PYXIS GROUP LTD.
瀚智集團有限公司

Stock Code:516

Annual Report 2011

Contents

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

Solicitors

Iu Lai & Li

Auditors

Ernst & Young

Principal Bankers

Chinatrust Commercial Bank, Ltd.
The Hongkong and Shanghai Banking Corporation Limited
Morgan Stanley Asia Limited

Registered Office

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HONG KONG

Principal Share Registrars and Transfer Office

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Wanchai
HONG KONG

Website

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

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 2011, the Company and its subsidiaries (the "Group") had a loss attributable to shareholders of approximately HK$14.1 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.

The difficult market environment in the past few years has slowed the progress of our business development efforts, and resulted in the Company's share trading being suspended. We are currently exploring new opportunities in marketing services, communications, real estate, renewable energy and financial services industries where significant growth exists in Asia and where the Group has core competency. Looking forward, we intend to capitalize on such opportunities, and we will seek to improve the Group's profits and enhance shareholders' value through our investments in this direction. The Company is working at its best effort to have its share trading resumed.

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, 28 June 2011

Business outlook

Following the disposal of the Group's unprofitable businesses previously, the Group shifted its business focus to sectors such as marketing services, communications, real estate, renewable energy and financial services where the Group has core competency.

With this focus, the Group has been actively exploring opportunities and developing businesses in these sectors in Mainland China. Further progress in the free standing insert ("FSI") coupon business which the Group has been pursuing has become extremely difficult because of the rapid growth of hypermarket retailers in China and their dominance as the primary channel for selling fast-moving consumer goods. As such, it has become difficult for the Group to enlist the support of these major retailers as partners for redeeming the Group's coupons as currently the major retailers could demand sufficient consumer promotion support directly from the manufacturers. Without these major hypermarket retailers, manufacturers' willingness to support our FSI program is greatly reduced.

Notwithstanding the challenges faced by the Group in the FSI business, the Group has 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 Group's current approach is to acquire these investments in stages so as to facilitate an orderly integration of each of these businesses into the Group. Over time, the Group intends to build a portfolio of operating entities and a major business franchise in these business sectors.

However, the Board believes that, under current tough and challenging investment and economic environment, the Company should be making prudent management and investment decisions in order to protect shareholders' 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.

Because of the above-mentioned challenging environments the Group is facing, as stated in the announcements of the Company "Update on the Listing Status of the Company" and "Update on the Listing Status of the Company – Proceeding to the Second Stage of Delisting" dated 20 October 2010 and 27 April 2011, respectively, the Company is now in the second stage of delisting under Practice Note 17 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as from 26 April 2011.

Nevertheless, looking forward, the Board is still optimistic about the future of the Group's 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 the Group's profits and enhance long-term shareholders' value. The Company is working at its best effort to have its share trading resumed.

Liquidity and capital resources

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 end of the reporting period.

As at 31 March 2011, shareholders' funds of the Group amounted to approximately HK$127 million. Current assets amounted to approximately HK$127 million, of which approximately HK$124 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 "Business outlook". 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 2011, 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 take appropriate measures when necessary.

As at 31 March 2011 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 2011, the Group did not have any significant contingent liability.

Staff remuneration policy and share option scheme

As at 31 March 2011, the Group maintained a staff team of 5 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 has been granted under the Scheme since the Scheme became effective.

Executive Directors

Mr. Henry Hung CHEN, aged 49, 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 the 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 36, 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 50, 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 Chairman of Asia Cleantech Capital, and the Chairman and Chief Executive Officer ("CEO") of Laurasia Capital Management. Prior to founding both these companies, Mr. ZULKOSKI was a Managing Director of Oaktree Capital Management Pte. Ltd. ("Oaktree"). Prior to joining Oaktree in 2007, Mr. ZULKOSKI was founder and CEO of Pangaea Capital Management ("PCM"), a firm acquired by Oaktree in October 2007. Prior to establishing PCM, Mr. ZULKOSKI was founder and CEO 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 the 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.

