

**INTERIM REPORT
2010**

**PYXIS GROUP LTD.
瀚智集團有限公司**

Stock Code:516

The Board of Directors (the “Board”) of Pyxis Group Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2010 (the “Period”) together with the comparative figures for the corresponding period of last year, as follows. The results have been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 September 2010

	Notes	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
REVENUE	2	343	470
Other losses, net	4	(297)	(520)
Administrative expenses		(6,583)	(7,018)
LOSS BEFORE TAX	5	(6,537)	(7,068)
Income tax expense	6	–	–
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		(6,537)	(7,068)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	7	HK (0.27 cent)	HK (0.29 cent)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 September 2010

	2010 <i>HK\$'000</i> (Unaudited)	2009 <i>HK\$'000</i> (Unaudited)
LOSS FOR THE PERIOD	(6,537)	(7,068)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	731	1,529
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	(5,806)	(5,539)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2010

	<i>Notes</i>	30 September 2010 <i>HK\$'000</i> (Unaudited)	31 March 2010 <i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	371	300
CURRENT ASSETS			
Prepayments, deposits and other receivables		845	804
Equity investments at fair value through profit or loss	10	3,751	4,732
Cash and cash equivalents	11	129,065	134,224
Total current assets		133,661	139,760
CURRENT LIABILITIES			
Accruals		795	1,017
NET CURRENT ASSETS		132,866	138,743
Net assets		133,237	139,043
EQUITY			
Equity attributable to owners of the Company			
Issued capital	12	240,000	240,000
Reserves	13	(106,763)	(100,957)
Total equity		133,237	139,043

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2010

	Issued Capital HK\$'000 (Unaudited)	Share Premium Account* HK\$'000 (Unaudited)	Contributed Surplus* HK\$'000 (Unaudited)	Reserve Fund** HK\$'000 (Unaudited)	Exchange Fluctuation Reserve* HK\$'000 (Unaudited)	Accumulated Losses* HK\$'000 (Unaudited)	Total Equity HK\$'000 (Unaudited)
At 1 April 2010	240,000	112,550	29,800	-	2,731	(246,038)	139,043
Total comprehensive income/ (expense) for the Period	-	-	-	-	731	(6,537)	(5,806)
At 30 September 2010	<u>240,000</u>	<u>112,550</u>	<u>29,800</u>	<u>-</u>	<u>3,462</u>	<u>(252,575)</u>	<u>133,237</u>
At 1 April 2009	240,000	112,550	29,800	1,044	1,417	(234,321)	150,490
Total comprehensive income/ (expense) for the period	-	-	-	-	1,529	(7,068)	(5,539)
At 30 September 2009	<u>240,000</u>	<u>112,550</u>	<u>29,800</u>	<u>1,044</u>	<u>2,946</u>	<u>(241,389)</u>	<u>144,951</u>

* These reserve accounts comprise the negative consolidated reserves of approximately HK\$106,763,000 (2009: approximately HK\$95,049,000) in the consolidated statement of financial position.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*Six months ended 30 September 2010*

	2010 <i>HK\$'000</i> (Unaudited)	2009 <i>HK\$'000</i> (Unaudited and restated)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(5,624)	(3,978)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	1,314	(478)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,310)	(4,456)
Cash and cash equivalents at beginning of Period	97,700	103,942
Effect of foreign exchange rate changes, net	731	1,529
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>94,121</u>	<u>101,015</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	94,121	101,015
Time deposits with original maturity of more than three months	34,944	37,391
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	<u>129,065</u>	<u>138,406</u>

NOTES TO THE FINANCIAL STATEMENTS

30 September 2010

1. Basis of Preparation and Accounting Policies

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

The accounting policies and the basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the audited annual financial statements for the year ended 31 March 2010, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), which also include HKASs and Interpretations (“Ints”) that affect the Group and are adopted for the first time for the current Period’s unaudited condensed consolidated interim financial statements.

