1 GENERAL INFORMATION

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.

The directors consider the ultimate holding company to be VXL Capital Partners Corporation Limited ("VXLCPL") incorporated in British Virgin Islands. In the previous period 1 April 2003 to 31 December 2003, the former ultimate holding company was Kim Eng Holdings Limited incorporated in Singapore.

2 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") and the requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, trading and investment securities are stated at fair value. The accounting policies adopted are consistent with those of the previous financial period.

The HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKFRSs"). These new HKFRSs are effective for accounting period beginning or after 1 January 2005. The Group has not early adopted the HKFRSs for the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

b) Group accounting

i) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December 2004.

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 and paid up share capital.

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.

2 PRINCIPAL ACCOUNTING POLICIES (continued)

b) Group accounting (continued)

i) Consolidation (continued)

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 unamortized goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognized in the consolidated profit and loss account and any related accumulated foreign currency translation reserve.

In the Company's balance sheet the investments in subsidiaries are stated at cost less 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 goodwill/negative goodwill (net of accumulated amortization) 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.

In the Company' balance sheet the investments in associated companies are stated at cost less 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.

2 PRINCIPAL ACCOUNTING POLICIES (continued)

b) Group accounting (continued)

iii) Translation of foreign currencies (continued)

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 account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

iv) Goodwill/negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated company at the date of acquisition.

Goodwill on acquisitions occurring on or after 1 January 2001 is included in intangible assets and is amortised using the straight-line method over its estimated useful life. Goodwill arising on major strategic acquisitions of the Group to expand its product or geographical market coverage is amortised over a maximum period of 15 years. For all other acquisitions goodwill is generally amortised over 5-10 years.

Goodwill on acquisitions that occurred prior to 1 January 2001 was eliminated against reserves. Any impairment arising on such goodwill is accounted for in the profit and loss account.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisitions after 1 January 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognized in the profit and loss account when the future losses and expenses are recognized. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognized in the profit and loss account over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognized in the profit and loss account immediately.

For acquisitions prior to 1 January 2001, negative goodwill was taken directly to reserves on acquisition.

2 PRINCIPAL ACCOUNTING POLICIES (continued)

c) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the profit and loss account unless the relevant asset is carried at a revalued amount under another Statements of Standard Accounting Practice ("SSAP"), in which case the impairment loss is treated as a revaluation decrease under that SSAP.

d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of fixed assets over their estimated useful lives on a straight-line basis. The principal annual rates are as follow:

Furniture and fixtures	$33^1/_3$%
Office equipment	$33^1/_3$%
Computer and related equipment	$33^1/_3$%

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

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

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognized in the profit and loss account.

e) Investments in securities

i) Trading securities

Trading securities are stated in the balance sheet at fair value. Changes in fair value are recognized in the profit and loss account as they arise. Profits or losses on disposal of trading securities representing the difference between the net sales proceeds and the carrying amounts are recognized in the profit and loss account as they arise.

2 PRINCIPAL ACCOUNTING POLICIES (continued)

e) Investments in securities (continued)

ii) Investment securities

Investment securities comprise listed and unlisted securities which are held for non-trading purposes and are stated in the balance sheet at fair value. Changes in fair value are recognized in the investment revaluation reserve until the security is sold, collected or otherwise disposed of, or until there is objective evidence that the security has been impaired, at which time the relevant cumulative gain or loss is transferred from the investment revaluation reserve to the profit and loss account.

Transfers from the investment revaluation reserve to the profit and loss account as a result of impairments are reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Gains and losses on disposal of investments in securities are accounted for in the profit and loss account as they arise and loss include any amount previously held in the investment revaluation reserve in respect of that security.

f) Receivables under reverse repo transactions

Reverse repo bond transactions are purchase of a bond coupled with an agreement to resell the same or a substantially identical bond at a stated price at a future date. The bonds purchased under resale agreements are reported as receivables under reverse repo transactions in the balance sheet. The difference between the selling and purchase prices during the holding period for reverse repo bond transactions are treated as interest income and amortised to the profit and loss account.

g) Accounts receivable

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

h) 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 date of investment and bank overdrafts.

