

Report of the Directors

The directors submit their report together with the audited financial statements of the Company and its subsidiaries (“the Group”) for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and securities trading, whilst that of its subsidiaries are in the provision of corporate finance and advisory services.

CHANGE OF FINANCIAL YEAR END

Pursuant to a directors’ resolution on 26 November 2003, the Company changed its financial year end from 31 March to 31 December. The annual report showed the results of the Group for the financial year ended 31 December 2004 with comparative figures for the period of nine months ended 31 December 2003. Accordingly, the comparative figures are not directly and fully comparable.

CHANGE OF CONTROLLING SHAREHOLDER

On 29 March 2004, VXL Capital Partners Corporation Limited (“VXLCPL”) successfully completed the acquisitions from Kim Eng Holdings Limited and Kim Eng Investment Limited their entire equity interest of approximately 70.01% of the Company’s issued and paid up share capital. VXLCPL has since become the controlling shareholder and assumed management control of the Group.

CHANGE OF COMPANY NAME AND REGISTERED OFFICE

The Company changed its name to VXL Capital Limited (formerly known as Kim Eng Holdings (Hong Kong) Limited) on 23 April 2004 and on 21 June 2004, the Company moved its registered office to 26th Floor, 8 Queen’s Road Central, Hong Kong.

SEGMENT INFORMATION

An analysis of the Group’s turnover and contribution to results by principal activities and geographical area of operations for the year ended 31 December 2004 is set out in note 3 to the financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December 2004 are set out in the consolidated profit and loss account on page 17.

DIVIDENDS

The directors do not recommend the payment of any dividend for the year ended 31 December 2004.

RESERVES

Movements in the reserves of the Group and of the Company during the year are disclosed in the consolidated statement of changes in equity as well as in note 21 to the financial statements.

DONATIONS

The Group did not make any charitable donation for the year ended 31 December 2004.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 11 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 20 to the financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2004, calculated under section 79B of the Companies Ordinance amounted to HK\$60,982,000 (2003: HK\$67,489,000).

SUBSIDIARIES AND ASSOCIATED COMPANIES

Particulars of the Company's subsidiaries and associated company as at 31 December 2004 are set out in notes 12 and 13 respectively.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years is set out on page 52.

SHARE OPTIONS SCHEME

On 29 December 1997, a share option scheme (the "Scheme") was approved and adopted by the Company, under which the directors may, at their discretion, offer to any employee (including any executive director) of the Group options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Scheme. Details of the Company's share option scheme are set out in note 20 to the financial statements.

During the year, no share option was issued, exercised, cancelled, lapsed or outstanding.

Save as disclosed above, at no time during the year was the Company, its holding company or any of its subsidiaries or a party to any arrangements to enable the directors of the Company, or their spouse and children under the age of 18, to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2004, the aggregate turnover attributable to the Group's five largest customers accounted for approximately 43.6% of the Group's total turnover. The turnover attributable to the Group's largest customer was approximately 18.7% of the Group's total turnover for the year.

The Group is mainly a provider of financial services. In the opinion of the directors, it is therefore of no value to disclose details of the Group's suppliers.

None of the directors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the company's share capital) had any interest in any of the Group's five largest customers noted above.

CONNECTED TRANSACTIONS

Related party transactions entered into by the Group during the year ended 31 December 2004, which constituted as connected transactions but was exempted from reporting, announcement and independent shareholders' approval requirements under Rule 14A.31 of the Listing Rules and details of which are disclosed in note 25 to the financial statements.

DIRECTORS

The following are the directors as at 27 April 2005 and during the whole of the year ended 31 December 2004 except where otherwise indicated:

Executive directors:

Datuk LIM Chee Wah	<i>(appointed on 27 April 2004)</i>
Ms. Patsy SO Ying Chi	<i>(appointed on 18 February 2005)</i>
Mr. Percy ARCHAMBAUD-CHAO	<i>(appointed on 1 March 2005)</i>
Mr. Ronald Anthony OOI Thean Yat	<i>(resigned on 28 April 2004)</i>
Ms. Gloria LEE Woo Sau Yin	<i>(resigned on 28 April 2004)</i>
Ms. Winnie KONG Lai Wan	<i>(resigned on 28 April 2004)</i>
Mr. CHUM Hon Wang Michael	<i>(resigned on 18 February 2005)</i>

Independent non-executive directors:

