation as to whether or not the Put Option should be exercised.

A separate announcement will be made by the Company should the Option be exercised. VXL will give an undertaking to the Stock Exchange in relation to the exercise of the Put Option. Please refer to the paragraph headed "Maintaining the listing of the Company" below.

DISPOSAL AGREEMENT

On 7th December, 2003, KEI and the Company entered into the Disposal Agreement, details of which are as follows:–

Vendor: The Company

Purchaser: KEI

Assets disposed:

- (i) 100% equity interest in Kim Eng CF;
- (ii) 100% equity interest in Hart; and
- (iii) 25% equity interest in Eva.

The above represents the Company's entire interest in the relevant companies. Kim Eng CF is a licensed corporation under the SFO to undertake type 6 (advising on corporate finance) regulated activities and is engaged in the provision of corporate finance and advisory services. Hart is an investment holding company and its sole asset is the beneficial ownership of the membership of Xili Golf and Country Club (the "Club Membership"). Eva is a licensed corporation under the SFO to undertake type 1 (dealing in securities) and type 9 (asset management) regulated activities. It is the manager of three open-ended funds which are principally engaged in investment in quoted securities in the region. Eva is owned as to 25% by the Company and as to the remaining 75% by independent third parties who are not connected with the Company, the directors, chief executive and substantial shareholders of the Company and its subsidiaries or any of their respective associates (as defined in the Listing Rules). The audited losses before and after taxation for each of Kim Eng CF, Hart and Eva for the two financial years ended 31st March, 2002 and 2003 are as follows:

	Year ended 31st March, 2002		Year ended 31st March, 2003	
	Profit/(loss) before tax HK\$ '000	Profit/(loss) after tax HK\$ '000	Profit/(loss) before tax HK\$ '000	Profit/(loss) after tax HK\$ '000
Kim Eng CF (Note 1)	N/A	N/A	(20)	(20)
Hart (Note 2)	0	0	0	0
Eva	(24)	(24)	82	82

Kim Eng Holdings (Hong Kong) Limited

Note:

- (1) Kim Eng CF was incorporated on 27th February, 2002 and no accounts have been prepared for the period ended 31st March, 2002.
- (2) Hart is an investment holding company. All its corporate expenses were borne by the Company.

Consideration:

	HK\$
Kim Eng CF	5,000,000
Hart	256,000
Eva	1,450,000
Total	<u>6,706,000</u>

The consideration for the aforesaid interests has been arrived at after arm's length negotiation between the parties taking into consideration the unaudited net asset value of Kim Eng CF as at 30th September, 2003 of approximately HK\$4.97 million, the audited book value of the beneficial ownership of the Club Membership of approximately HK\$256,000 as at 31st March, 2003 and the unaudited book value of the Company's interest in Eva of approximately HK\$1.44 million as at 30th September, 2003.

The entire consideration is payable in cash upon completion of the Disposal Agreement.

Conditions:

Completion of the Disposal Agreement is subject to the following:

- (i) the Independent Shareholders approving by poll the Disposal Agreement and the transactions contemplated thereunder in accordance with the requirements of the Listing Rules, the Takeovers Code, the Company's memorandum and articles of association and as may be required by any applicable law;
- (ii) all necessary consents and waiver of pre-emption rights for the relevant shares being granted by relevant parties (including governmental or official authorities) and no statute, regulation or decision which would prohibit or restrict the transaction contemplated under the Disposal Agreement having been proposed, enacted or taken by any governmental or official authority;
- (iii) the Share Sale Agreement becoming unconditional in accordance with the terms thereof (except for the conditions in respect of the Disposal Agreement);
- (iv) the grant of approval by the SFC in relation to KEI becoming the substantial shareholder of Kim Eng CF pursuant to section 132 of the SFO; and
- (v) simultaneous completion of the Share Sale Agreement.