2 PRINCIPAL ACCOUNTING POLICIES (continued)

i) Provisions

Provisions are recognized 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.

j) Employee benefits

i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service 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 recognized until the time of leave.

ii) Bonus plans

The expected cost of bonus payments due wholly within twelve months after balance sheet date are recognized 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 has a defined contribution Mandatory Provident Fund retirement benefit scheme ("the Scheme") and the assets are held in independent trustee – administered funds. The Scheme is generally funded by payments from employees and by the relevant companies within the Group based on a percentage of the employee's basic salary.

The Group's contributions to the Scheme are expensed as incurred.

2 PRINCIPAL ACCOUNTING POLICIES (continued)

j) Employee benefits (continued)

iv) Share options scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is credited by the Company to the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

k) Taxation

Current taxation is the expected tax payable on the taxable income for the year using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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 financial statements. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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

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

l) Contingent liabilities and contingent assets

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 recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

2 PRINCIPAL ACCOUNTING POLICIES (continued)

l) Contingent liabilities and contingent assets (continued)

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognized but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

m) Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably on the following bases:

i) Financial advisory fees are recognized as revenue when the agreed services have been provided.

ii) Interest income is recognized as revenue on a time proportion basis, taking into account the principal amounts outstanding and the interest rate applicable.

iii) Realised gain/(loss) on trading of securities is recognized as revenue on a trade date basis.

iv) Unrealised gain/(loss) on trading of securities is recognized when trading securities are restated to fair value at the reporting date.

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

n) 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.

2 PRINCIPAL ACCOUNTING POLICIES (continued)

o) 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 fixed assets, other receivables, bank balances and other assets. Segment liabilities comprise operating liabilities and exclude items such as taxation. Capital expenditure comprises additions to fixed assets.

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

3 TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in investment holding, securities trading and the provision of corporate finance and advisory services. Revenues recognised during the year are as follows:

	Year ended 31 December 2004 HK$'000	Period 1 April 2003 to 31 December 2003 HK$'000
Placement/underwriting/sub-writing and financial advisory fees	**2,140**	3,951
Interest income from		
– banks	**1,014**	856
– trading investments	**394**	875
Net income from investment and trading securities		
– realised gain	**191**	387
– unrealised gain on trading securities	**–**	1,205
	3,739	7,274
Other revenue		
Gain on disposal of investment securities (including revaluation surplus of HK$1,821,000 previously recognised in investment revaluation reserve	**–**	11,883
Dividend income from investments in securities	**–**	185
Total revenue	**3,739**	19,342

3 TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

Primary reporting format – business segments

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

a) the trading and investment segment is engaged in securities trading and investment and other investment holding;

b) the corporate advisory segment is engaged in the provision of corporate finance and corporate advisory services; and

c) the corporate and others segment comprises operations other than those specified in (a) and (b) above. The revenue of this segment comprise interest income from banks. The assets of this segment mainly includes cash at banks and short term deposits placed with banks.

The following tables represent revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

3 TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

Primary reporting format – business segments (continued)

31 December 2004

	Trading and Investment HK$'000	Corporate advisory HK$'000	Corporate and others HK$'000	Elimination HK$'000	Consolidated HK$'000
Segment revenue:					
Sales to external customers	585	2,140	1,014	–	3,739
Segment results	585	(2,090)	(8,376)	–	(9,881)
Profit on disposal of subsidiary					1,470
Share of profits of an associated company					1,230
Loss before taxation					(7,181)
Taxation					1,032
Loss attributable to shareholders					(6,149)
Segment assets	–	5,324	182,408	–	187,732
Interest in an associated company	–	–	–	–	2,286
Unallocated assets					275
Total assets					190,293
Segment liabilities	–	145	923	–	1,068
Unallocated liabilities					–
Total liabilities					1,068
Other segment information					
Capital expenditure	–	–	558	–	558
Depreciation	–	115	121	–	236

3 TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

Primary reporting format – business segments (continued)

31 December 2003

	Trading and Investment HK$'000	Corporate advisory HK$'000	Corporate and others HK$'000	Elimination HK$'000	Consolidated HK$'000
Segment revenue:					
Sales to external customers	2,467	3,951	856	–	7,274
Other revenue	12,068	–	–	–	12,068
	14,535	3,951	856	–	19,342
Segment results	13,973	(7,786)	(20)	–	6,167
Share of profits in an associated company					1,452
Loss on disposal of interest in an associated company					(149)
Profit before taxation					7,470
Taxation					(386)
Profit attributable to shareholders					7,084
Segment assets	132,032	1,128	77,669	(16,250)	194,579
Interest in an associated company					2,247
Unallocated assets					90
Total assets					196,916
Segment liabilities	–	404	625	–	1,029
Unallocated liabilities					513
Total liabilities					1,542
Other segment information					
Capital expenditure	–	87	–	–	87
Depreciation	–	111	–	–	111