HKFRS 1 (Revised)	<i>First-time Adoption of Hong Kong Financial Reporting Standards</i>
HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters</i>
HKFRS 2 Amendments	<i>Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions</i>
HKFRS 3 (Revised)	<i>Business Combinations</i>
HKAS 27 (Revised)	<i>Consolidated and Separate Financial Statements</i>
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Right Issues</i>
HKAS 39 Amendment	<i>Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items</i>
HK(IFRIC)-Int 17	<i>Distributions of Non-cash Assets to Owners</i>

1. **Basis of Preparation and Accounting Policies** (Continued)

Amendments to HKFRS 5 included in <i>Improvements to HKFRSs</i> issued in October 2008	Amendments to HKFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations – Plan to Sell the Controlling Interest in a Subsidiary</i>
HK Interpretation 4 (Revised in December 2009)	<i>Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases</i>

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 are effective for annual periods beginning on or after 1 July 2009, or for annual periods beginning on or after 1 January 2010, although there are separate transitional provisions for each standard or interpretation.

The adoption of these new and revised HKFRSs has had no material impact on the Group's results of operation and financial position.

2. **Revenue**

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 is as follows:

	For the six months ended 30 September	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Bank interest income	312	360
Gain on disposal of equity investments at fair value through profit or loss	31	110
	<u>343</u>	<u>470</u>

3. 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.

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

	Investment holding		Marketing service		Consolidated	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Segment revenue:						
Revenue from external customers	343	470	–	–	343	470
Other losses, net	(297)	(577)	–	–	(297)	(577)
Total	46	(107)	–	–	46	(107)
Segment results	(301)	(581)	(3,515)	(3,501)	(3,816)	(4,082)
<i>Reconciliation:</i>						
Unallocated other gains					–	57
Corporate and other unallocated expenses					(2,721)	(3,043)
Loss before tax					(6,537)	(7,068)

4. Other Losses, Net

An analysis of other losses, net, is as follows:

	For the six months ended 30 September	
	2010 <i>HK\$'000</i> (Unaudited)	2009 <i>HK\$'000</i> (Unaudited)
Fair value losses on equity investments at fair value through profit or loss, net	(297)	(577)
Others	—	57
	<u>(297)</u>	<u>(520)</u>

5. Loss Before Tax

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

	For the six months ended 30 September	
	2010 <i>HK\$'000</i> (Unaudited)	2009 <i>HK\$'000</i> (Unaudited)
Depreciation	46	73
Write-off of items of property, plant and equipment	149	176
	<u>195</u>	<u>249</u>

6. Income Tax Expenses

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

The Group has substantial tax losses arising in Hong Kong 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 and Mainland China that are available for the future ten and five years, respectively, for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as the Directors consider it is not probable that future taxable profits will be available against which these tax losses can be utilised.

7. Loss Per Share Attributable to Owners of the Company

The calculation of basic loss per share is based on the loss for the Period attributable to owners of the Company of approximately HK\$6,537,000 (2009: approximately HK\$7,068,000), and the weighted average number of 2,400,002,000 (2009: 2,400,002,000) ordinary shares in issue during the Period.

8. Interim Dividend

The Directors do not propose the payment of any interim dividends in respect of the Period (2009: Nil).

9. Property, Plant and Equipment

During the Period, the Group spent approximately HK\$262,000 on acquisitions of items of property, plant and equipment (31 March 2010: approximately HK\$1,000), and had written off items of property, plant and equipment of approximately HK\$149,000 (31 March 2010: approximately HK\$176,000).

10. Equity Investments at Fair Value Through Profit or Loss

	30 September 2010 <i>HK\$'000</i> (Unaudited)	31 March 2010 <i>HK\$'000</i> (Audited)
Unlisted equity investments, at fair value	3,751	4,732

The above equity investments at 30 September 2010 and 31 March 2010 were classified as held for trading.

