



PYXIS GROUP LTD.
瀚智集團有限公司

Stock Code:516

2010

Annual Report



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CORPORATE INFORMATION

Directors

Executive Directors

Mr. Henry Hung CHEN (Chairman)

Miss Wing Yan AU

Independent Non-executive Directors

Mr. Robert Joseph ZULKOSKI

Mr. Chin Yao LIN

Mr. Bernard King Bong LEUNG

Audit Committee

Mr. Robert Joseph ZULKOSKI (Chairman)

Mr. Chin Yao LIN

Mr. Bernard King Bong LEUNG

Company Secretary

Mr. Yu Keung WONG (FCPA, FCPA (Aust.))

Solicitors

Linklaters & Alliance

Auditors

Ernst & Young

Principal Bankers

Chinatrust Commercial Bank, Ltd.

The Hongkong and Shanghai Banking
Corporation Limited

Morgan Stanley Asia Limited

Registered Office

Canon's Court

22 Victoria Street

Hamilton HM12

Bermuda

Head Office and Principal Place of Business

Suite 2808

28/F Two International Finance Centre

8 Finance Street

Central

Hong Kong

Principal Share Registrars and Transfer Office

HSBC Bank Bermuda Limited

6 Front Street

Hamilton HM11

Bermuda

Hong Kong Share Registrars and Transfer Office

Tricor Tengis Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

Website

<http://www.capitalfp.com.hk/eng/index.jsp?co=516>

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors (the “Board”) of Pyxis Group Limited (the “Company”), I would first like to thank our shareholders and staff for their support during the year.

For the year ended 31 March 2010, the Company and its subsidiaries (the “Group”) had a loss attributable to shareholders of approximately HK\$12.8 million, reflecting the difficult operating environment of the Group.

Following the disposal of unprofitable businesses previously, management has focused its resources on identifying new businesses to create long-term value for shareholders. In this regard, the Board has been proactively seeking new investment opportunities and evaluating strategic acquisitions, to prepare the Company for future growth.

Despite difficult market environment in the past few years, the Board is still optimistic about the future of our business. We are currently focusing on new opportunities in communication, media, real estate and financial services industries where the Group has significant core competency. Looking forward, we intend to capitalize on such opportunities, and we will seek to improve Group's profits and enhance shareholder value through our investments in this direction.

On behalf of the Company, I would also like to express my sincere thanks to all of our customers, suppliers, and business associates for their continued support. Lastly, I wish to thank our staff for their loyalty and hard work.

Henry Hung CHEN

Chairman

Hong Kong, 2 July 2010

REVIEW OF OPERATIONS

Business outlook

Following the disposal of the unprofitable businesses of Pyxis Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) previously, the Group shifted its business focus to sectors such as communications, media, real estate and financial services where the Group has significant core competency.

With this focus, the Group has been actively exploring opportunities and developing businesses in these sectors in Mainland China. Currently the Group is pursuing an opportunity in the marketing services arena, the details of which was stated in the announcement of the Company “Latest Development of the FSI Business and Resumption of Trading” published on 12 May 2009. Recent progress of the FSI coupon business has been challenging and slow, mainly because most of our FSI business partners have been adversely affected by the global financial crisis such that significant reorganizations and personnel changes have made continuity in negotiation difficult.

At the same time, the Group has also been regularly evaluating potential investment projects that fall within the other business areas as mentioned above. 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 of Directors (the “Board”) believes that, under current tough and challenging investment and economic environments, 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 realize its potential to improve Group’s profits and enhance long-term shareholder value.

Financial resources and liquidity

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

As at 31 March 2010, shareholders' funds of the Group amounted to approximately HK\$139 million. Current assets amounted to approximately HK\$140 million, of which approximately HK\$134 million were cash and bank deposits. The Group's current liabilities amounted to approximately HK\$1 million.

The Group expects to use the cash to make investments to acquire partially or in whole, in businesses that are in the targeted fields as mentioned above in the section "Review of Operations". The high cash and bank deposits balance is only temporary. But under the current tough economic and financial environment, the Group has to use its cash very cautiously.

As at 31 March 2010, in the opinion of the Board, the Group was not exposed to significant foreign currency risks because most of the monetary assets and liabilities of the Group's operating entities were denominated in their own functional currencies, which are mainly the United States dollars, the New Taiwan dollars and the RMB. The Group has no specific policy to deal with the foreign currency risk but will closely monitor the market and make appropriate adjustments and measures when necessary.

As at 31 March 2010 and the date of this Annual Report, the Group did not have any outstanding commitment in any of the financial derivative instruments.

Contingent liability

As at 31 March 2010, the Group did not have any significant contingent liability.

REVIEW OF OPERATIONS

Staff remuneration policy and share option scheme

As at 31 March 2010, the Group maintained a staff team of 6 full time employees. Employees are paid at salaries comparable to market rates, and free medical insurance coverage is provided for permanent staff. The Group continues to investigate the possibility of introducing other benefits that would help retain current experienced staff and attract new employees so that the Company can maintain a capable workforce to meet present and future requirements.

The Company operates a share option scheme (“Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme, the details of which is to be set out in note 17 to the financial statements, was adopted by the Company in previous financial year ended 31 March 2005. No new share option was granted under the Scheme since the Scheme became effective.

Executive Directors

Mr. Henry Hung CHEN, aged 48, is also the Managing Director of the Company. Mr. CHEN has extensive industry experience in strategy development, marketing and general management, having worked in both consumer goods and financial services industries in U.S. and Asia. Mr. CHEN was previously Marketing Director of The Pillsbury Company where he oversaw business development initiatives in Greater China and Asia; and with Procter & Gamble, PaineWebber and Citibank. Mr. CHEN received his MBA from The Wharton School of University of Pennsylvania and BA cum laude in Applied Mathematics and Economics from Harvard University.

Miss Wing Yan AU, aged 35, is also the authorized representative of the Company. Miss AU is responsible for the treasury functions and strategic planning of the Group. Miss AU joined the Company in June 2000. Miss AU has extensive experience in financial management, having worked in major brokerage houses in Hong Kong as an investment advisor. Miss AU received her Master of Business (Electronic Commerce) from Curtin University of Technology and BA in Business and Commercial Studies from the University of Western Ontario, Canada.