Independent Non-executive Directors (continued)

Mr. Chin Yao LIN, aged 46, 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 48, 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 26 years of experience in the construction and engineering industry. He is a director of Krueger Engineering (Asia) Limited.

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 shareholders' value. The 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 Exchange of Hong Kong Limited ("Main Board Listing Rules"). The Board of Directors (the "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 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 Company and its subsidiaries (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 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.

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's business is vested in its Board and the duty of the Board is to create value for Company's 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 the Company's strategic direction, setting the Company's 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 the Group's financial information and oversight of the 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.

Board and committee meetings

The Board and the AC meet regularly, at approximately quarterly intervals mainly to review and approve the 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	8/8	N/A
Miss Wing Yan AU	8/8	N/A
Non-Executive Independent Directors		
Mr. Robert Joseph ZULKOSKI	8/8	4/4
Mr. Chin Yao LIN	8/8	4/4
Mr. Bernard King Bong LEUNG	8/8	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 flows 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.

Internal control

The Board has overall responsibility for maintaining sound and effective internal control of the Group. The 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 the 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 2011, 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 17 September 2010. The AC has given its approval on the fee charged by E&Y to the Company. For the current year ended 31 March 2011, total auditors' remuneration in relation to statutory audit work of the Group amounted to approximately HK$359,000 (HK$330,000 at Company level and HK$29,000 at subsidiary level). Furthermore, service fees of approximately HK$20,000 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 18 to 19.

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 2011 and they all confirmed full compliance with the required standards as set out in the Model Code.

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 management and external auditors make an effort to attend the AGM and other general meetings to address shareholders' 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.

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 2011.

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 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 69.

Summary financial information

A summary of the published results and assets, liabilities and non-controlling 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 2011, 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, Miss Wing Yan AU and Mr. Robert Joseph ZULKOSKI 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 still considers them to be independent.

Directors' biographies

Biographical details of the directors of the Company are set out on pages 6 to 7 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 2011, 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:

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 2011, 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.

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.

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

At 31 March 2011, 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 31 March 2011, 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
28 June 2011

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

We have audited the consolidated financial statements of Pyxis Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 20 to 69, which comprise the consolidated and company statements of financial position as at 31 March 2011, 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 information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

ERNST & YOUNG
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Auditors' responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 consolidated 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 consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2011, 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
28 June 2011

	Notes	2011 HK$'000	2010 HK$'000
REVENUE	5	**655**	907
Other losses, net	5	**(1,313)**	(182)
Administrative expenses		**(13,437)**	(13,486)
LOSS BEFORE TAX	6	**(14,095)**	(12,761)
Income tax expense	9	**–**	–
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	10	**(14,095)**	(12,761)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	11	**(0.59 HK cent)**	(0.53 HK cent)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2011

	2011 HK$'000	2010 HK$'000
LOSS FOR THE YEAR	**(14,095)**	(12,761)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**2,004**	1,314
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	**(12,091)**	(11,447)

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**561**	300
Deposits		**207**	–
Total non-current assts		**768**	300
CURRENT ASSETS			
Prepayments, deposits and other receivables		**809**	804
Equity investments at fair value through profit or loss	14	**2,735**	4,732
Cash and cash equivalents	15	**123,736**	134,224
Total current assets		**127,280**	139,760
CURRENT LIABILITIES			
Accruals		**946**	1,017
NET CURRENT ASSETS		**126,334**	138,743
TOTAL ASSETS LESS CURRENT LIABILITIES		**127,102**	139,043
NON-CURRENT LIABILITY			
Accrual		**150**	–
Net assets		**126,952**	139,043
EQUITY			
Equity attributable to owners of the Company			
Issued capital	16	**240,000**	240,000
Reserves	18(a)	**(113,048)**	(100,957)
Total equity		**126,952**	139,043