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

11. Cash and Cash Equivalents

	30 September 2010 <i>HK\$'000</i> (Unaudited)	31 March 2010 <i>HK\$'000</i> (Audited)
Time deposits	34,944	36,524
Cash and bank balances	94,121	97,700
Cash and cash equivalents	129,065	134,224

11. Cash and Cash Equivalents (Continued)

As the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to approximately HK\$25,240,000 (31 March 2010: approximately HK\$25,068,000). 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 (31 March 2010: six months to one year) and earn interest at respective short term fixed deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

12. Share Capital

	30 September 2010 <i>HK\$’000</i> (Unaudited)	31 March 2010 <i>HK\$’000</i> (Audited)
Authorised:		
5,000,000,000 ordinary shares of HK\$0.1 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
2,400,002,000 ordinary shares of HK\$0.1 each	<u>240,000</u>	<u>240,000</u>

12. Share Capital (Continued)

Share options

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

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

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

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

12. Share Capital *(Continued)*

Share options *(Continued)*

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

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

13. Reserves

The amounts of the Group’s reserves and the movements therein for the Period are presented in the unaudited condensed consolidated statement of changes in equity.

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.

14. Operating Lease Arrangements

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

14. Operating Lease Arrangements (Continued)

At 30 September 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2010 <i>HK\$'000</i> (Unaudited)	31 March 2010 <i>HK\$'000</i> (Audited)
Within one year	116	64
In the second to fifth years, inclusive	1,858	–
	<hr/>	<hr/>
	1,974	64
	<hr/> <hr/>	<hr/> <hr/>

15. Commitments and Contingent Liabilities

As at 30 September 2010 and 31 March 2010, the Group had no significant commitments or contingent liabilities.

16. Related Party and Connected Transactions

There had been no related party and connected transactions during the Period (2009: Nil).

17. Approval of the Interim Financial Report

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board on 26 November 2010.

BUSINESS REVIEW AND PROSPECTS

During the Period, the Group had a loss attributable to owners of the Company of approximately HK\$6.5 million (2009: approximately HK\$7.1 million).

Following the disposal of Group's unprofitable businesses 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 free standing insert ("FSI") coupon business in the marketing services arena. 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 reorganisations 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.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

However, 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.

Because of the above-mentioned challenging environments the Group is facing, as stated in the announcement of the Company "Update on the Listing Status of the Company" dated 20 October 2010, the Company had been placed in the first stage of delisting under Practice Note 17 to the Main Board Listing Rules from the same date.

Nevertheless, 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-mentioned 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.

STAFF REMUNERATION POLICY AND SHARE OPTION SCHEME

The Group maintained a team of 5 staff as at 30 September 2010.

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

As stated in note 12 to the unaudited condensed consolidated interim financial statements, a share option scheme was adopted by the Company in prior financial year. No new share option was granted under the Scheme since the Scheme became effective.

LIQUIDITY AND CAPITAL RESOURCES

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

As at 30 September 2010, shareholders' funds of the Group amounted to approximately HK\$133.2 million. Current assets amounted to approximately HK\$133.7 million, of which approximately HK\$129.1 million were cash and bank deposits. The Group's current liabilities amounted to approximately HK\$0.8 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 "Business Review and Prospect". The high cash and bank deposits balance is only temporary. But under the current tough economic and financial environments, the Group has to use its cash very cautiously.

As at 30 September 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 adjustments and measures when necessary.

As at the Period end date and the date of this 2010 interim report ("Interim Report"), the Group did not have any outstanding commitment in any of the financial derivative instruments.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 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 SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Main Board Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

Name of Directors	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 30 September 2010, none of the Directors had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARES

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

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

At 30 September 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	1,795,000,000	74.79

Save as disclosed above, as at 30 September 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

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

CG Code Provisions A.4.1 and A.4.2 stipulate that Non-Executive Directors should be appointed for a specific term, subject to re-election, and every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Currently, none of the Company's existing INEDs is appointed for specific term. However, all the Directors (save for the Chairman and the MD) are subject to the retirement provisions under the Company's bye-law, and the Board considers that the Chairman and the MD should not be subject to retirement to ensure the continuity of leadership and stability of growth.

CODE ON CORPORATE GOVERNANCE PRACTICES *(Continued)*

As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

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

On behalf of the Board
Mr. Henry Hung CHEN
Chairman

Hong Kong, 26 November 2010

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