Independent Non-executive Directors

Mr. Robert Joseph ZULKOSKI, aged 49, is also appointed as the Chairman of the Audit Committee of the Company. Mr. ZULKOSKI graduated from Central Connecticut State University with a Bachelor of Science degree in Accounting; and also received a diploma in real estate from the New York University. Mr. ZULKOSKI possesses extensive experiences in capital market investment, financial management & analysis, and internal control by holding numerous senior executive positions in various multi-national corporations. Mr. ZULKOSKI is currently the Managing Director of Oaktree Capital Management Pte. Ltd. (“Oaktree”) Prior to joining Oaktree in 2007, Mr. ZULKOSKI was founder and Chief Executive Officer of Pangaea Capital Management (“PCM”), a firm acquired by Oaktree in October 2007. Prior to establishing PCM, Mr. ZULKOSKI was founder and Chief Executive Officer at Colony Capital Asia Pacific (“CCAP”), where he oversaw the expansion of CCAP from a one person, one office start-up to a 150-person, six-office business with US\$2 billion of assets under management in five years. Prior to CCAP, Mr. ZULKOSKI was employed by GE Capital, a wholly-owned subsidiary of the General Electric Company, where he served most recently as Managing Director of Asian operations within the Commercial Real Estate Finance and Services group. Prior to that, Mr. ZULKOSKI held several positions at Kidder, Peabody & Co., most recently as a Vice President in the Real Estate Capital Markets group. He has transacted business in the Asia Pacific region since 1985 and has resided in the region since 1994.

DIRECTORS PROFILE

Independent Non-executive Directors (continued)

Mr. Chin Yao LIN, aged 45, is a director of Eastlite Industries Limited of Hong Kong and its subsidiaries, and a director of Toa Shoji Company Limited and Toshin Shoji of Japan. Prior to his appointment as director of the Company, Mr. LIN served as a director of the listed company, Singapore Hong Kong Properties Investment Limited, from 1992 to 1997. Mr. LIN currently specializes in various aspects of supply chain alignment in the fast moving consumer goods sector.

Mr. Bernard King Bong LEUNG, aged 47, holds an undergraduate degree in aerospace engineering from the University of Toronto in Canada and a post-graduate mechanical engineering degree from the Massachusetts Institute of Technology in the United States of America. Mr. LEUNG has over 25 years of experience in the construction and engineering industry. He is a director of Krueger Engineering (Asia) Limited.

CORPORATE GOVERNANCE REPORT

Commitment to corporate governance

Pyxis Group Limited (the “Company”) is committed to maintaining a high standard of corporate governance, emphasizing transparency, independence and accountability, in order to promote interests of all shareholders and enhance shareholder value. Company’s corporate governance practices are based on principles and code provisions as prescribed in the Code on Corporate Governance Practices (“CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchanges of Hong Kong Limited (“Main Board Listing Rules”). The Board of Directors (“Board”) reviews its corporate governance practices from time to time with reference to the latest development of corporate governance in order to meet expectations from all interested parties and comply with requirements from relevant regulatory authorities.

The Company has complied with the CG Code except for the following deviations:

CG Code Provision A.2.1 stipulates that the roles of chairman of the Board (“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 position of Chairman and Managing Director (“MD”). The Board believes that vesting the roles of Chairman and MD in the same person provides the Company and its subsidiaries (“Group”) with strong and consistent leadership in the development and execution of long-term strategies and enhanced level of operational efficiency.

CG Code Provision B.1.1 stipulates the establishment of a Remuneration Committee. However, the Board considers that setting up of such a Remuneration Committee may not be necessary as the remuneration matters relating to Executive Directors (“ED”s) are discussed and approved by the Board. Over 50% of the Board members are Independent Non-Executive Directors (“INED”s) 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 Board considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than the CG Code.

CORPORATE GOVERNANCE REPORT

The Board

The Board comprises of two EDs and three INEDs, and its composition balances skills and experiences necessary for independent decision making and fulfilling business needs. The Board is responsible for guiding and leading the Company, and is accountable to shareholders. Management and control of the Company business is vested in its Board and the duty of the Board is to create value for Company shareholders.

The Board is bound to manage the Company in a responsible and effective manner. Therefore, all directors, individually and collectively, must ensure that they carry out their duties in good faith and in compliance with the standards of applicable laws and regulations, and act in the best interests of the Company and its shareholders at all times.

EDs are responsible for establishing Company strategic direction, setting Company objectives, and providing leadership so as to ensure availability of resources in the achievement of such objectives. The INEDs are responsible for ensuring a high standard of financial and mandatory reporting the Company is obliged to comply, to provide independent professional opinions to the Board on business issues, and to provide a balance to the Board in order to protect shareholders' interest and overall interests of the Company and the Group. The Company believes that such a structure of the Board is the most suitable for the Group's existing operation and is the most beneficial to shareholders' interest. However, a review of the structure will be done regularly to assess whether any change is needed.

All directors have full and timely access to all relevant information, as well as advice and service of the Company Secretary and independent professionals to ensure Board procedures and all applicable rules and regulations are followed.

The Company has received written confirmation from each INED of his independence pursuant to the requirements of the Main Board Listing Rules. The Company considers all INEDs to be independent in accordance with the independence guidelines set out in the Main Board Listing Rules.

The Board as a whole is responsible for reviewing the Board composition, developing and formulating relevant procedures for nomination and appointment of EDs and INEDs, and assessing the independence of INEDs.

Audit Committee

The Audit Committee (the "AC") comprises of the three INEDs, with Mr. Robert Joseph ZULKOSKI as chairman. Terms of reference of the AC are aligned with recommendations as set out in "A Guide for Effective Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants and code provisions as set out in the CG Code. The AC is responsible for review of Group's financial information and oversight of Group's financial reporting system and internal control procedures. It is also responsible for reviewing interim and final results of the Group prior to recommending them to the Board for approval. In performing its duties, the AC has the authority of unrestricted access to personnel, records, external auditors and senior management.

