

INTERIM REPORT 2007



PYXIS GROUP LTD.
瀚智集團有限公司

Stock Code: 516

The Board of Directors (the “Board”) of Pyxis Group Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2007 (the “Period”) together with the comparative figures for the corresponding period of last year, as follows. The results have been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 September 2007

	Notes	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
REVENUE	2	2,715	14,136
Cost of services provided		—	(6,271)
GROSS PROFIT		2,715	7,865
Other gains	4	170	349
Selling and distribution costs		—	(1,243)
Administrative expenses		(6,976)	(7,915)
Finance cost	5	—	(109)
LOSS BEFORE TAX	5	(4,091)	(1,053)
Tax	6	—	—
LOSS FOR THE PERIOD		(4,091)	(1,053)
ATTRIBUTABLE TO:			
Equity holders of the parent		(4,091)	(1,052)
Minority interests		—	(1)
		(4,091)	(1,053)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	7	HK\$(0.17 cents)	HK\$(0.04 cents)
DIVIDEND PER SHARE	8	Nil	Nil

CONDENSED CONSOLIDATED BALANCE SHEET

30 September 2007

	<i>Notes</i>	30 September 2007 <i>HK\$'000</i> (Unaudited)	31 March 2007 <i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	770	35
CURRENT ASSETS			
Trade receivables	10	–	783
Prepayments, deposits and other receivables		1,709	1,394
Equity investments at fair value through profit or loss	11	28,512	36,694
Pledged time deposits	12	4,337	5,156
Cash and bank balances	12	135,421	131,914
Total Current Assets		169,979	175,941
CURRENT LIABILITIES			
Trade payables	13	11	1,104
Other payables and accruals	14	2,382	1,989
Tax payable		–	436
Total Current Liabilities		2,393	3,529
NET CURRENT ASSETS		167,586	172,412
Net assets		168,356	172,447
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	15	240,000	240,000
Reserves	16	(71,657)	(67,566)
		168,343	172,434
Minority interests		13	13
Total equity		168,356	172,447

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2007

	Attributable to equity holders of the parent								
	Issued capital	Share premium account*	Contributed surplus*	Reserve fund**	Exchange fluctuation reserve*	Accumulated losses*	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 April 2007	240,000	112,550	29,800	1,476	-	(211,392)	172,434	13	172,447
Loss for the period and total income and expense for the period	-	-	-	-	-	(4,091)	(4,091)	-	(4,091)
At 30 September 2007	240,000	112,550	29,800	1,476	-	(215,483)	168,343	13	168,356
At 1 April 2006	240,000	112,550	29,800	409	496	(202,743)	180,512	14	180,526
Exchange realignment and total income and expense for the period recognised directly in equity	-	-	-	-	(1,045)	-	(1,045)	-	(1,045)
Loss for the period	-	-	-	-	-	(1,052)	(1,052)	(1)	(1,053)
Total income and expense for the period	-	-	-	-	(1,045)	(1,052)	(2,097)	(1)	(2,098)
Transfer to reserve fund	-	-	-	1,067	-	(1,067)	-	-	-
At 30 September 2006	240,000	112,550	29,800	1,476	(549)	(204,862)	178,415	13	178,428

* These reserve accounts comprise the negative consolidated reserves of HK\$71,657,000 (2006: HK\$61,585,000) in the consolidated balance sheet.

The reserve fund is a statutory reserve required to be set up by enterprises operating in Taiwan. Pursuant to the relevant laws and regulations in Taiwan, a portion of the profits of the Group's subsidiary which is registered in Taiwan had been transferred to reserve fund, which is restricted as to use.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 September 2007

	2007 <i>HK\$'000</i> (Unaudited)	2006 <i>HK\$'000</i> (Unaudited)
NET CASH INFLOW FROM OPERATING ACTIVITIES	3,947	2,779
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(704)	(70)
INCREASE IN CASH AND CASH EQUIVALENTS	3,243	2,709
Cash and cash equivalents at beginning of period	131,914	132,883
Effect of foreign exchange rate changes, net	264	(1,045)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>135,421</u>	<u>134,547</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>135,421</u>	<u>134,547</u>

NOTES TO THE FINANCIAL STATEMENTS

30 September 2007

1. Basis of Preparation and Accounting Policies

The unaudited condensed consolidated interim financial statements of the Group are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Main Board Listing Rules”).

The accounting policies and the basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the audited annual financial statements for the year ended 31 March 2007, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current Period’s financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

The adoption of the above-mentioned HKFRSs has had no material impact on the accounting policies of the Group and the methods of computation in the Group’s unaudited condensed consolidated interim financial statements.