Henry Hung CHEN
Director

Wing Yan AU
Director

	Issued capital HK$'000	Share premium account* HK$'000	Contributed surplus* HK$'000 (note 18(a))	Reserve fund*# HK$'000	Exchange fluctuation reserve* HK$'000	Accumulated losses* HK$'000	Total equity HK$'000
At 1 April 2009	240,000	112,550	29,800	1,044	1,417	(234,321)	150,490
Loss for the year	–	–	–	–	–	(12,761)	(12,761)
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	–	–	–	–	1,314	–	1,314
Total comprehensive income/(expense) for the year	–	–	–	–	1,314	(12,761)	(11,447)
Transfer from reserve fund	–	–	–	(1,044)	–	1,044	–
At 31 March 2010 and at 1 April 2010	240,000	112,550	29,800	–	2,731	(246,038)	139,043
Loss for the year	–	–	–	–	–	(14,095)	(14,095)
Other comprehensive income for the year:							
Exchange differences on translation of foreign operations	–	–	–	–	2,004	–	2,004
Total comprehensive income/(expense) for the year	–	–	–	–	2,004	(14,095)	(12,091)
At 31 March 2011	240,000	112,550	29,800	–	4,735	(260,133)	126,952

The reserve fund was 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 the reserve fund, which was restricted as to use.

* These reserve accounts comprise the negative consolidated reserves of HK$113,048,000 (2010: HK$100,957,000) in the consolidated statement of financial position.

	Notes	2011 HK$'000	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(14,095)**	(12,761)
Adjustments for:			
Bank interest income	5	**(623)**	(685)
Fair value losses on equity investments at fair value through profit or loss	5	**1,313**	239
Gain on disposal of equity investments at fair value through profit or loss	5	**(32)**	(222)
Depreciation	6	**166**	129
Write-off of items of property, plant and equipment	6	**149**	176
		(13,122)	(13,124)
Decrease/(increase) in prepayments, deposits and other receivables		**(186)**	217
Decrease in accruals		**(83)**	(641)
Cash used in operations		**(13,391)**	(13,548)
Interest received		**623**	685
Net cash flows used in operating activities		**(12,768)**	(12,863)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease in non-pledged time deposits with original maturity of more than three months when acquired	15	**4,222**	397
Purchases of items of property, plant and equipment		**(418)**	(1)
Proceeds from disposal of equity investments at fair value through profit or loss		**716**	5,182
Net cash flows from investing activities		**4,520**	5,578

	Note	2011 HK$'000	2010 HK$'000
NET DECREASE IN CASH AND CASH EQUIVALENTS		(8,248)	(7,285)
Cash and cash equivalents at beginning of year		97,700	103,942
Effect of foreign exchange rate changes, net		1,982	1,043
CASH AND CASH EQUIVALENTS AT END OF YEAR		91,434	97,700
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of cash flows		91,434	97,700
Time deposits with original maturity of more than three months		32,302	36,524
Cash and cash equivalents as stated in the statement of financial position	15	123,736	134,224

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Investments in subsidiaries	13	**53,997**	58,654
Deposits		**207**	–
Total non-current assets		**54,204**	58,654
CURRENT ASSETS			
Prepayments, deposits and other receivables		**313**	318
Cash and bank balances	15	**72,805**	79,818
Total current assets		**73,118**	80,136
CURRENT LIABILITIES			
Accruals		**543**	539
NET CURRENT ASSETS		**72,575**	79,597
Net assets		**126,779**	138,251
EQUITY			
Issued capital	16	**240,000**	240,000
Reserves	18(b)	**(113,221)**	(101,749)
Total equity		**126,779**	138,251

Henry Hung CHEN	**Wing Yan AU**
Director	*Director*

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 at fair value through profit or loss 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

Basis of consolidation from 1 April 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

Basis of consolidation from 1 April 2010 (continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or accumulated losses, as appropriate.

Basis of consolidation prior to 1 April 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 April 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 April 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying amount of such investment at 1 April 2010 has not been restated.