CORPORATE GOVERNANCE REPORT

Board and committee meetings

The Board and the AC meet regularly, at approximately quarterly intervals mainly to review and approve Group's quarterly management accounts, interim & annual results and related matters. The attendance records are as follows:

	Attendance/ Number of meeting held	
	Board	Audit Committee
Executive Directors		
Mr. Henry Hung CHEN	5/5	N/A
Miss Wing Yan AU	5/5	N/A
Non-Executive Independent Directors		
Mr. Robert Joseph ZULKOSKI	5/5	4/4
Mr. Chin Yao LIN	5/5	4/4
Mr. Bernard King Bong LEUNG	5/5	4/4

The Company Secretary attended all the scheduled meetings to report matters arising from corporate governance, operations, risk management, statutory compliance, internal control, accounting and finance.

Meeting minutes are kept by the Company Secretary. Draft and final versions of meeting minutes are sent to all members of the Board/AC within a reasonable time after the meetings for their comments and records respectively.

Accountability

The directors are responsible for preparation of accounts for each financial period with a view to ensuring such accounts give a true and fair view of the state of affairs of the Group, and operating results and cash flow for that period. The Company's accounts are prepared in accordance with all relevant statutory requirements and in conformity with applicable accounting standards. The directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that judgements and estimates made are prudent and reasonable, with an appropriate consideration to materiality.

CORPORATE GOVERNANCE REPORT

Internal control

The Board has overall responsibility for maintaining sound and effective internal control of the Group. Group's system of internal control includes a defined management structure with limits of authority, to prevent unauthorized transactions, control excessive capital expenditures, safeguard its assets against unauthorized use or disposition, maintain proper accounting records for the provision of accurate and reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable assurance against material misstatement or loss, and oversee the Group's operations to ensure achievement of Group's business objectives. Qualified management personnel of the Company will maintain and monitor internal control system on an on-going basis, and will report internal control situation to the AC and the Board periodically for evaluation.

During the year ended 31 March 2010, the Board considered that the Company's internal control system was adequate and effective and the Company has complied with the provisions on internal control of the CG Code. The Board confirms that systems and procedures are in place to identify, control and report on significant risks involved in achieving the Company's strategic objectives.

Auditors' remuneration

Messrs. Ernst and Young ("E&Y") has been re-appointed as the external auditors of the Company for the year under review at the Annual General Meeting ("AGM") on 18 September 2009. The AC has given its approval on the fee charged by E&Y to the Company. For the current year ended 31 March 2010, total auditors' remuneration in relation to statutory audit work of the Group amounted to approximately HK\$362,000 (HK\$330,000 at Company level and HK\$32,000 at subsidiary level). Furthermore, service fees of approximately HK\$24,000 were paid for tax and other non-audit services provided by the external auditors for the Group during the year.

The responsibilities of E&Y with respect to financial reporting are set out in the section of "Independent Auditors' Report" on pages 19 to 20.

Directors' securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 of the Main Board Listing Rules. A reminder is served by the Company to each director twice annually of the black out period that the director cannot deal in the securities and derivatives of the Company. The Company has also made specific enquiries to all directors regarding any non-compliance with the Model Code during the current year ended 31 March 2010 and they all confirmed full compliance with the required standards as set out in the Model Code.

CORPORATE GOVERNANCE REPORT

Communication with shareholders

Establishing effective communication with shareholders is always a priority of the Company. The Company aims to provide its shareholders with high standard of disclosure and financial transparency in its interim and annual reports, announcements and circulars. The Company regards its AGM and other general meetings as an opportunity for direct communication between the Board and its shareholders. All directors, senior managements and external auditors make an effort to attend the AGM and other general meetings to address shareholder queries. The Company encourages participation of its shareholders at the AGM and other general meetings, and welcomes expression of views or concerns they might have with the Group.

A notice of the date and venue of the AGM and other general meetings would be served properly to all shareholders of the Company. The Company also keeps shareholders informed of the right to demand a poll and the procedure for voting by poll in all circulars together with notices of the AGM and other general meetings. Detail procedures for conducting a poll are to be explained by the Chairman of the AGM and other general meetings at the commencement of the meeting. Any questions raised from shareholders regarding voting by way of a poll are also be answered by the Chairman of the meeting.

As a channel of further promoting effective communication and fulfilling the requirements of the Main Board Listing Rules, the Company maintains a website (www.capitalfp.com.hk/eng/index.jsp?co=516) where relevant financial and non-financial information is posted on a timely basis. The published information will be maintained at the above-mentioned website for at least five years.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of Pyxis Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2010.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries are set out in note 13 to the financial statements. There were no significant changes in the nature of the Group’s principal activities during the year.

Results

The Group’s loss for the year ended 31 March 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 21 to 69.

Summary financial information

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 70. This summary does not form part of the audited financial statements.

Property, plant and equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

Share capital

There were no movements in either the Company’s authorised or issued share capital during the year. Details of the Company’s share capital are set out in note 16 to the financial statements.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company’s bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, redemption or sale 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 year.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 18(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

As at 31 March 2010, the Company had no reserves available for distribution in accordance with the Companies Act 1981 of Bermuda (as amended).

Directors

The directors of the Company during the year were:

Executive directors:

Mr. Henry Hung CHEN (Chairman)

Miss Wing Yan AU

Independent non-executive directors:

Mr. Chin Yao LIN

Mr. Bernard King Bong LEUNG

Mr. Robert Joseph ZULKOSKI

In accordance with bye-law 110(A) of the Company, Mr. Chin Yao LIN and Mr. Bernard King Bong LEUNG will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The remaining directors will continue in office.

The Company has received annual confirmations of independence from Mr. Chin Yao LIN, Mr. Bernard King Bong LEUNG and Mr. Robert Joseph ZULKOSKI, and as at the date of this report, considers them to be independent.

REPORT OF THE DIRECTORS

Directors' biographies

Biographical details of the directors of the Company are set out on pages 7 to 8 of the annual report.