3 TURNOVER, REVENUE AND SEGMENT INFORMATION (continued)

Secondary reporting format – geographical segments

As the Group's revenue, results, assets and liabilities for the year ended 31 December 2004 are derived from operations in Hong Kong, information by geographical segment has not been presented.

4 STAFF COSTS

The staff costs disclosed below are for all employees and include all directors' emolument (note 10).

	Year ended 31 December 2004 HK$'000	Period 1 April 2003 to 31 December 2003 HK$'000
Wages, salaries and bonus	**4,648**	8,993
Unutilised annual leave	**(234)**	188
Pension costs – defined contribution plan	**123**	287
Other	**147**	198
	4,684	9,666

5 DISPOSAL OF A SUBSIDIARY

On 7 December 2003, the Company entered into an agreement with Kim Eng Investment Limited ("KEI") (the "Disposal Agreement") pursuant to which the Company has conditionally agreed to dispose of all its 100% equity interests in Kim Eng Corporate Finance (Hong Kong) Limited ("KECF") and Hart Industries (FarEast) Industries Limited ("HIL") and 25% equity interest in Eva Assets Management Limited ("Eva").

On 3 March 2004, a supplemental agreement was executed pursuant to the Disposal Agreement of whichthe Company only disposed 100% of all its equity interests in KECF but retained HIL and Eva.

The disposal of KECF was approved by independent shareholders at an extraordinary general meeting held on 29 March 2004. The total cash consideration for the disposal of this subsidiary was HK$5,000,000 and the profit on disposal was approximately HK$1,470,000.

5 DISPOSAL OF A SUBSIDIARY (continued)

The results of Kim Eng Corporate Finance (Hong Kong) Limited up to the date of disposal were as follows:

	Period 1 January 2004 to 29 March 2004 HK$'000	Period 1 April 2003 to 31 December 2003 HK$'000
Turnover	**2,030**	3
Operating expenses	**(3,465)**	(19)
Loss before taxation	**(1,435)**	(16)

The effect of the disposal is summarized as follows:

	Period 1 January 2004 to 29 March 2004 HK$'000	Period 1 April 2003 to 31 December 2003 HK$'000
Fixed assets	**24**	–
Current assets	**5,788**	4,971
Total assets	**5,812**	4,971
Total liabilities	**(2,282)**	(7)
Net assets	**3,530**	4,964
Profit on disposal	**1,470**	
Total consideration	**5,000**	
Satisfied by:		
Cash consideration	**5,000**	
Net cash inflow arising on disposal		
Cash received	**5,000**	
Cash and Bank balances disposed of	**(4,980)**	
	20	

6 (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations is stated after crediting and charging the following:

	Year ended 31 December 2004 HK$'000	Period 1 April 2003 to 31 December 2003 HK$'000
Charging/(crediting)		
Legal and professional fees	**1,259**	223
Consultancy fees	**3,554**	–
Depreciation	**236**	87
Operating leases – land and building	**726**	686
Auditors' remuneration	**302**	176
Loss on disposal of interest in an associated company	**–**	149
Net Exchange (gains)/losses	**(18)**	385
Bad and doubtful debts	**655**	150

7 TAXATION

Hong Kong profits tax is calculated at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit. There is no profits tax provided for the year as the Group did not have any assessable profit.