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 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

The adoption of these new and revised HKFRSs has had no significant financial effect on these 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 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [3]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [3]
HKFRS 9	*Financial Instruments* [5]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred tax: Recovery of Underlying Assets* [4]
HKAS 24 (Revised)	*Related Party Disclosures* [2]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [2]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [1]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. 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 2011 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 July 2010
[2] Effective for annual periods beginning on or after 1 January 2011
[3] Effective for annual periods beginning on or after 1 July 2011
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 January 2013

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 investments 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 in those expense categories consistent with the function of the impaired asset.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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).

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

(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 by 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.

Fair value of financial instruments

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, without any deduction for transaction costs. 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.

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.

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.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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 benefit 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 central pension schemes operated by the local municipal government. These subsidiaries are required to contribute certain percentages of their payroll costs to the central pension schemes. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension schemes.

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 2011 arising in Hong Kong, Mainland China and Taiwan were HK$68,977,000 (2010: HK$64,559,000), HK$4,672,000 (2010: HK$3,711,000) and HK$12,629,000 (2010: HK$11,537,000), respectively. 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.

4. OPERATING SEGMENT INFORMATION (continued)

	Investment holding		Marketing service		Total	
	2011	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Revenue from external customers	**655**	907	**–**	–	**655**	907
Other losses, net	**(1,313)**	(239)	**–**	–	**(1,313)**	(239)
Total	**(658)**	668	**–**	–	**(658)**	668
Segment results	**(1,322)**	(254)	**(6,357)**	(6,427)	**(7,679)**	(6,681)
Reconciliation:						
Unallocated other gains					**–**	57
Corporate and other unallocated expenses					**(6,416)**	(6,137)
Loss before tax					**14,095**	(12,761)
Segment assets	**90,151**	99,289	**34,516**	38,133	**124,667**	137,422
Reconciliation:						
Corporate and other unallocated assets					**3,381**	2,638
Total assets					**128,048**	140,060
Segment liabilities	**–**	5	**202**	150	**202**	155
Reconciliation:						
Corporate and other unallocated liabilities					**894**	862
Total liabilities					**1,096**	1,017

4. OPERATING SEGMENT INFORMATION (continued)

	Investment holding		Marketing service		Total	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Other segment information:						
Depreciation						
– amounts allocated to segments	**–**	–	**65**	128	**65**	128
– unallocated amounts					**101**	1
					166	129
Capital expenditure*						
– amounts allocated to segments	**–**	–	**29**	–	**29**	–
– unallocated amounts					**539**	1
					568	1
Write-off of items of property, plant and equipment	**–**	–	**149**	176	**149**	176

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

Geographical information

(a) Revenue from external customers

	2011 HK$'000	2010 HK$'000
Hong Kong	**14**	14
Taiwan	**125**	375
Mainland China	**516**	518
	655	907

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

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information (continued)

(b) Non-current assets

	2011	2010
	HK$'000	HK$'000
Hong Kong	**646**	1
Mainland China	**122**	299
	768	300

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

5. REVENUE AND OTHER LOSSES, NET

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

	Group	
	2011	2010
	HK$'000	HK$'000
Revenue		
Bank interest income	**623**	685
Gain on disposal of equity investments at fair value through profit or loss	**32**	222
	655	907
Other losses, net		
Fair value losses on equity investments at fair value through profit or loss	**(1,313)**	(239)
Others	**–**	57
	(1,313)	(182)

6. LOSS BEFORE TAX

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

	Note	2011 HK$'000	2010 HK$'000
Depreciation	12	**166**	129
Write-off of items of property, plant and equipment		**149**	176
Auditors' remuneration		**359**	363
Employee benefit expense (including directors' remuneration (note 7)):			
Salaries, allowances and benefits in kind		**8,586**	8,362
Pension scheme contributions		**31**	61
		8,617	8,423
Minimum lease payments under operating leases:			
Land and buildings		**755**	737
Office equipment		**3**	–
		758	737
Foreign exchange differences, net		**51**	31

At 31 March 2011, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years (2010: 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	
	2011	2010
	HK$'000	HK$'000
Fees	**–**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**4,948**	4,794
Performance related bonuses	**627**	323
Pension scheme contributions	**12**	12
	5,587	5,129

(a) Independent non-executive directors

There were no fees or emoluments payable to the independent non-executive directors during the year (2010: Nil).