Directors' service contracts

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' remuneration

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

Directors' interests in contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

Directors' interests and short positions in shares and underlying shares

At 31 March 2010, 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 Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

REPORT OF THE DIRECTORS

Directors' interests and short positions in shares and underlying shares (continued)

Long positions in ordinary shares of the Company:

Name of director	Number of ordinary shares 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 31 March 2010, none of the directors of the Company 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 Stock Exchange pursuant to the Model Code.

Directors' rights to acquire shares

At no time during the year were rights to acquire benefits by means of the acquisition of shares in 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, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Share option scheme

No share options have been granted under the share option scheme during the year. Details of the Company's share option scheme are set out in note 17 to the financial statements.

REPORT OF THE DIRECTORS

Substantial shareholders' interests and short positions in shares and underlying shares

At 31 March 2010, 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	<u>1,795,000,000</u>	<u>74.79</u>

Save as disclosed above, as at 31 March 2010, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares" above, 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.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Mr. Henry Hung CHEN

Chairman

Hong Kong

2 July 2010

INDEPENDENT AUDITORS' REPORT



Ernst & Young
18th Floor
Two International Finance Centre
8 Finance Street, Central
Hong Kong
Tel: +852 2846 9888
Fax: +852 2868 4432
www.ey.com

安永會計師事務所
香港中環金融街8號
國際金融中心2期18樓
電話: +852 2846 9888
傳真: +852 2868 4432

To the shareholders of Pyxis Group Limited *(Incorporated in Bermuda with limited liability)*

We have audited the financial statements of Pyxis Group Limited set out on pages 21 to 69, which comprise the consolidated and company statements of financial position as at 31 March 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT



Auditors' responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2010 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Certified Public Accountants

Hong Kong

2 July 2010

CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000
REVENUE	5	907	2,415
Other losses, net	5	(182)	(2,237)
Administrative expenses		(13,486)	(14,486)
		<hr/>	<hr/>
LOSS BEFORE TAX	6	(12,761)	(14,308)
Income tax expense	9	–	–
		<hr/>	<hr/>
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	10	<u>(12,761)</u>	<u>(14,308)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	11	<u>(0.53 cent)</u>	<u>(0.60 cent)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2010

	Note	2010 HK\$'000	2009 HK\$'000
LOSS FOR THE YEAR		<u>(12,761)</u>	<u>(14,308)</u>
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Exchange differences on translation of foreign operations		<u>1,314</u>	<u>(2,108)</u>
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	10	<u>(11,447)</u>	<u>(16,416)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	<u>300</u>	<u>598</u>
CURRENT ASSETS			
Prepayments, deposits and other receivables		804	1,004
Equity investments at fair value through profit or loss	14	4,732	9,668
Cash and cash equivalents	15	<u>134,224</u>	<u>140,863</u>
Total current assets		<u>139,760</u>	<u>151,535</u>
CURRENT LIABILITIES			
Accruals		<u>1,017</u>	<u>1,643</u>
NET CURRENT ASSETS			
		<u>138,743</u>	<u>149,892</u>
Net assets			
		<u>139,043</u>	<u>150,490</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	16	240,000	240,000
Reserves	18(a)	<u>(100,957)</u>	<u>(89,510)</u>
Total equity		<u>139,043</u>	<u>150,490</u>

Henry Hung CHEN
Director

Wing Yan AU
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2010

	Attributable to owners of the Company							Minority interests	Total equity
	Issued capital	Share premium account*	Contributed surplus*	Reserve fund**	Exchange fluctuation reserve*	Accumulated losses*	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2008	240,000	112,550	29,800	1,476	3,525	(220,445)	166,906	13	166,919
Total comprehensive expense for the year	-	-	-	-	(2,108)	(14,308)	(16,416)	-	(16,416)
Transfer from reserve fund	-	-	-	(432)	-	432	-	-	-
Deregistration of a subsidiary	-	-	-	-	-	-	-	(13)	(13)
At 31 March 2009 and at 1 April 2009	240,000	112,550	29,800	1,044	1,417	(234,321)	150,490	-	150,490
Total comprehensive income/(expense) for the year	-	-	-	-	1,314	(12,761)	(11,447)	-	(11,447)
Transfer from reserve fund	-	-	-	(1,044)	-	1,044	-	-	-
At 31 March 2010	240,000	112,550	29,800	-	2,731	(246,038)	139,043	-	139,043

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.

* These reserve accounts comprise the negative consolidated reserves of HK\$100,957,000 (2009: HK\$89,510,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(12,761)	(14,308)
Adjustments for:			
Bank interest income	5	(685)	(1,794)
Fair value losses on equity investments at fair value through profit or loss	5	239	2,238
Gain on disposal of equity investments at fair value through profit or loss	5	(222)	(621)
Depreciation	6	129	171
Write-off of items of property, plant and equipment	6	176	–
		(13,124)	(14,314)
Decrease/(increase) in prepayments, deposits and other receivables		217	(59)
Decrease in accruals		(641)	(23)
Cash used in operations		(13,548)	(14,396)
Interest received		685	1,794
Net cash flows used in operating activities		(12,863)	(12,602)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease/(increase) in non-pledged time deposits with original maturity of more than three months when acquired	15	397	(16,034)
Purchases of items of property, plant and equipment	12	(1)	(4)
Proceeds from disposal of equity investments at fair value through profit or loss		5,182	18,086
Distribution to a minority shareholder upon deregistration of a subsidiary		–	(13)
Net cash flows from investing activities		5,578	2,035

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2010

	Note	2010 HK\$'000	2009 HK\$'000
NET DECREASE IN CASH AND CASH EQUIVALENTS		(7,285)	(10,567)
Cash and cash equivalents at beginning of year		103,942	114,526
Effect of foreign exchange rate changes, net		1,043	(17)
		<u>97,700</u>	<u>103,942</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>97,700</u>	<u>103,942</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of cash flows		97,700	103,942
Time deposits with original maturity of more than three months		36,524	36,921
		<u>134,224</u>	<u>140,863</u>
Cash and cash equivalents as stated in the statement of financial position	15	<u>134,224</u>	<u>140,863</u>