All of the above conditions must be fulfilled prior to completion of the Disposal Agreement and none of them could be waived. If any of the aforesaid conditions have not been fulfilled prior to the date falling six months from the date of the Share Sale Agreement (or such later date as the parties thereto may agree in writing), then all rights and obligations of the parties shall cease and determine and neither party shall have any claim against the other save for claims (if any) in respect of any antecedent breaches of the terms thereof, and the Disposal Agreement shall lapse accordingly.

The Disposal Agreement constitutes a connected transaction of the Company under the Listing Rules as KEI is a substantial Shareholder. It also constitutes a special deal under Rule 25 of the Takeovers Code. The Disposal Agreement is therefore subject to, inter alia, the approval of the Independent Shareholders by poll and the Executive granting the Special Deal Consent. The Vendors, their respective associates and parties acting in concert with them shall abstain from voting on the relevant resolution to be proposed at an extraordinary general meeting of the Company to approve the Disposal Agreement.

Reasons for the Disposal Agreement

Pursuant to the Disposal Agreement, the parties agreed that the Company shall dispose of Kim Eng CF. The Disposal Agreement was entered into at the request of VXL and reached after arm's length negotiation between the parties having taken into consideration of the performance, mandates on hand and prospects of each of Kim Eng CF and Kim Eng Capital. Kim Eng CF is currently not on the approved list of sponsors under the GEM Listing Rules. There will not be any transfer of existing mandates from Kim Eng Capital to Kim Eng CF. VXL intends that upon Completion, the Group will concentrate on its core business of corporate finance and corporate advisory business. At present, both Kim Eng Capital and Kim Eng CF are licensed under the SFO to undertake type 6 (advising on corporate finance) regulated activities. The Disposal Agreement enables the Group to streamline its corporate structure and dispose of its non-core business and assets and further simplify the operating and licensing structure of the corporate finance business and reduce the related compliance costs thereof.

INFORMATION ON VXL AND DATUK LIM

VXL is a private company incorporated in the British Virgin Islands with limited liability. It is an investment holding company and the overseas investment arm of Datuk Lim. VXL has not undertaken any significant active investment since its incorporation. Besides the investment in VXL, Datuk Lim has other investments which are principally engaged in information, communication and high technology business, construction and property development, and management and technology consulting business. At present, Datuk Lim does not have any investments in corporate finance or corporate advisory business. VXL is wholly and beneficially owned by Datuk Lim. The directors of VXL are Datuk Lim and Madam Leong Yoke Kwen. Save for being a director of VXL and an employee and a director of other members of the VXL group of companies, Madam Leong Yoke Kwen has no other connection whatsoever with VXL or Datuk Lim.

Kim Eng Holdings (Hong Kong) Limited

Set out below is the biography of Datuk Lim:

Datuk Lim Chee Wah, aged 49, graduated from the London School of Economics with a degree in economics in 1975. Datuk Lim has substantial investment and management experience in a wide range of industries including plantations, leisure and entertainment, construction, property development, and information technology. He was formerly the Deputy Managing Director of Genting Berhad and the Joint Managing Director of Asiatic Development Berhad during 1985 to 1990, and an alternate non-executive director of Asia Financial Holdings Limited during 1997 to 2002. He has been the Chief Executive Officer of Dataprep Holdings Berhad since 2002. Genting Berhad and Asiatic Development Berhad are listed on the Main Board of the Kuala Lumpur Stock Exchange, and Dataprep Holdings Berhad is listed on the Second Board of the Kuala Lumpur Stock Exchange. Genting Berhad and its subsidiaries are principally engaged in the businesses of leisure and hospitality, entertainment, plantations, property development and management, and provide money lending services. Asiatic Development Berhad and its subsidiaries are principally engaged in plantations, property development and investment, processing of fresh fruit, trading of rubberwood, provision of palm oil mill management services and operation of golf course. Dataprep Holdings Berhad and its subsidiaries are engaged in the development of computer systems and software, the provision of computer related consulting and training services and internet application services, and management and technology consulting business. Asia Financial Holdings Limited is a company listed on the main board of the Stock Exchange (Stock code : 662) which, together with its subsidiaries, is engaged in the provision of banking, financial, investment and related services and underwriting of general and life insurance.