The amount of taxation (credited)/charged for the Group represents:

	Year ended 31 December 2004 HK$'000	Period 1 April 2003 to 31 December 2003 HK$'000
Current taxation:		
– Hong Kong profits tax	**–**	207
– Over provisions in prior years	**(1,247)**	–
Share of taxation in an associated company	**215**	179
	(1,032)	386

7 TAXATION (continued)

The taxation (credit)/expenses for the year/period can be reconciled to the (loss)/profit before taxation per the consolidated profit and loss account as follows:

	Year ended 31 December 2004 HK$'000	Period 1 April 2003 to 31 December 2003 HK$'000
(Loss)/Profit before taxation	**(7,181)**	7,470
Tax calculated at 17.5%	**(1,257)**	1,307
Tax effect of non-deductible expenses	**255**	112
Tax effect of non-taxable revenue	**(186)**	(2,362)
Tax effect on temporary differences not recognised	**(34)**	(6)
Tax effect on utilisation of previously unrecognised tax losses	**–**	(46)
Overprovision for tax in prior years	**(1,247)**	–
Deferred tax assets not recognised	**1,437**	1,381
	(1,032)	386

8 (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK$6,507,000 (2003: profit of HK$13,918,000).

9 BASIC AND DILUTED (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the Group's loss attributable to shareholders of HK$6,149,000 (2003: profit of HK$7,084,000) and the 72,000,000 (2003:72,000,000) ordinary shares in issue during the year/period.

Diluted (loss)/earnings per share has not been presented as the Company has no dilutive potential ordinary shares in issue for the year ended 31 December 2004 and the period ended 31 December 2003.

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the company during the year/period are as follows:

	Year ended 31 December 2004 HK$'000	Period 1 April2003 to 31 December 2003 HK$'000
Fees		
– Non-executive	**402**	160
– Non-executive for special assignment	**234**	–
Other emoluments		
– Salaries, allowances and benefits in kind	**–**	2,700
– Pension fund scheme contributions	**–**	144
	636	3,004

Both the executive directors, Datuk Lim Chee Wah and Mr Chum Hon Wang Michael had waived their emoluments for the year ended 31 December 2004.

The number of directors whose emoluments fell within the following bands are as follows:

	Year ended 31 December 2004 HK$'000	Period 1 April 2003 to 31 December 2003 HK$'000
Emoluments band		
HK$0 – HK$1,000,000	**4**	4
HK$1,000,001 – HK$1,500,000	**–**	2

10 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(b) Five highest paid individuals

	Year ended 31 December 2004 HK$'000	Period 1 April 2003 to 31 December 2003 HK$'000
Directors	**–**	2
Employees	**5**	3
	5	5

The five individuals whose emoluments were the highest in the Group for the year comprise of all employees (2003: 2 directors and 3 employees). The details of the emoluments are presented below whilst the emoluments for the two directors for 2003 are reflected in the analysis above.

	Year ended 31 December 2004 HK$'000	Period 1 April 2003 to 31 December 2003 HK$'000
Basic salaries, housing allowances other allowances and benefits in kind	**2,235**	2,580
Bonuses	**42**	101
Pension costs – defined contribution plan	**61**	23
	2,338	2,704

	Year ended 31 December 2004 HK$'000	Period 1 April 2003 to 31 December 2003 HK$'000
Emoluments band		
HK$0 – HK$500,000	**4**	–
HK$500,001 – HK$1,000,000	**1**	2
HK$1,000,001 – HK$1,500,000	**–**	1
	5	3

11 FIXED ASSETS

Group

	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer and related equipment HK$'000	Total HK$'000
Cost				
At 1 January 2004	208	91	262	561
Additions	347	–	211	558
Disposal	(27)	(4)	(3)	(34)
At 31 December 2004	528	87	470	1,085
Accumulated depreciation				
At 1 January 2004	128	88	132	348
Charge for the year	136	3	97	236
Disposal	(4)	(4)	(2)	(10)
At 31 December 2004	260	87	227	574
Net book value:				
At 31 December 2004	268	–	243	511
At 31 December 2003	80	3	130	213

11 FIXED ASSETS (continued)

Company

	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer and related equipment HK$'000	Total HK$'000
Cost				
At 1 January 2004	–	–	–	–
Additions	323	–	211	534
Disposal	–	–	–	–
At 31 December 2004	323	–	211	534
Accumulated depreciation				
At 1 January 2004	–	–	–	–
Charge for the year	86	–	36	122
Disposal	–	–	–	–
At 31 December 2004	86	–	36	122
Net book value:				
At 31 December 2004	237	–	175	412
At 31 December 2003	–	–	–	–

12 INTEREST IN SUBSIDIARIES

	Company 2004 HK$'000	2003 HK$'000
Unlisted shares at cost	**10,000**	15,000
Less: impairment loss of a subsidiary	**(1,000)**	–
	9,000	15,000
Amount due from a subsidiary	**59**	–
	9,059	15,000