STATEMENT OF FINANCIAL POSITION

31 March 2010

	Notes	2010 HK\$'000	2009 HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	13	<u>58,654</u>	<u>63,960</u>
CURRENT ASSETS			
Prepayments, deposits and other receivables		318	318
Cash and bank balances	15	<u>79,818</u>	<u>86,442</u>
Total current assets		<u>80,136</u>	<u>86,760</u>
CURRENT LIABILITIES			
Accruals		<u>539</u>	<u>689</u>
NET CURRENT ASSETS			
		<u>79,597</u>	<u>86,071</u>
Net assets		<u>138,251</u>	<u>150,031</u>
EQUITY			
Issued capital	16	240,000	240,000
Reserves	18(b)	<u>(101,749)</u>	<u>(89,969)</u>
Total equity		<u>138,251</u>	<u>150,031</u>

Henry Hung CHEN
Director

Wing Yan AU
Director

NOTES TO FINANCIAL STATEMENTS

31 March 2010

1. CORPORATE INFORMATION

Pyxis Group Limited (the “Company”) is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda.

During the year, the Company and its subsidiaries (collectively referred to as the “Group”) were engaged in investment holding and the provision of marketing services.

In the opinion of the directors, the parent and the ultimate holding company of the Company is Coralbells Investments Limited, which is incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 March 2010. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company’s subsidiaries.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of HKFRSs</i> and HKAS 27 <i>Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Vesting Conditions and Cancellations</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments</i>
HKFRS 8	<i>Operating Segments</i>
HKAS 1 (Revised)	<i>Presentation of Financial Statements</i>
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 <i>Revenue – Determining whether an entity is acting as a principal or as an agent</i>
HKAS 23 (Revised)	<i>Borrowing Costs</i>
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation</i> and HKAS 1 <i>Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation</i>
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 <i>Reassessment of Embedded Derivatives</i> and HKAS 39 <i>Financial Instruments: Recognition and Measurement – Embedded Derivatives</i>
HK(IFRIC)-Int 13	<i>Customer Loyalty Programmes</i>
HK(IFRIC)-Int 15	<i>Agreements for the Construction of Real Estate</i>
HK(IFRIC)-Int 16	<i>Hedges of a Net Investment in a Foreign Operation</i>
HK(IFRIC)-Int 18	<i>Transfers of Assets from Customers</i> (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009)

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*, which is effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding the impact of HKFRS 7 Amendments, HKAS 1 (Revised) and HKFRS 8, the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements.

(a) **Amendments to HKFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments***

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balances is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 22 to the financial statements while the revised liquidity risk disclosures are presented in note 23 to the financial statements.

(b) **HKAS 1 (Revised) *Presentation of Financial Statements***

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

(c) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 *Segment Reporting*, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures are shown in note 4 to the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i> ¹
HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i> ²
HKFRS 1 Amendment	Amendment to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i> ⁴
HKFRS 2 Amendments	Amendments to HKFRS 2 <i>Share-based Payment – Group Cash-settled Share-based Payment Transactions</i> ²
HKFRS 3 (Revised)	<i>Business Combinations</i> ¹
HKFRS 9	<i>Financial Instruments</i> ⁶
HKAS 24 (Revised)	<i>Related Party Disclosures</i> ⁵
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i> ¹
HKAS 32 Amendment	Amendment to HKAS 32 <i>Financial Instruments: Presentation – Classification of Rights Issues</i> ³

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKAS 39 Amendment	Amendment to HKAS 39 <i>Financial Instruments: Recognition and Measurement</i> – <i>Eligible Hedged Items</i> ¹
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i> ⁵
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i> ¹
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i> ⁴
Amendments to HKFRS 5 included in <i>Improvements to HKFRSs issued</i> in October 2008	Amendments to HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i> – <i>Plan to sell the controlling interest in a subsidiary</i> ¹
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i> ²

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation. For *Improvements to HKFRSs 2010* issued in August 2009, the amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010 whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

- ¹ Effective for annual periods beginning on or after 1 July 2009
- ² Effective for annual periods beginning on or after 1 January 2010
- ³ Effective for annual periods beginning on or after 1 February 2010
- ⁴ Effective for annual periods beginning on or after 1 July 2010
- ⁵ Effective for annual periods beginning on or after 1 January 2011
- ⁶ Effective for annual periods beginning on or after 1 January 2013

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than certain financial assets is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;
- (b) the party is a member of the key management personnel of the Group or its holding company;
- (c) the party is a close member of the family of any individual referred to in (a) or (b); or
- (d) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	Over the lease terms
Furniture, fixtures and office equipment	15% to 33 ¹ / ₃ %

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the income statement on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, and loans and receivables, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, other receivables, deposits and equity investments at fair value through profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include the financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the income statement. These net fair value changes do not include any interest earned on these financial assets, which are recognised in accordance with the policy set out for “Revenue recognition” below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management’s intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the income statement. The loss arising from impairment is recognised in the income statement.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; and a discounted cash flow analysis.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flow is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised 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:

- (a) securities trading profits or losses, on the transaction dates when the relevant contract notes are exchanged; and
- (b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation entity, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group’s subsidiaries which operate in Taiwan and Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Impairment of financial assets

The Group determines that financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged decline requires judgement. In making this judgement, the Group evaluates among other factors, the normal volatility in market price. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year, are discussed below.