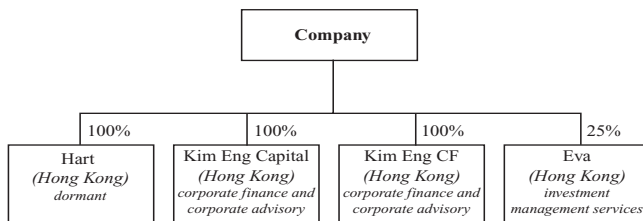
Save for the entering into of the Share Sale Agreement, neither VXL nor its directors or parties acting in concert with any of them have dealt in Shares in the last six months prior to this announcement.

INFORMATION ON THE COMPANY

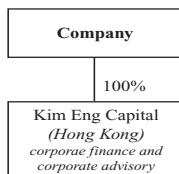
The Group is principally engaged in corporate finance and corporate advisory businesses mainly in Hong Kong and the PRC.

Set out below is the Group structure before and after Completion:

Existing Group structure



Group structure upon Completion



The following is a summary of the Group's audited financials for each of the two years ended 31st March, 2002 and 2003:

	Year ended 31st March,	
	2002	2003
	HK\$'000	HK\$'000
Turnover	89,503	27,442
Profit before taxation	39,148	201,494
Profit attributable to Shareholders	35,691	199,838

The audited consolidated net tangible asset value of the Group amounted to approximately HK\$368.6 million and HK\$191.6 million respectively as at 31st March, 2002 and 2003.

Kim Eng Holdings (Hong Kong) Limited

SHAREHOLDING STRUCTURE

Set out below is the existing shareholding structure of the Company and the shareholding structure of the Company upon Completion, without taking into account results of the Offer:

	Existing		Upon Completion	
	Shares	% of issued share capital	Shares	% of issued share capital
KEI	10,907,200	15.15%	–	–
KEHL	39,500,000	54.86%	–	–
VXL	–	–	50,407,200	70.01%
Public Shareholders	21,592,800	29.99%	21,592,800	29.99%
Total	<u>72,000,000</u>	<u>100.00%</u>	<u>72,000,000</u>	<u>100.00%</u>

INTENTION OF VXL REGARDING THE GROUP

VXL intends that the Group will continue with its existing core business of corporate finance and corporate advisory businesses mainly in Hong Kong and the PRC.

The Board is currently made up of six Directors, comprising four executive Directors and two independent non-executive Directors. Subject to Completion, all the existing Directors will resign as directors of the Company. VXL will nominate new Directors to the Board on the earliest date permitted under the Takeovers Code. As at the date of this announcement, VXL has not indicated its nomination on the new Directors to be appointed. Further announcement(s) will be made as and when there is a change in the composition of the Board.

Kim Eng Capital and Kim Eng CF currently have 12 registered persons under the SFO, two of whom, namely, Mr. Chum Hon Wang, Michael and Ms. Kong Lai Wan, Winnie who are executive Directors, are the responsible officers of both Kim Eng Capital and Kim Eng CF. After Completion, Mr. Chum Hon Wang, Michael will remain as a director and responsible officer of Kim Eng Capital and Ms. Kong Lai Wan, Winnie will remain as a consultant to Kim Eng Capital and a responsible officer of Kim Eng CF. It is the intention of the Vendors and VXL that both Kim Eng Capital and Kim Eng CF will continue to maintain their respective status as a licensed corporation under the SFO and therefore additional responsible officers will be appointed by Kim Eng Capital and Kim Eng CF in order to comply with relevant licensing requirement. Hart is an investment holding company and does not have any employees. The Group does not have employees assigned to Eva. Save for the aforesaid changes, VXL does not intend to make any material changes to the existing management or businesses or employees of the Group including any deployment of the fixed assets of the Company by reason only of the Offer.

