NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

These unaudited condensed consolidated financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

These condensed consolidated financial statements should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following its adoption of the new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 2 below.

2. Changes in accounting policies

(a) Effect of adopting new HKFRS

In 2005, the Group adopted the new/revised standards of HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 3	Business Combinations

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Changes in accounting policies (continued)

(a) Effect of adopting new HKFRS (continued)

The adoption of the above new HKFRSs did not result in substantial changes to the Group's accounting policies, except for the adoption of HKFRS 3, HKAS 32, and HKAS 39. In summary:

- HKAS 1 has affected the presentation of share of net after-tax results of associates and other disclosures.
- HKASs 7, 8, 10, 16, 17, 21, 23, 27, 28, 33, and 36 have no material effect on the Group's policies.
- HKAS 24 has affected the identification of related parties and some other related party disclosures.

HKAS 32 and HKAS 39

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of "Financial assets at fair value through profit or loss" and "Available-for-sale financial assets". HKAS 39 does not permit to recognize, derecognize and measure financial assets and liabilities on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to other investments for the 2004 comparative information.

HKFRS 3

The adoption of HKFRS 3 results in a change in the accounting policy for goodwill/negative goodwill. Prior to this, the accounting policy was:

- 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.

- Goodwill on acquisitions occurring on or after 1 January 2001 was included in intangible assets and is amortized using the straight-line method over a period not exceeding 15 years.

- Negative goodwill on acquisitions that occurred prior to 1 January 2001 was taken directly to reserves on acquisition.

- Negative goodwill on acquisitions occurring on or after 1 January 2001 was presented in the same balance sheet classification as goodwill.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Changes in accounting policies (continued)

(a) Effect of adopting new HKFRS (continued)

HKFRS 3 (continued)

In accordance with the provisions of HKFRS 3 (Note 2.1), the Group has derecognized the previously recognized negative goodwill with a corresponding adjustment to the opening balance of retained profits.

The adoption of HKFRS 3 resulted in:

	(Decrease)/increase As at 1 January 2005 and 30 June 2005 HK$'000
Capital reserve	(39)
Retained profits	39

(b) New accounting policies

The accounting policies used for the condensed consolidated financial statements for the six months ended 30 June 2005 are the same as those set out in note 2 to the 2004 annual financial statements except for the following:

2.1 Acquisition of subsidiaries and associates

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference (which would have been known as negative goodwill under the previous accounting policy) is recognized directly in the profit and loss account.

An investment in an associate is accounted for using the equity method from the date on which it becomes an associate. On acquisition of the investment, the measurement and recognition of goodwill is same as that of goodwill arising from the acquisition of subsidiaries. Goodwill relating to an associate is included in the carrying amount of the investment. Appropriate adjustments are made to the carrying amount of the investment for the Group's share of the profits or losses after acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2. Changes in accounting policies (continued)

(b) New accounting policies (continued)

2.2 Investments

The Group has reclassified its investments following the adoption of HKAS 39 "Financial instruments: Recognition and measurement". Available-for-sale financial assets and financial assets at fair value through profit or loss are carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealized gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in the profit and loss account in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account.

2.3 Finance leases

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognized in the profit and loss account over the lease period so as to produce a constant rate of interest on the remaining balance of the liability for each period.

3. TURNOVER AND SEGMENT INFORMATION

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 is subject to risks and returns that are different from those of other business segments. Summarised 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 other segment comprises operations other than those specified in (a) and (b) above. The revenue of this segment comprises interest income from bank deposits, including the enhanced yield from currency linked deposits.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

3. TURNOVER AND SEGMENT INFORMATION (continued)

	Segment revenue Six months ended		Contribution to operating (loss)/profit Six months ended	
	30 June 2005	30 June 2004	30 June 2005	30 June 2004 (Restated)
	HK$'000	HK$'000	HK$'000	HK$'000
By Business Segments				
Trading and investment	34	393	17	(1,037)
Corporate advisory	835	2,040	(652)	(2,833)
Others	1,610	348	(5,763)	(919)
	2,479	2,781	(6,398)	(4,789)
Profit on disposal of a subsidiary			–	1,470
Operating loss			(6,398)	(3,319)
Share of profits of an associate			122	493
Loss before taxation			(6,276)	(2,826)
Taxation credit			–	1,267
Loss attributable to shareholders			(6,276)	(1,559)

The Group's turnover and contribution to operating loss were entirely derived from operations in the Hong Kong SAR and accordingly a geographical analysis of such activities has not been presented.