12 INTEREST IN SUBSIDIARIES (continued)

The following is a list of the subsidiaries at 31 December 2004:

Name	Place of incorporation	Principal activities and place of operations	Particulars of issued share capital and debt securities	Interest held
KE Capital (Hong Kong) Limited (formerly known as Kim Eng Capital (Hong Kong) Limited)	Hong Kong	Corporate finance advisory in Hong Kong	10,000,000 ordinary shares of HK$1 each	*100%
Hart Industries (Far East) Limited	Hong Kong	Dormant	2 ordinary shares of HK$1 each.	*100%
VXL Nominees Limited	Hong Kong	Investment	2 ordinary shares of HK$1 each.	*100%
Apogee Investments Limited	West Samoa	Dormant	1 ordinary share of US$1 each	100%
State Sino Investments Limited	West Samoa	Dormant	1 ordinary share of US$1 each	100%

* Shares held directly by the Company.

VXL Nominees Limited (“VXLNL”), Apogee Investments Limited (“AIL”) and State Sino Investments Limited (SSIL) are subsidiaries purchased during the year. VXLNL is the only shareholder of AIL and SSIL. All these companies are purchased at par value. These companies have no trading results and no financial impact on the group at the reporting date.

During the year, the Group has disposed of one subsidiary, Kim Eng Corporate Finance (HK) Limited, details of which are set out in note 5. The intended disposal of 100% equity interest in Hart Industries (Far East) Limited (“HIL”) to Kim Eng Investment Limited (a wholly owned subsidiary of the former ultimate holding company) pursuant to an agreement dated 7 December 2003 was mutually revoked by a supplemental agreement dated 3 March 2004. Accordingly, HIL remains a wholly owned subsidiary of the Company.

13 INTERESTS IN AN ASSOCIATED COMPANY

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted shares, at cost	**1,250**	1,250	**1,250**	1,250
Share of post-acquisition reserves	**1,036**	997	**–**	–
	2,286	2,247	**1,250**	1,250
Analysed as follows:				
Share of net tangible assets	**2,286**	2,247		

Details of the principal associated company at 31 December 2004 are as follows:

Name	Place of incorporation and operations	Principal activities	Particulars of issued share capital	Interest held directly
Eva Asset Management Limited	Hong Kong	Investment management services	5,000,000 ordinary shares of HK$1 each	25%

The intended disposal of the Company's 25% equity interest in Eva Asset Management Limited ("Eva") to Kim Eng Investment Limited (a wholly owned subsidiary of the former ultimate holding company) pursuant to an agreement dated 7 December 2003 was mutually revoked by a supplemental agreement dated 3 March 2004. Accordingly, Eva remains as an associated company of the Group.

14 OTHER INVESTMENT

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Club debenture, at market value	**256**	256	**256**	256

15 TRADING SECURITIES

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed equity securities in Hong Kong, at fair value	**–**	5,985	**–**	5,985

16 RECEIVABLES UNDER REVERSE REPO TRANSACTIONS

On 25 July 2003, the Group entered into reverse repo bond transactions with a third party for a consideration of approximately HK77,653,000 (equivalent to US$10,000,000) for the purchase of marketable bonds with total face value of US$10,000,000 coupled with agreements to resell the same bonds at a stated price at a future date. According to the agreements, the return rate is 2.5% per annum with original maturity (resale date) on 23 January 2004, which was subsequently extended to 30 January 2004 and further to 26 March 2004 at a return rate of 2.1% per annum. During the year, the Group earned interest income on these transactions of HK$394,000 (2003: HK$875,000).

In prior year, the bonds purchased under reverse repo transactions amounting to HK$77,653,000 were reported as trading investments in the balance sheet. Such transactions should be recognised as collateralised financing to reflect the substance of the transaction and related risks and rewards of ownership of the assets and therefore related bonds purchased have been reclassified as "Receivables under reverse repo transactions" in these financial statements.

17 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**–**	915	**–**	–
Prepayments and deposits	**284**	–	**276**	
Other receivables	**9**	32,864	**9**	32,764
	293	33,779	**285**	32,764

At 31 December 2003, other receivables of HK$31,888,000 were in respect of proceeds from the redemption of the Group's interest in an open-ended mutual fund.