VXL and its directors are of the opinion that the financial markets in the region and Greater China would offer great potential and vast opportunity for the Group. Leveraging on the extensive business connections of Datuk Lim in the investment sector in the region, VXL may assist the Group in expanding its client base and identifying strategic partners for the corporate finance advisory business and in exploring other suitable business opportunities, including participation in new investments, so as to enhance the earning potential of the Group. Any future investments or business that might be conducted by the Group will be subject to regulatory and shareholders' approval where so required by the applicable laws or regulations including all applicable requirements of the Listing Rules. VXL has indicated that it has no plans with respect to the exercise or not of the Put Option or in respect of any possible injection of assets or businesses into the Group within one year after the close of the Offer.

Since VXL will become a connected person of the Company upon completion of the Share Sale Agreement, any proposed acquisition/disposal of assets from/to VXL will constitute connected transactions of the Company under the Listing Rules and will be subject to approval of independent shareholders other than VXL and its associates at general meetings of the Company. There is no concrete plan as to any proposed acquisition of assets from VXL or any of its associates following the closing of the Offer.

If the Company remains a listed company, the Stock Exchange will closely monitor all future acquisitions or disposals of assets by the Company. The Stock Exchange has indicated that it has the discretion to require the Company to issue an announcement and a circular to its shareholders irrespective of the size of any proposed transactions, particularly when such proposed transactions represent a departure from the principal activities of the Company. The Stock Exchange also has the power, pursuant to the Listing Rules, to aggregate a series of transactions of the Company and any such transactions may result in the Company being treated as if it were a new listing applicant as set out in the Listing Rules.

VXL will undertake to the Stock Exchange, and will procure that the new directors to be appointed to the Board following Completion will undertake to the Stock Exchange, that it/they will not propose the Company to exercise the Put Option if that will result in the Company not having a sufficient level of operations or tangible assets of sufficient value to warrant the continued listing of the Shares on the Stock Exchange or the assets of the Company consisting wholly or substantially of cash.

MAINTAINING THE LISTING OF THE COMPANY

It is the intention of VXL to maintain the listing of the Shares of the Company on the Stock Exchange after close of the Offer. The Company and VXL will undertake, and VXL will undertake to procure that the new directors to be appointed to the Board following Completion will undertake, to the Stock Exchange that following the close of the Offer, appropriate steps will be taken as soon as possible to ensure that not less than 25% of the Shares will be held by the public. **The Stock Exchange has stated that if, at the closing of the Offer, less than 25% of the Shares are held by the public or if the Stock Exchange believes that:-**

- a false market exists or may exist in the trading of the Shares; or
- there are too few Shares in public hands to maintain an orderly market,

then it will consider exercising its discretion to suspend trading in the Shares until a sufficient level of public float is attained. In this connection, it should be noted that upon the close of the Offer, there may be insufficient public float for the Shares and therefore trading in the Shares may be suspended until a sufficient level of public float is attained.

GENERAL

The Independent Board Committee will be formed to give advice to the Independent Shareholders on the Put Option Agreement, the Disposal Agreement and the Offer. An independent financial adviser will be appointed to advise the Independent Board Committee in connection therewith.

A circular containing, amongst other things, details of the Put Option Agreement and the Disposal Agreement, a notice convening the EGM, the letter of advice from the Independent Board Committee and the letter of advice from the independent financial adviser in respect of the Put Option Agreement and the Disposal Agreement will be sent to the Shareholders as soon as practicable.

Rule 8.2 of the Takeovers Code provides that an offer document should normally be posted by or on behalf of the offeror within 21 days of the date of announcement of the offer. Pursuant to Note 2 to Rule 8.2 of the Takeovers Code, the Executive's consent is required if the making of an offer is subject to the prior fulfillment of a pre-condition and the pre-condition cannot be fulfilled within the time period contemplated by Rule 8.2 of the Takeovers Code. Application will be made by VXL for the Executive's consent under Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the offer document to within 7 days of fulfillment of the conditions precedent of the Share Sale Agreement. Subject to Completion, a composite offer document setting out details of the Offer and attaching thereto the acceptance and transfer form and incorporating the letter of advice from the Independent Board Committee in respect of the Offer and the letter of advice from the independent financial adviser on the Offer will be sent to the Shareholders in accordance with the Takeovers Code.