7. DIRECTORS' REMUNERATION (continued)

(b) Executive directors

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2011					
Executive directors:					
Mr. Henry Hung CHEN	**–**	**4,441**	**500**	**–**	**4,941**
Miss Wing Yan AU	**–**	**507**	**127**	**12**	**646**
	–	**4,948**	**627**	**12**	**5,587**
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

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

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2010: two) directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining three (2010: three) non-director, highest paid employees for the year are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,743**	2,752
Performance related bonuses	**254**	169
Pension scheme contributions	**13**	16
	3,010	2,937

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

	Number of employees	
	2011	2010
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
	3	3

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 (2010: 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.

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 – 2011

	Hong Kong HK$'000	**Taiwan HK$'000**	**Mainland China HK$'000**	**Total HK$'000**
Loss before tax	**(7,738)**	**(5,639)**	**(718)**	**(14,095)**
Tax at the statutory tax rates	**(1,277)**	**(1,410)**	**(180)**	**(2,867)**
Income not subject to tax	**(2)**	**(23)**	**–**	**(25)**
Expenses not deductible for tax	**584**	**–**	**37**	**621**
Tax losses carried forward not recognised	**729**	**1,433**	**143**	**2,305**
Others	**(34)**	**–**	**–**	**(34)**
Tax expense for the year	**–**	**–**	**–**	**–**

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	–	–	–	–

9. INCOME TAX (continued)

The Group has tax losses arising in Hong Kong of HK$68,977,000 (2010: HK$64,559,000) 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$12,629,000 (2010: HK$11,537,000) and in Mainland China of HK$4,672,000 (2010: HK$3,711,000) that are available for offsetting against future taxable profits of the companies in which the losses arose until the years ending 31 March 2021 and 2016, 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 2011 includes a loss of HK$11,472,000 (2010: HK$11,780,000) 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$14,095,000 (2010: HK$12,761,000), and the weighted average number of 2,400,002,000 (2010: 2,400,002,000) ordinary shares in issue during the year.

No adjustments have been made to the basic loss per share for the current and prior years as there were no dilutive potential ordinary shares in existence during these years.

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
31 March 2011			
At 31 March 2010 and at 1 April 2010:			
Cost	613	855	1,468
Accumulated depreciation	(450)	(718)	(1,168)
Net carrying amount	163	137	300
At 1 April 2010, net of accumulated depreciation	163	137	300
Additions	482	86	568
Write-off	(149)	–	(149)
Depreciation provided during the year	(109)	(57)	(166)
Exchange realignment	3	5	8
At 31 March 2011, net of accumulated depreciation	390	171	561
At 31 March 2011:			
Cost	483	634	1,117
Accumulated depreciation	(93)	(463)	(556)
Net carrying amount	390	171	561

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Total HK$'000
31 March 2010			
At 1 April 2009:			
Cost	884	851	1,735
Accumulated depreciation	(465)	(672)	(1,137)
Net carrying amount	419	179	598
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
At 31 March 2010, net of accumulated depreciation	163	137	300
At 31 March 2010:			
Cost	613	855	1,468
Accumulated depreciation	(450)	(718)	(1,168)
Net carrying amount	163	137	300

13. INVESTMENTS IN SUBSIDIARIES

	Company 2011 HK$'000	Company 2010 HK$'000
Unlisted shares, at cost	**–**	–
Due from subsidiaries	**53,997**	58,654
	53,997	58,654
Impairment	**–**	–
	53,997	58,654

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 Direct 2011	Direct 2010	Indirect 2011	Indirect 2010	Principal activities
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

13. INVESTMENTS 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		
			2011	2010	**2011**	2010	
Effective Media Inc.*	British Virgin Islands/ Hong Kong	US$1	**–**	–	**100**	100	Investment holding
Effective Marketing Services (Shanghai) Co., Ltd.*^	The 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 another 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	
	2011	2010
	HK$'000	HK$'000
Unlisted equity investments, at fair value	**2,735**	4,732

The above equity investments at 31 March 2011 and 2010 were classified as held for trading.