During the six months ended 30 June 2004, the Company disposed of its interests in a subsidiary which was mainly engaged in the provision of corporate advisory services.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. OPERATING LOSS

	Six months ended 30 June 2005 HK$'000	Six months ended 30 June 2004 HK$'000
Operating loss is arrived at after charging/(crediting):		
Depreciation and amortisation of property, plant and equipment	273	78
Loss on disposal of property, plant and equipment	63	–
Exchange gain	(50)	(518)
Operating leases – land and building	1,115	151

5. TAXATION CREDIT

Hong Kong profits tax is normally assessed at the statutory rate of 17.5% (six months ended 30 June 2004: 17.5%) on the estimated assessable profit for the period. There is no profits tax provided as the Group did not have any assessable profit for the period.

The amount of taxation credited to the consolidated profit and loss account represents:

	Six months ended 30 June 2005 HK$'000	Six months ended 30 June 2004 (Restated) HK$'000
Current taxation:		
Hong Kong profits tax		
Company and its subsidiaries		
– Over provisions in prior years	–	1,267

Share of associate's taxation for the period of HK$26,000 (six months ended 30 June 2004: HK$105,000) is included in the profit and loss account as share of profits of an associate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

6. BASIC AND DILUTED LOSS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY FOR THE PERIOD

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK$6,276,000 (six months ended 30 June 2004: HK$1,559,000) and the weighted average number of 72,000,000 (six months ended 30 June 2004: 72,000,000) ordinary shares in issue for the period.

Diluted loss per share has not been presented as the Company has no dilutive potential ordinary shares in issue for the periods ended 30 June 2005 and 2004.

7. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures HK$'000	Office equipment HK$'000	Computer and related equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2005	528	87	470	–	1,085
Additions	1,849	19	204	1,616	3,688
Disposals	(244)	–	–	–	(244)
At 30 June 2005	2,133	106	674	1,616	4,529
Accumulated depreciation					
At 1 January 2005	260	87	227	–	574
Charge for the period	149	2	72	50	273
Disposals	(132)	–	–	–	(132)
At 30 June 2005	277	89	299	50	715
Net book value					
At 30 June 2005	1,856	17	375	1,566	3,814

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

	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	306	–	179	485
Disposals	–	(4)	–	(4)
At 30 June 2004	514	87	441	1,042
Accumulated depreciation				
At 1 January 2004	128	88	132	348
Charge for the period	38	3	37	78
Disposals	–	(4)	–	(4)
At 30 June 2004	166	87	169	422
Net book value				
At 30 June 2004	348	–	272	620
Cost				
At 1 July 2004	514	87	441	1,042
Additions	41	–	32	73
Disposals	(27)	–	(3)	(30)
At 31 December 2004	528	87	470	1,085
Accumulated depreciation				
At 1 July 2004	166	87	169	422
Charge for the period	98	–	60	158
Disposals	(4)	–	(2)	(6)
At 31 December 2004	260	87	227	574
Net book value				
At 31 December 2004	268	–	243	511

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	HK$'000
Club debenture	
At 1 January 2005	–
Reclassified from other investments *(note 9)*	256
Changes in fair value taken to reserve	220
At 30 June 2005	476

There were no disposals or impairment on available-for-sale financial assets for the period.