17 TRADE AND OTHER RECEIVABLES (continued)

At 31 December 2004, the ageing analysis of the trade receivables were as follows:

	Group	
	2004	2003
	HK$'000	HK$'000
Trade receivables:		
0 – 30 days	**–**	295
31 – 180 days	**–**	620
	–	915

18 BANK BALANCES AND CASH

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at banks and in hand	**10,538**	36,876	**5,321**	26,907
Short term deposits with banks	**176,134**	39,817	**176,134**	39,817
	186,672	76,693	**181,455**	66,724

19 OTHER PAYABLES

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	HK$'000	**HK$'000**	HK$'000
Other payables	993	984	923	618
Amount due to a related company	75	–	75	–
	1,068	984	998	618

Details of the amount due to a related company are set out in note 25. The amount payable is unsecured, interest free and with no fixed repayment terms.

20 SHARE CAPITAL

	Group/Company	
	2004	2003
	HK$'000	HK$'000
Authorised:		
200,000,000 shares of HK$0.20 each	**40,000**	40,000
Issued and fully paid:		
72,000,000 ordinary shares of HK$0.20 each	**14,400**	14,400

Share option 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 employees (including any executive director) of the Group options to subscribe for such number of shares as the Board may determine up to a maximum aggregate number of shares equal to 10% of the total issued shares of the Company. The purpose of the Scheme is to allow the eligible employees to participate in the equity of the Company in order to motivate such employees to optimise their performance standards and efficiency, and to attract and retain key employees whose contributions are important to the long term growth and profitability of the Group. No single employee shall be granted an option which, if exercised in full, would result in the total number of shares already issued and issuable to him under all the options granted to him exceeding 25% of the aggregate number of shares for the time being issued and issuable under the Scheme. An option may be exercised in accordance with its terms at any time during a period to be notified by the Board to each grantee. Such period may commence on the expiry of 12 months after the date upon which the offer of the option is accepted and expire three years after the commencement date or 28 December 2007 whichever is the earlier. The consideration payable for the option is HK$1.00. The exercise price shall be a price determined by the Board which is the higher of (a) a price not less than 80% of the average of the closing prices of the shares on The Stock Exchange of Hong Kong Limited for the five days immediately preceding the offer date; and (b) the nominal value of a share. The Scheme will expire on 29 December 2007.

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

21 RESERVES

	Group			
	Share premium	**Capital reserve**	**Total reserve**	**Retained earnings**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2004	116,612	39	116,651	64,323
Loss for the year	–	–	–	(6,149)
At 31 December 2004	116,612	39	116,651	58,174
Representing:–				
Company and subsidiaries	116,612	39	116,651	57,138
Associated company	–	–	–	1,036
At 31 December 2004	116,612	39	116,651	58,174

	Group				
	Investment revaluation reserve	**Share premium**	**Capital reserve**	**Total reserve**	**Retained earnings**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2003	1,820	116,612	39	118,471	58,679
Profit for the period	–	–	–	–	7,084
Reserve realized upon disposal of other investments	(1,820)	–	–	(1,820)	–
Dividends paid	–	–	–	–	(1,440)
At 31 December 2003	–	116,612	39	116,651	64,323
Representing:–					
Company and subsidiaries	–	116,612	39	116,651	63,326
Associated company	–	–	–	–	997
At 31 December 2003	–	116,612	39	116,651	64,323

21 RESERVES (continued)

	Company			
	Investment revaluation HK$'000	**Share premium** HK$'000	**Total reserve** HK$'000	**Retained earnings** HK$'000
At 1 April 2003	1,820	116,612	118,432	55,011
Profit for the period	–	–	–	13,918
Reserve realized upon disposal of other investments	(1,820)	–	(1,820)	–
Dividends paid	–	–	–	(1,440)
At 31 December 2003 and 1 January 2004	–	116,612	116,612	67,489
Loss for the year	–	–	–	(6,507)
At 31 December 2004	–	116,612	116,612	60,982

22 DEFERRED TAXATION

	Group	
	2004 **HK$'000**	2003 HK$'000
Unrecognised deferred tax assets/(liabilities) are as follows:		
General bad debt allowance	**–**	26
Unused tax losses	**2,818**	1,381
Accelerated depreciation allowance	**47**	(14)
	2,865	1,393

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. At 31 December 2004, the Group has estimated unrecognised tax losses of approximately HK$16,105,000 (2003: HK$7,891,000) to carry forward against future taxable income. Such tax loss has no expiry date under the current tax legislation.