SUSPENSION AND RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the main board of the Stock Exchange was suspended with effect from 9:30 a.m. on 8th December, 2003 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:30 a.m. on 17th December, 2003.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“associate”	shall have the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Company”	Kim Eng Holdings (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability whose Shares are listed on the Stock Exchange
“Completion”	completion of the Share Sale Agreement
“Completion Date”	date of Completion
“Datuk Lim”	Datuk Lim Chee Wah, the sole beneficial owner of VXL
“Director(s)”	director(s) of the Company from time to time
“Disposal Agreement”	the disposal agreement dated 7th December, 2003 between the Company and KEI in relation to the disposal by the Company of its entire interests in Kim Eng CF, Hart and Eva to KEI
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of approving, inter alia, the Put Option Agreement and the Disposal Agreement
“Eva”	Eva Asset Management Limited, a company incorporated in Hong Kong with limited liability and is owned as to 25% by the Company and 75% by independent third parties
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

Kim Eng Holdings (Hong Kong) Limited

“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hart”	Hart Industries (Far East) Limited, a wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Company to be established to advise the Independent Shareholders in respect of the Put Option Agreement, the Disposal Agreement and the Offer
“Independent Shareholders”	Shareholders other than the Vendors, their associates and parties acting in concert with them
“KEHL”	Kim Eng Holdings Limited, the controlling Shareholder holding a 54.86% interest in the Company
“KEI”	Kim Eng Investment Limited, a wholly-owned subsidiary of KEHL and a substantial Shareholder holding a 15.15% interest in the Company
“Kim Eng Capital”	Kim Eng Capital (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Kim Eng CF”	Kim Eng Corporate Finance (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Offer”	the mandatory unconditional cash offer to be made by Somerley Limited on behalf of VXL for all the issued Shares (other than those already owned or agreed to be acquired by VXL and parties acting in concert with it) upon Completion
“PRC”	the People’s Republic of China
“Put Option”	the option to be granted by KEHL in favour of the Company under the Put Option Agreement pursuant to which the Company is entitled to require KEHL to purchase the entire issued share capital of Kim Eng Capital
“Put Option Agreement”	the put option agreement to be executed upon Completion between the Company and KEHL in relation to the Put Option
“Sale Shares”	50,407,200 Shares, representing approximately 70.01% of the issued share capital of the Company as at the date of the Share Sale Agreement
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.20 each in the issued share capital of the Company
“Share Sale Agreement”	the sale and purchase agreement dated 7th December, 2003 entered into between VXL and the Vendors for the acquisition by VXL of the Sale Shares from the Vendors, which Shares represent approximately 70.01% of the issued share capital of the Company as at the date of such agreement
“Shareholders”	holders of the Shares
“Special Deal Consent”	the consent from the Executive required under Note 4 to Rule 25 of the Takeovers Code in relation to each of the Put Option Agreement and the Disposal Agreement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Vendors”	KEHL and KEI
“VXL”	VXL Capital Partners Corporation Limited, a company incorporated in the British Virgin Islands with limited liability and which is beneficially and wholly owned by Datuk Lim
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

By order of the Board of
VXL Capital Partners Corporation Limited
Datuk Lim Chee Wah
Director

By order of the Board of
Kim Eng Holdings (Hong Kong) Limited
Chum Hon Wang, Michael
Director

Hong Kong, 16th December, 2003

Kim Eng Holdings (Hong Kong) Limited

The directors of VXL accept full responsibility for the accuracy of the information (other than information relating to the Group) contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than opinions expressed by the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.

The directors of the Company jointly and severally accept full responsibility for the accuracy of the information (other than information relating to VXL and Datuk Lim) contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement (other than opinions expressed by VXL and Datuk Lim) have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statements in this announcement misleading.

Please also refer to the published version of this announcement in The Standard dated on 17-12-2003.