Mr. Alan Howard SMITH	<i>(appointed on 27 April 2004)</i>
Mr. Michael YEE Kim Shing	<i>(appointed on 22 November 2004)</i>
Mr. Stephen YUEN Ching Bor	<i>(appointed on 18 February 2005)</i>
Ms. Constance CHOY Hok Man	<i>(resigned on 28 April 2004)</i>
Mr. CHOW Siu Ngor	<i>(resigned on 28 April 2004)</i>
Mr. Alexander AU Siu Kee	<i>(appointed on 27 April 2004 and resigned on 18 February 2005)</i>
Mr. Paul Steven SERFATY	<i>(appointed on 27 April 2004 and resigned on 31 March 2005)</i>

In accordance with Article 95 of the Company's Articles of Association, Datuk LIM Chee Wah, Mr. Percy ARCHAMBAUD-CHAO, Ms. Patsy SO Ying Chi, Mr. Michael YEE Kim Shing, Mr. Alan Howard SMITH and Mr. Stephen YUEN Ching Bor who were appointed after the last annual general meeting, retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company still regards such director to be independent.

Brief biographical details of the directors are set out on pages 8-9.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

As at 28 December 2004, the Company signed a Service Level Agreement with VXL Management SDN BHD, a corporation controlled by Datuk LIM Chee Wah, a director of the Company and a connected person under the definition of the Listing Rules, for the provision of management and administrative services for the group. This agreement became effective from 1 January 2005 for 12 months and can be terminated by either party by written notice.

The Service Level Agreement constituted a connected transaction but was exempted from reporting, announcement and independent shareholders' approval requirements under Rule 14A.31 of the Listing Rules.

Other than that disclosed above, there is no other contract of significance in relation to the Group's business to which the Company, its fellow subsidiaries or its holding company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED COMPANY

As at 31 December 2004, the interest and short positions of the director in the shares, underlying shares and debentures of the Company and its associated company (within the meaning of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

Ordinary shares of HK\$0.20 each in the Company at 31 December 2004

Name of director	Corporate interest	Number of ordinary shares held	Percentage of issued share capital of the Company
Datuk LIM Chee Wah	Held by controlled corporation	53,465,400	74.257%

Note: 53,465,400 shares are registered in the name of HKSCC Nominees Limited and are beneficially owned by VXL Capital Partners Corporation Limited in which Datuk Lim Chee Wah holds 100% interest. Save as disclosed above, none of the other directors had registered an interest or short position in the shares, underlying shares and debentures of the Company or any associated company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OF THE COMPANY

As at 31 December 2004, the register of substantial shareholders maintained under Section 336 of the SFO shows that the Company had not been notified of any substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital, other than those of the directors as disclosed above.

MANAGEMENT CONTRACTS

On 28 December 2004, the Company signed a Service Level Agreement with VXL Management SDN BHD, a corporation controlled by Datuk LIM Chee Wah, a director of the Company and a connected person under the definition of the Listing Rules, for the provision of management and administrative services for the group. This agreement has been effective from 1 January 2005 and can be terminated by either party by written notice.

The Service Level Agreement constituted a connected transaction but was exempted from reporting, announcement and independent shareholders' approval requirements under Rule 14A.31 of the Listing Rules.

CORPORATE GOVERNANCE

In the opinion of the directors, the Company complied with the Code of Best Practice ("the Code") as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2004, except that the independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's Articles of Association.

AUDIT COMMITTEE

The written terms of reference which principally describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants and other relevant local and international publications. The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the group audit with emphasis on monitoring the appropriateness and quality of financial reporting, the adequacy and integrity of internal control systems and the effectiveness of risk management. Two meetings were held during the year.

The members of the Audit Committee comprises the following independent non-executive directors of the Company:

Mr. Alan Howard SMITH	<i>(appointed on 27 April 2004)</i>
Mr. Michael YEE Kim Shing	<i>(appointed on 22 November 2004)</i>
Mr. Stephen YUEN Ching Bor	<i>(appointed on 18 February 2005)</i>
Ms. Constance CHOY Hok Man	<i>(resigned on 28 April 2004)</i>
Mr. CHOW Siu Ngor	<i>(resigned on 28 April 2004)</i>
Mr. Alexander AU Siu Kee	<i>(appointed on 27 April 2004 and resigned on 18 February 2005)</i>
Mr. Paul Steven SERFATY	<i>(appointed on 27 April 2004 and resigned on 31 March 2005)</i>

AUDITORS

In July 2004, Messrs. Grant Thornton resigned as auditors of the Company and Messrs. PricewaterhouseCoopers were appointed as the auditors of the Company to fill the casual vacancy.

The financial statements have been audited by Messrs. PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board

Datuk LIM Chee Wah

Chairman

Hong Kong, 27 April 2005