Valuation of financial instruments

The Group valued certain of its financial instruments using a valuation technique based on assumptions that are not supported by observable market prices or rates. Estimating the value of investments requires the Group to make certain estimates and assumptions, further details of which are given in note 14 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The amounts of unrecognised tax losses at 31 March 2010 arising in Hong Kong, Mainland China and Taiwan were HK\$64,559,000 (2009: HK\$60,273,000), HK\$3,711,000 (2009: HK\$2,109,000) and HK\$11,537,000 (2009: HK\$9,354,000). Further details are contained in note 9 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments 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.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment loss, which is a measure of adjusted loss before tax.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

4. OPERATING SEGMENT INFORMATION (continued)

	Investment holding		Marketing service		Consolidated	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Segment revenue:						
Revenue from external customers	907	2,415	-	-	907	2,415
Other losses, net	(239)	(2,238)	-	-	(239)	(2,238)
Total	668	177	-	-	668	177
Segment results	(254)	(4,052)	(6,427)	(7,389)	(6,681)	(11,441)
<i>Reconciliation:</i>						
Unallocated other gain					57	1
Corporate and other unallocated expenses					(6,137)	(2,868)
Loss before tax					(12,761)	(14,308)

NOTES TO FINANCIAL STATEMENTS

31 March 2010

4. OPERATING SEGMENT INFORMATION (continued)

	Investment holding		Marketing service		Consolidated	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Segment assets	99,289	111,335	38,133	38,586	137,422	149,921
<i>Reconciliation:</i>						
Corporate and other unallocated assets					<u>2,638</u>	<u>2,212</u>
Total assets					<u>140,060</u>	<u>152,133</u>
Segment liabilities	5	–	150	245	155	245
<i>Reconciliation:</i>						
Corporate and other unallocated liabilities					<u>862</u>	<u>1,398</u>
Total liabilities					<u>1,017</u>	<u>1,643</u>
Other segment information:						
Depreciation						
– amounts allocated to segments	–	–	128	164	128	164
– unallocated amounts					<u>1</u>	<u>7</u>
					<u>129</u>	<u>171</u>
Capital expenditure*						
– amounts allocated to segments	–	–	–	4	–	4
– unallocated amounts					<u>1</u>	–
					<u>1</u>	<u>4</u>
Write-off of items of property, plant and equipment	–	–	176	–	<u>176</u>	–

* Capital expenditure consists of additions to property, plant and equipment.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) *Revenue from external customers*

	2010 HK\$'000	2009 HK\$'000
Hong Kong	14	847
Taiwan	375	689
Mainland China	518	879
	<hr/> 907 <hr/>	<hr/> 2,415 <hr/>

The revenue information above is based on the location of the customers.

(b) *Non-current assets*

	2010 HK\$'000	2009 HK\$'000
Hong Kong	1	1
Mainland China	299	597
	<hr/> 300 <hr/>	<hr/> 598 <hr/>

The non-current asset information above is based on the location of assets.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

5. REVENUE AND OTHER LOSSES, NET

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

	Group	
	2010	2009
	HK\$'000	HK\$'000
Revenue		
Bank interest income	685	1,794
Gain on disposal of equity investments at fair value through profit or loss	222	621
	<hr/> 907 <hr/>	<hr/> 2,415 <hr/>
Other losses, net		
Fair value losses on equity investments at fair value through profit or loss	(239)	(2,238)
Others	57	1
	<hr/> (182) <hr/>	<hr/> (2,237) <hr/>

NOTES TO FINANCIAL STATEMENTS

31 March 2010

6. LOSS BEFORE TAX

The Group's loss before tax is arrived after charging:

	2010 HK\$'000	2009 HK\$'000
Depreciation	129	171
Write-off of items of property, plant and equipment	176	–
Auditors' remuneration	363	365
Employee benefit expense (including directors' remuneration (note 7)):		
Salaries, allowances and benefits in kind	8,362	8,689
Pension scheme contributions	61	52
	<u>8,423</u>	<u>8,741</u>
Minimum lease payments under operating leases:		
Land and buildings	<u>737</u>	<u>1,054</u>

At 31 March 2010, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2009: Nil).

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2010 HK\$'000	2009 HK\$'000
Fees	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	4,794	4,853
Performance related bonuses	323	85
Pension scheme contributions	12	12
	<u>5,129</u>	<u>4,950</u>

NOTES TO FINANCIAL STATEMENTS

31 March 2010

7. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

There were no fees or emoluments payable to the independent non-executive directors during the year (2009: Nil).

(b) Executive directors

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Performance related bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
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2010

Executive directors:

Mr. Henry Hung CHEN	-	4,287	238	-	4,525
Miss Wing Yan AU	-	507	85	12	604
	-	4,794	323	12	5,129

2009

Executive directors:

Mr. Henry Hung CHEN	-	4,346	-	-	4,346
Miss Wing Yan AU	-	507	85	12	604
	-	4,853	85	12	4,950

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2009: two) directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining three (2009: three) non-director, highest paid employees for the year are as follows:

	Group	
	2010 HK\$'000	2009 HK\$'000
Salaries, allowances and benefits in kind	2,752	3,105
Performance related bonuses	169	169
Pension scheme contributions	16	31
	<u>2,937</u>	<u>3,305</u>

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2010	2009
Nil to HK\$1,000,000	1	1
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	1	1
	<u>3</u>	<u>3</u>

9. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2009: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

9. INCOME TAX (continued)

A reconciliation of the tax credit applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense for the year is as follows:

Group – 2010

	Hong Kong HK\$'000	Taiwan HK\$'000	Mainland China HK\$'000	Total HK\$'000
Loss before tax	(6,391)	(5,065)	(1,305)	(12,761)
Tax at the statutory tax rates	(1,055)	(1,266)	(326)	(2,647)
Income not subject to tax	(2)	(38)	–	(40)
Expenses not deductible for tax	103	–	44	147
Tax losses carried forward not recognised	954	1,304	282	2,540
Tax expense for the year	–	–	–	–

Group – 2009

	Hong Kong HK\$'000	Taiwan HK\$'000	Mainland China HK\$'000	Total HK\$'000
Loss before tax	(7,362)	(5,485)	(1,461)	(14,308)
Tax at the statutory tax rates	(1,215)	(1,371)	(365)	(2,951)
Income not subject to tax	(140)	(17)	–	(157)
Expenses not deductible for tax	671	1,398	18	2,087
Tax losses carried forward not recognised	684	–	347	1,031
Tax loss utilised from previous periods	–	(10)	–	(10)
Tax expense for the year	–	–	–	–

NOTES TO FINANCIAL STATEMENTS

31 March 2010

9. INCOME TAX (continued)

The Group has tax losses arising in Hong Kong of HK\$64,559,000 (2009: HK\$60,273,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Besides, the Group also has tax losses arising in Taiwan of HK\$11,537,000 (2009: HK\$9,354,000) and in Mainland China of HK\$3,711,000 (2009: HK\$2,109,000) that are available for offsetting against future taxable profits of the companies in which the losses arose until the years ending 31 March 2020 and 2015, respectively. Deferred tax assets have not been recognised in respect of these losses as the directors consider it is not probable that future taxable profits will be available against which these tax losses can be utilised.

10. LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated loss attributable to owners of the Company for the year ended 31 March 2010 includes a loss of HK\$11,780,000 (2009: HK\$8,714,000) which has been dealt with in the financial statements of the Company (note 18(b)).

11. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of HK\$12,761,000 (2009: HK\$14,308,000), and the weighted average number of 2,400,002,000 (2009: 2,400,002,000) ordinary shares in issue during the year.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Total HK\$'000
31 March 2010			
At 31 March 2009 and at 1 April 2009:			
Cost	884	851	1,735
Accumulated depreciation	(465)	(672)	(1,137)
	<u>419</u>	<u>179</u>	<u>598</u>
Net carrying amount			
At 1 April 2009, net of accumulated depreciation	419	179	598
Additions	–	1	1
Write-off	(176)	–	(176)
Depreciation provided during the year	(84)	(45)	(129)
Exchange realignment	4	2	6
	<u>163</u>	<u>137</u>	<u>300</u>
At 31 March 2010, net of accumulated depreciation			
At 31 March 2010:			
Cost	613	855	1,468
Accumulated depreciation	(450)	(718)	(1,168)
	<u>163</u>	<u>137</u>	<u>300</u>
Net carrying amount			

NOTES TO FINANCIAL STATEMENTS

31 March 2010

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Leasehold improvements HK\$'000	Furniture, fixtures and office equipment HK\$'000	Total HK\$'000
31 March 2009			
At 1 April 2008:			
Cost	878	844	1,722
Accumulated depreciation	(345)	(621)	(966)
	<u>533</u>	<u>223</u>	<u>756</u>
Net carrying amount	<u>533</u>	<u>223</u>	<u>756</u>
At 1 April 2008, net of accumulated depreciation			
	533	223	756
Additions	–	4	4
Depreciation provided during the year	(120)	(51)	(171)
Exchange realignment	6	3	9
	<u>419</u>	<u>179</u>	<u>598</u>
At 31 March 2009, net of accumulated depreciation	<u>419</u>	<u>179</u>	<u>598</u>
At 31 March 2009:			
Cost	884	851	1,735
Accumulated depreciation	(465)	(672)	(1,137)
	<u>419</u>	<u>179</u>	<u>598</u>
Net carrying amount	<u>419</u>	<u>179</u>	<u>598</u>

NOTES TO FINANCIAL STATEMENTS

31 March 2010

13. INTERESTS IN SUBSIDIARIES

	Company	
	2010 HK\$'000	2009 HK\$'000
Unlisted shares, at cost	–	–
Due from subsidiaries	58,654	63,960
	58,654	63,960
Impairment	–	–
	58,654	63,960

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, these advances are considered as quasi-equity loans to the subsidiaries.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company				Principal activities
			Direct		Indirect		
			2010	2009	2010	2009	
CRM Marketing Services, Inc.*	Taiwan	NTD99,783,000	–	–	100	100	Investment holding
Pyxis Management Limited	Hong Kong	HK\$2	–	–	100	100	Provision of consultancy services
Pyxis Frontiers Limited*	British Virgin Islands/ Hong Kong	US\$1	100	100	–	–	Investment holding

NOTES TO FINANCIAL STATEMENTS

31 March 2010

13. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Company				Principal activities
			Direct		Indirect		
			2010	2009	2010	2009	
Effective Media Inc.*	British Virgin Islands/ Hong Kong	US\$1	-	-	100	100	Investment holding
Effective Marketing Services (Shanghai) Co., Ltd.*^	People's Republic of China ("PRC")/ Mainland China	US\$3,500,000	-	-	100	100	Provision of marketing services

* Not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

^ Registered as a wholly-foreign-owned enterprise under the PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

14. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2010 HK\$'000	2009 HK\$'000
Unlisted equity investments, at fair value	4,732	9,668

The above equity investments at 31 March 2010 and 2009 were classified as held for trading.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

14. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

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 consolidated statement of financial position, and the related changes in fair values, which are recorded in the consolidated income statement, are reasonable, and that they are the most appropriate values at the end of the reporting period.

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Time deposits	36,524	36,921	–	–
Cash and bank balances	97,700	103,942	79,818	86,442
Cash and cash equivalents	<u>134,224</u>	<u>140,863</u>	<u>79,818</u>	<u>86,442</u>

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to HK\$25,068,000 (2009: HK\$25,619,000). The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for periods from six months to one year (2009: six months to one year) and earn interest at the respective short term fixed deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

16. SHARE CAPITAL

	2010	2009
	HK\$'000	HK\$'000
Authorised:		
5,000,000,000 ordinary shares of HK\$0.1 each	500,000	500,000
Issued and fully paid:		
2,400,002,000 ordinary shares of HK\$0.1 each	240,000	240,000

17. SHARE OPTION SCHEME

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.

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. In addition, any share options granted to a substantial shareholder or an independent non-executive director 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 grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

17. SHARE OPTION SCHEME (continued)

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 vesting period of one to three years and ends on a date which is not later than 10 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 closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of 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.

18. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

The contributed surplus of the Group represents the excess of the nominal value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation prior to the listing of the Company's shares over the nominal value of the Company's shares issued in exchange therefor.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

18. RESERVES (continued)

(b) Company

	Share premium account HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2008	112,550	51,061	(244,866)	(81,255)
Total comprehensive expense for the year	–	–	(8,714)	(8,714)
At 31 March 2009 and at 1 April 2009	112,550	51,061	(253,580)	(89,969)
Total comprehensive expense for the year	–	–	(11,780)	(11,780)
At 31 March 2010	112,550	51,061	(265,360)	(101,749)

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation prior to the listing of the Company's shares over the nominal value of the Company's shares issued in exchange therefor.