No deferred tax liability has been provided in respect of the accelerated tax depreciation of the fixed assets as the amount involved is immaterial.

The Company has no other significant temporary differences arising during the year or as at 31 December 2004 and 31 December 2003.

23 CONTINGENT LIABILITIES

One of the Company's subsidiaries, KE Capital (Hong Kong) Limited ("KE Capital") was sued by a third party (the "plaintiff") under a High Court action for the payment of HK$712,000 in respect of printing, translation and advertising services rendered by the third party in connection with a financial transaction for a customer of KE Capital, of which KE Capital acted as the financial adviser.

The directors are of the opinion that the amount in dispute should be borne by the customer and the Group has no obligation in respect of the services rendered by the plaintiff. Up to the date of approval of these financial statements, the litigation is still in progress. The directors therefore consider that no provision for the said amount is required in the financial statements of the Group for the year ended 31 December 2004.

24 COMMITMENT

Commitments under operating leases

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

	Land and buildings	
	2004	2003
	HK$'000	HK$'000
Not later than one year	**861**	75
Later than one year and not later than five years	**274**	28
	1,135	103

25 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 and administrative fee	**75**	–
Sharing of facilities and administrative services	**–**	270
Sharing of office premises	**–**	526

The management and administrative fee is payable to VXL Management Limited Sdn Bhd, a corporation controlled by a director of the Company and a connected party under the definition of the Listing Rules 14A.31 for the provision of management and administrative services for the Group.

In respect of the above mentioned transactions, the Company's independent non-executive directors confirmed that the said transactions were carried out or entered into by the Group in the ordinary and usual course of business of the Group; carried out/conducted either (i) on normal commercial terms or (ii) if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no more or less favorable than terms available to/from (as appropriate) independent third parties.

The independent non-executive directors also confirmed that for the year ended 31 December 2004, the total payments for the management service by the Group to VXLCPCL was less than the HK$1,000,000 and each of the percentage ratios as defined by the Listing Rules 14.07 is less than 2.5% based on the audited annual reports of the Group for the previous financial year.

The sharing of facilities, administrative services and office premises transactions in year 2003 was between the Company and the former ultimate holding company, Kim Eng Holdings Limited.

26 PUT OPTION AGREEMENT

In conjunction with the acquisition exercise undertaken by VXL Capital Partners Corporation Limited in December, 2003 for the purchase of a controlling stake of 70.01% of the Company's issued and paid up share capital, the Company has entered into a Put Option Agreement ("the Agreement") on 7 December 2003 with Kim Eng Holdings Limited ("KEHL"), the vendor of the said shares.

The independent shareholders at the extraordinary meeting on 29 March 2004 approved the agreement whereby the Company is granted a Put Option under which the Company has a right, but not an obligation, to require KEHL to purchase the Company's 100% equity interests in KE Capital (Hong Kong) Limited at a fixed consideration of HK$9 million at any time during the period from the completion of the Agreement to twelve months thereafter.

A new Listing Rule 14.92 came into effect on 31 March 2004 and restricts listed issuers to "dispose its existing business for a period of 24 months after a change in control (as defined in the Takeover Code) unless the assets acquired from the person or group of persons gaining such control or his/their associates and any other assets acquired by the listed issuer after such change in control can meet the trading record requirement of rule 8.05". The Company is therefore unable to exercise the Put Option within the twelve months period in accordance with the Agreement.

The Put Option lapsed on 29 March 2005 and both the Group and KEHL have mutually discharged each other from the duties and liabilities under the Agreement.

27 COMPARATIVE FIGURES

The Company changed its financial year end from 31 March to 31 December commencing from year 2003. The comparative figures for 2003 covered the period from 1 April 2003 to 31 December 2003. Accordingly, the comparative figures are not comparable with the figures presented in the consolidated financial statements, the consolidated cash flow statement, the consolidated statement of changes in equity and the notes thereon for the year ended 31 December 2004.

28 APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements on pages 17 to 51 were approved by the board of directors on 27 April 2005.