The Group has not early applied the following new standards, amendment or interpretations that have been issued but are not yet effective. The Board expects that the adoption of the pronouncements listed below will not have any significant impact on the Group’s result and financial position in the period of initial application.

1. Basis of Preparation and Accounting Policies (continued)

HKAS 23 (Revised)	Borrowing costs (effective for annual periods beginning on or after 1 January 2009)
HKFRS 8	Operating Segments (effective for annual periods beginning on or after 1 January 2009)
HK(IFRIC)-Int 12	Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008)
HK(IFRIC)-Int 13	Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008)
HK(IFRIC)-Int 14	HKAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008)

2. Revenue

Revenue, which is also the Group's turnover, represents marketing service fee income, bank interest income received and receivable, and gain on disposal of equity investments. An analysis of revenue is as follows:

	For the six months ended	
	30 September	
	2007	2006
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Marketing service fee income	–	11,094
Bank interest income	2,656	3,007
Gain on disposal of equity investments at fair value through profit and loss	59	35
	<u>2,715</u>	<u>14,136</u>

3. Segment Information

The details of the Group's primary reporting segment of business segments are as follows: (a) the investment holding segment engages in investments in equity investments; and (b) the marketing service segment engages in the provision of marketing services.

The unaudited revenue and results for the Group's business segments for the Period are as follows:

	Investment holding		Marketing service		Consolidated	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Segment revenue:						
Sales to external customers	2,715	3,042	–	11,094	2,715	14,136
Other gains	135	349	–	–	135	349
Total	<u>2,850</u>	<u>3,391</u>	<u>–</u>	<u>11,094</u>	<u>2,850</u>	<u>14,485</u>
Segment results	<u>55</u>	<u>(646)</u>	<u>(3,934)</u>	<u>(838)</u>	<u>(3,879)</u>	<u>(1,484)</u>
Unallocated gains					35	5
Finance costs					–	(109)
Corporate and other unallocated expenses					(247)	535
Loss before tax					(4,091)	(1,053)
Tax					–	–
Loss for the Period					<u>(4,091)</u>	<u>(1,053)</u>

4. Other Gains

An analysis of other gains is as follows:

	For the six months ended 30 September	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Fair value gains on trading in equity investments at fair value through profit and loss, net	135	221
Others	35	128
	<u>170</u>	<u>349</u>

5. Loss Before Tax

Loss before tax is arrived at after charging:

	For the six months ended 30 September	
	2007 HK\$'000 (Unaudited)	2006 HK\$'000 (Unaudited)
Depreciation	4	680
Finance cost – interest on finance leases	–	109
Fair value losses on trading in equity investments at fair value through profit and loss, net	80	79
	<u>80</u>	<u>79</u>

6. Tax

No provision for Hong Kong and overseas profits tax have been made as the Group did not generate any assessable profits arising in Hong Kong or elsewhere during the Period (2006: Nil).

The Group has substantial tax losses arising in Hong Kong and in Taiwan that are available indefinitely (subject to the agreement with the Inland Revenue Department) and for the future five years, respectively, for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

7. Loss Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of basic loss per share is based on the loss for the Period attributable to ordinary equity holders of the parent of approximately HK\$4,091,000 (2006: approximately HK\$1,052,000) and the weighted average number of 2,400,002,000 (2006: 2,400,002,000) ordinary shares in issue during the Period.

Diluted loss per share amount for the periods ended 30 September 2006 and 2007 have not been disclosed as no dilutive events existed during these periods.

8. Interim Dividend

The Directors do not propose the payment of any interim dividends in respect of the Period (2006: Nil).

9. Property, Plant and Equipment

During the Period, the Group spent approximately HK\$757,000 on acquisitions of items of property, plant and equipment (31 March 2007: approximately HK\$3,000).

10. Trade Receivables

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing. The carrying amounts of the trade receivables approximate to their fair values.

An aged analysis of the trade receivables as at the balance sheet date, based on the payment due date, is as follows:

	30 September 2007 <i>HK\$'000</i> (Unaudited)	31 March 2007 <i>HK\$'000</i> (Audited)
Within 1 month	–	626
1 to 2 months	–	34
2 to 3 months	–	123
	<hr/>	<hr/>
	–	783
	<hr/> <hr/>	<hr/> <hr/>

11. Equity Investments at Fair Value Through Profit or Loss

	30 September 2007 <i>HK\$'000</i> (Unaudited)	31 March 2007 <i>HK\$'000</i> (Audited)
Unlisted equity investments, at fair value	28,512	36,694
	<hr/> <hr/>	<hr/> <hr/>

11. Equity Investments at Fair Value Through Profit or Loss (continued)

The above equity investments at 30 September 2007 and 31 March 2007 were classified as held for trading.