9. OTHER INVESTMENTS

	At 30 June 2005 HK$'000	At 31 December 2004 HK$'000
Club debentures, at market value	–	256

The club debentures have been reclassified to "Available-for-sale financial assets" (note 8) upon adoption of HKAS 32 and HKAS 39.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2005 HK$'000	At 31 December 2004 HK$'000
Listed equity securities in Hong Kong held for trading, at fair value	839	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

11. TRADE AND OTHER RECEIVABLES

	At 30 June 2005 HK$'000	At 31 December 2004 HK$'000
Trade receivables *(note a)*	160	–
Other receivables	189	9
Prepaid costs and deposits for investment properties *(note b)*	12,375	–
Prepayments and deposits	2,932	284
	15,656	293

(a) The ageing analysis of the trade receivables is as follows:

	At 30 June 2005 HK$'000	At 31 December 2004 HK$'000
Within one month	160	–

For trade receivables, the billing is in accordance with the mandate with the client, and is due on presentation.

(b) On 23 June 2005, Arrow Star Investment Limited ("Arrow Star"), a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement to purchase an investment property for a consideration of HK$110,000,000. Up to 30 June 2005, deposits of HK$11,000,000 were paid and the remaining balance of HK$99,000,000 was payable on the date of completion of the acquisition. The acquisition was completed on 9 September 2005 and the remaining balance of HK$99,000,000 was settled by internal resources of the Group of HK$22,000,000 and by a mortgage loan of HK$77,000,000.

As at 30 June 2005, the Group has also incurred costs relating to the acquisition of HK$1,375,000. These costs together with the consideration were capitalized as cost of the investment property and property, plant and equipment upon completion of the acquisition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

12. OTHER PAYABLES

	At 30 June 2005 HK$'000	At 31 December 2004 HK$'000
Other payables	1,884	993
Obligations under finance leases – current portion	465	–
Amount due to a related company	–	75
	2,349	1,068

The amount due to a related company as at 31 December 2004 represents the amount payable for management and administrative fee.

13. DEFERRED TAXATION

	At 30 June 2005 HK$'000	At 31 December 2004 HK$'000
Unrecognised tax assets on temporary differences:		
Unused tax losses	4,246	2,818
Accelerated (tax)/depreciation allowance	(244)	47
	4,002	2,865

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. At 30 June 2005, the Group has unrecognized tax losses of approximately HK$24,262,000 (2004: HK$16,105,000) to carry forward against future taxable income. Such tax loss has no expiry date under the current tax legislation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

14. OPERATING LEASE COMMITMENT

At 30 June 2005, the Group had commitments under non-cancelable operating leases in respect of rented premises, which fall due as follows:

	At 30 June 2005 HK$'000	At 31 December 2004 HK$'000
Within one year	2,036	861
In the second to fifth year inclusive	4,599	274
	6,635	1,135

15. CAPITAL COMMITMENT

	At 30 June 2005 HK$'000	At 31 December 2004 HK$'000
Investment property		
Contracted but not provided for *(Note 11(b))*	99,000	–

16. CONTINGENCIES

One of the Company's subsidiaries, VXL Financial Services Limited (formerly known as KE Capital (Hong Kong) Limited) ("VXLFSL") 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 to a customer of VXLFSL, of which VXLFSL acted as the financial adviser in a financial transaction.

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, there is no further action taken by the plaintiff and the litigation is still pending.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

17. RELATED PARTY TRANSACTIONS

The following transactions are carried out with related parties:

(a) Purchases of services

	Six months ended	
	30 June 2005 HK$'000	30 June 2004 HK$'000
Management and administrative fee	123	–

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 to the Group.

(b) Key management compensation

	Six months ended	
	30 June 2005 HK$'000	30 June 2004 HK$'000
Salaries and other short-term employee benefits	2,404	960
Post-employment benefits	23	48
	2,427	1,008

18. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 16 July 2005, the members of an associate of the Group, Eva Asset Management Limited ("EVA") have passed a special resolution to voluntarily wind up EVA pursuant to Section 228(1)(b) of the Companies Ordinance. The Group's interest in EVA is expected to be recovered once the members voluntary winding up is completed.

(b) On 9 September 2005, Arrow Star has completed the acquisition of an investment property for a consideration of HK$110,000,000. The consideration and all transaction costs were capitalized as investment property and property, plant and equipment upon completion of the acquisition. (Note 11(b)).