Under the Bermuda Companies Act 1981 (as amended), the contributed surplus of the Company is distributable to shareholders in certain circumstances.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

19. OPERATING LEASE ARRANGEMENTS

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

At 31 March 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2010	2009
	HK\$'000	HK\$'000
Within one year	<u>64</u>	<u>220</u>

At the end of the reporting period, the Company had no operating lease commitment (2009: Nil).

20. RELATED PARTY TRANSACTION

All compensation of key management personnel of the Group is included in the directors' remuneration as disclosed in note 7 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

21. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2010

Group

Financial assets

	Financial assets at fair value through profit or loss – held for trading HK\$'000	Loans and receivables HK\$'000	Total HK\$'000
Financial assets included in prepayments, deposits and other receivables	–	262	262
Equity investments at fair value through profit or loss	4,732	–	4,732
Cash and cash equivalents	–	134,224	134,224
	<u>4,732</u>	<u>134,486</u>	<u>139,218</u>

The Group does not have any financial liabilities as at 31 March 2010.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

21. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2009	Group		
Financial assets			
	Financial assets at fair value through profit or loss – held for trading HK\$'000	Loans and receivables HK\$'000	Total HK\$'000
Financial assets included in prepayments, deposits and other receivables	–	389	389
Equity investments at fair value through profit or loss	9,668	–	9,668
Cash and cash equivalents	–	140,863	140,863
	<u>9,668</u>	<u>141,252</u>	<u>150,920</u>

The Group does not have any financial liabilities as at 31 March 2009.

	Company	
Financial assets		
	2010 Loans and receivables HK\$'000	2009 Loans and receivables HK\$'000
Financial assets included in prepayments, deposits and other receivables	5	6
Cash and bank balances	<u>79,818</u>	<u>86,442</u>
	<u>79,823</u>	<u>86,448</u>

The Company does not have any financial liabilities as at 31 March 2009 and 2010.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

22. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: fair values measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

As at 31 March 2010, the Group held the following financial instruments measured at fair value:

Assets measured at fair value as at 31 March 2010:

	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Equity investments at fair value				
through profit or loss	–	4,732	–	4,732

During the year ended 31 March 2010, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than equity investments at fair value through profit or loss held for trading purposes, comprise cash and short term time deposits. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are equity price risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as equity investments at fair value through profit or loss (note 14) as at 31 March 2010. The Group's unlisted investments are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to every 1% change in the fair values of the equity investments, with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period.

	Carrying amount of equity investments HK\$'000	Increase/ decrease in loss before tax HK\$'000	Increase/ decrease in equity HK\$'000*
2010			
Equity investments at fair value through profit or loss	<u>4,732</u>	<u>47</u>	<u>—</u>
2009			
Equity investments at fair value through profit or loss	<u>9,668</u>	<u>97</u>	<u>—</u>

* Excluding accumulated losses

NOTES TO FINANCIAL STATEMENTS

31 March 2010

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk (continued)

The Group has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy and has established processes to monitor and control various trading transactions in a timely and accurate manner.

Foreign currency risk

As at 31 March 2010, in the opinion of the directors, the Group was not exposed to significant foreign currency risks because most of the monetary assets and liabilities of the Group's operating entities were denominated in their own functional currencies, which are mainly the United States dollars, the New Taiwan dollars and the RMB. The Group has no specific policy to deal with the foreign currency risk but will closely monitor the market and make appropriate measures when necessary.

Credit risk

The credit risk of the Group's financial assets, which comprise cash and bank balances, equity investments at fair value through profit or loss, and deposits and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of banking facilities. The Group's policy is to minimise borrowings.

No maturity profile of the Group's and the Company's financial liabilities is presented as the Group and the Company do not have any financial liabilities as at 31 March 2010 and 2009.

NOTES TO FINANCIAL STATEMENTS

31 March 2010

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2010 and 2009.

The Group monitors capital using a current ratio, which is current assets divided by current liabilities. The Group's policy is to maintain the current ratio all times at a healthy level. The current ratios as at the end of the reporting period are as follows:

	2010	2009
	HK\$'000	HK\$'000
Total current assets	139,760	151,535
Total current liabilities	1,017	1,643
Current ratio	137.4	92.2

24. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 2 July 2010.

FIVE YEAR FINANCIAL SUMMARY

31 March 2010

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below. This summary is not part of the audited financial statements.

	2010	2009	2008	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
RESULTS					
REVENUE	<u>907</u>	<u>2,415</u>	<u>5,164</u>	<u>25,144</u>	<u>50,030</u>
PROFIT/(LOSS) BEFORE TAX	<u>(12,761)</u>	<u>(14,308)</u>	<u>(9,053)</u>	<u>(7,146)</u>	<u>6,015</u>
Income tax expense	<u>–</u>	<u>–</u>	<u>–</u>	<u>(437)</u>	<u>(2,350)</u>
PROFIT/(LOSS) FOR THE YEAR	<u>(12,761)</u>	<u>(14,308)</u>	<u>(9,053)</u>	<u>(7,583)</u>	<u>3,665</u>
Attributable to:					
Owners of the Company	<u>(12,761)</u>	<u>(14,308)</u>	<u>(9,053)</u>	<u>(7,582)</u>	<u>3,665</u>
Minority interests	<u>–</u>	<u>–</u>	<u>–</u>	<u>(1)</u>	<u>–</u>
	<u>(12,761)</u>	<u>(14,308)</u>	<u>(9,053)</u>	<u>(7,583)</u>	<u>3,665</u>
ASSETS, LIABILITIES AND MINORITY INTERESTS					
TOTAL ASSETS	<u>140,060</u>	<u>152,133</u>	<u>168,639</u>	<u>175,976</u>	<u>189,411</u>
TOTAL LIABILITIES	<u>(1,017)</u>	<u>(1,643)</u>	<u>(1,720)</u>	<u>(3,529)</u>	<u>(8,885)</u>
MINORITY INTERESTS	<u>–</u>	<u>–</u>	<u>(13)</u>	<u>(13)</u>	<u>(14)</u>
	<u>139,043</u>	<u>150,490</u>	<u>166,906</u>	<u>172,434</u>	<u>180,512</u>