The fair values of unlisted equity investments at fair value through profit or loss have been estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates. The Directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the unaudited condensed consolidated balance sheet, and the related changes in fair values, which are recorded in the unaudited condensed consolidated income statement, are reasonable, and that they are the most appropriate values at the balance sheet date.

12. Cash and Bank Balances and Pledged Time Deposits

	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)
Time deposits	4,337	5,156
Cash and bank balances	<u>135,421</u>	<u>131,914</u>
	139,758	137,070
Less: – Pledged time deposits for bank guarantees	<u>(4,337)</u>	<u>(5,156)</u>
Cash and cash equivalents	<u><u>135,421</u></u>	<u><u>131,914</u></u>

At the balance sheet date, time deposits of HK\$4,337,000 (31 March 2007: HK\$5,156,000) were pledged to a bank as security for bank guarantees given by such bank to certain counterparties in relation to the provision of marketing services by the Group to such counterparties.

12. **Cash and Bank Balances and Pledged Time Deposits (continued)**

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for a period of one year (31 March 2007: one year) and earn interest at respective short term fixed deposit rates. The carrying amounts of the cash and bank balances and the pledged time deposits approximate to their fair values.

13. **Trade Payables**

An aged analysis of the trade payables as at the balance sheet date, based on the payment due date, is as follows:

	30 September 2007 <i>HK\$'000</i> (Unaudited)	31 March 2007 <i>HK\$'000</i> (Audited)
Within 1 month	1	1,104
1 to 2 months	<u>10</u>	<u>—</u>
	<u>11</u>	<u>1,104</u>

The trade payables are non-interest-bearing and are normally settled on 60-day terms. The carrying amounts of the trade payables approximate to their fair values.

14. **Other Payables and Accruals**

The Group's other payables are non-interest-bearing and have an average term of three months. The carrying amounts of the other payables approximate to their fair values.

15. Share Capital

	30 September 2007 <i>HK\$'000</i> (Unaudited)	31 March 2007 <i>HK\$'000</i> (Audited)
Authorised:		
5,000,000,000 ordinary shares of HK\$0.1 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
2,400,002,000 ordinary shares of HK\$0.1 each	<u>240,000</u>	<u>240,000</u>

Share options

On 30 September 2004, the Company adopted an option scheme (the "Scheme") which became effective on 28 October 2004 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme included the Company's Directors, employees of the Group and other individuals as determined by the Directors on the basis of their contribution to the success of the development and growth of the Group. No share options have been granted under the Scheme since the Scheme became effective.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

15. Share Capital (continued)

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (“INED”s). In addition, any share options granted to a substantial shareholder or an INED of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the Directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the Directors, but may not be less than the highest of (i) The Stock Exchange of Hong Kong Limited (“SEHK”) closing price of the Company’s shares on the date of the offer of the share options; (ii) the average SEHK closing price of the Company’s shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of a share.

Share options do not confer rights on the holders to dividends or to vote at shareholders’ meetings.

16. Reserves

The detailed movements in total equity during the Period were disclosed in the unaudited condensed consolidated statement of changes in equity.

17. Operating Lease Arrangements

The Group leases certain of its office properties, equipment and staff quarters under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years, and those for office equipment for terms of three years.

At 30 September 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2007 HK\$'000 (Unaudited)	31 March 2007 HK\$'000 (Audited)
Within one year	71	230
In the second to fifth years, inclusive	740	-
	<u>811</u>	<u>230</u>

18. Commitments and Contingent Liabilities

As at 30 September 2007 and 31 March 2007, the Group had no significant commitments or contingent liabilities.

19. Related Party and Connected Transactions

There had been no related party and connected transactions during the Period (2006: Nil).

20. Approval of the Interim Financial Report

These unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board on 13 December 2007.

BUSINESS REVIEW AND PROSPECTS

During the Period, the Group had a loss attributable to ordinary equity holders of the parent of approximately HK\$4.1 million (2006: approximately HK\$1.1 million).

Following the disposal of Group's unprofitable businesses in 2001, the Group shifted its business focus to sectors such as communications, media and financial services where the Group has significant core competency.

With this new business focus, the Group has been actively developing the marketing service rendering in the Greater China region, while at the same time, evaluating potential investment projects that fall within the above-mentioned business areas. While some of these project evaluations are only at their preliminary stages, some have progressed to more advanced stages.

If the Group proceeds with any of these investments, the Group's strategy is to either acquire interest in companies that operate the relevant businesses, or acquire businesses from the relevant companies. The acquisition of these businesses will form the basis for building a major operating business in these areas for the Group. Also, if the Group proceeds with these projects, the Company's current approach is to acquire these investments in stages so as to facilitate an orderly integration of each of these businesses into the Group. Over time, the Group intends to build a portfolio of operating entities and a major business franchise in these business sectors.

However, the Board believes that, under current tough investment environment, the Company should be making prudent management and investment decisions in order to protect shareholder value. It is the intention of the Board to continue such cautious approach in applying the Group's managerial and financial resources in implementing any of the Group's proposed investment projects. To-date, the Group has not entered into any agreement in relation to any potential investment projects at this time.

Looking forward, the Board is still optimistic about the future of our business. The Board is of the view that by focusing on the above business sectors, the Group can best leverage its experience and network, and thus best realise its potential to improve Group's profits and enhance long-term shareholder value.

STAFF REMUNERATION POLICY AND SHARE OPTION SCHEME

The Group maintained a team of 10 staff as at 30 September 2007.

Employees are paid at salaries comparable to market rates. The Group provides free medical insurance coverage for permanent staff and continues to investigate the possibility of introducing other benefits which would help retain current experienced staff and attract new employees so that the Group can maintain a capable workforce to meet present and future requirements.

As stated in note 15 to the unaudited condensed consolidated interim financial statements, a share option scheme was adopted by the Company in prior financial year. No new share option was granted under the Scheme since the Scheme became effective.

LIQUIDITY AND CAPITAL RESOURCES

The Group principally finances its operations by the funding provided by previous share capital subscription & placement, proceeds from the disposals of some subsidiaries in prior year, and internally generated cashflows. There was no outstanding bank overdrafts or bank borrowings as at the Period end date.

As at 30 September 2007, equity attributable to equity holders of the parent amounted to approximately HK\$168.3 million. Current assets amounted to approximately HK\$170.0 million, of which approximately HK\$139.8 million were cash and bank deposits, among which time deposits of approximately HK\$4.3 million were pledged to a bank detailed in note 12 to the unaudited condensed consolidated interim financial statements. The Group's current liabilities amounted to approximately HK\$2.4 million.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2007, the interests and short positions of the Directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Main Board Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

Name of Directors	Directly beneficially owned	Percentage of the Company's issued share capital
Mr. Chin Yao LIN	3,242,000	0.14
Miss Wing Yan AU	2,000	-

In addition to the above, certain Directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 30 September 2007, none of the Directors had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above under the sections 'Directors' Interests and Short Positions in Shares and Underlying Shares' and 'Staff Remuneration Policy and Share Option Scheme', at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 30 September 2007, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Coralbells Investments Limited	Directly beneficially owned	1,795,000,000	74.79

Save as disclosed above, as at 30 September 2007, no person, other than the Directors of the Company, whose interests are set out in the above section 'Directors' Interests and Short Positions in Shares and Underlying Shares', had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Main Board Listing Rules, throughout the accounting period covered by this 2007 interim report ("Interim Report"), except for the following deviations:

CG Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. The Company does not have a separate position of CEO and Mr. Henry Hung CHEN currently holds both the position of Chairman and Managing Director ("MD"). The Board believes that vesting the roles of Chairman and MD in the same person provides the Group with strong and consistent leadership in the development and execution of long-term strategies at enhanced level of operational efficiency.

CG Code Provision B.1.1 stipulates the establishment of a Remuneration Committee. However, the Board considers that the setting up of such a Remuneration Committee may not be necessary as the remuneration matters relating to the Executive Directors ("ED"s) are discussed and approved by the Board. Over 50% of the Board members are INEDs of the Company.

CG Code Provisions A.4.1 and A.4.2 stipulate that Non-Executive Directors should be appointed for a specific term, subject to re-election, and every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Currently, none of the Company's existing INEDs is appointed for specific term. However, all the Directors (save for the Chairman and the MD) are subject to the retirement provisions under the Company's bye-law, and the Board considers that the Chairman and the MD should not be subject to retirement to ensure the continuity of leadership and stability of growth. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the Directors. Based on specific enquiry of the Company's Directors, the Directors have complied with the required standard set out in the Model Code throughout the accounting period covered by this Interim Report.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Main Board Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three INEDs of the Company.

On behalf of the Board
Mr. Henry Hung CHEN
Chairman

Hong Kong, 13 December 2007

As at the date of this Interim Report, the Board of the Company comprises Mr. Henry Hung CHEN (Chairman) and Miss Wing Yan AU as EDs; and Mr. Robert Joseph ZULKOSKI, Mr. Chin Yao LIN and Mr. Bernard King Bong LEUNG as INEDs.