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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Time deposits	**32,302**	36,524	**–**	–
Cash and bank balances	**91,434**	97,700	**72,805**	79,818
Cash and cash equivalents	**123,736**	134,224	**72,805**	79,818

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$25,700,000 (2010: 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 of six months to one year (2010: 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.

16. SHARE CAPITAL

	2011	2010
	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.

18. RESERVES (continued)

(b) Company

	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
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 and at 1 April 2010	112,550	51,061	(265,360)	(101,749)
Total comprehensive expense for the year	–	–	(11,472)	(11,472)
At 31 March 2011	112,550	51,061	(276,832)	(113,221)

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.

19. OPERATING LEASE ARRANGEMENTS

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

At 31 March 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**775**	64	**625**	–
In the second to fifth years, inclusive	**922**	–	**899**	–
	1,697	64	**1,524**	–

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.

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:

2011 **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	–	397	397
Equity investments at fair value through profit or loss	2,735	–	2,735
Cash and cash equivalents	–	123,736	123,736
	2,735	124,133	126,868

The Group did not have any financial liabilities as at 31 March 2011.

21. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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
	4,732	134,486	139,218

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

Company

Financial assets

	2011 Loans and receivables HK$'000	2010 Loans and receivables HK$'000
Financial assets included in prepayments, deposits and other receivables	**207**	5
Cash and bank balances	**72,805**	79,818
	73,012	79,823

The Company did not have any financial liabilities as at 31 March 2011 and 2010.

22. FAIR VALUE AND FAIR VALUE HIERARCHY

The carrying amounts and fair values of the Group's and the Company's financial instruments are as follows:

Group

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Cash and cash equivalents	**123,736**	134,224	**123,736**	134,224
Financial assets included in prepayments, deposits and other receivables	**397**	262	**397**	262
Equity investments at fair value through profit or loss	**2,735**	4,732	**2,735**	4,732
	126,868	139,218	**126,868**	139,218

Company

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Cash and cash equivalents	**72,805**	79,818	**72,805**	79,818
Financial assets included in prepayments, deposits and other receivables	**207**	5	**207**	5
	73,012	79,823	**73,012**	79,823

22. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

The fair values of the financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Cash and cash equivalents, and financial assets included in prepayments, deposits and other receivables approximate to their carrying amounts largely due to the short term maturities of these instruments.

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.

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)

22. FAIR VALUE AND FAIR VALUE HIERARCHY (continued)

As at 31 March 2011, the Group held the following financial instruments measured at fair value:

Assets measured at fair value:

Group

As at 31 March 2011

	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Equity investments at fair value through profit or loss	**–**	**2,735**	**–**	**2,735**

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, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 (2010: Nil).

The Company did not have any financial assets measured at fair value as at 31 March 2011 and 2010.

The Group and the Company did not have any financial liabilities measured at fair value as at 31 March 2011 and 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 2011.

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*
2011			
Equity investments at fair value through profit or loss	**2,735**	**27**	**–**
2010			
Equity investments at fair value through profit or loss	4,732	47	–

* Excluding accumulated losses

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 2011, 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 take 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 did not have any financial liabilities as at 31 March 2011 and 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 2011 and 2010.

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 periods are as follows:

	2011	2010
	HK$'000	HK$'000
Total current assets	**127,280**	139,760
Total current liabilities	**946**	1,017
Current ratio	**134.5**	137.4

24. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 June 2011.

A summary of the results and of the assets, liabilities and non-controlling 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.

	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
REVENUE	**655**	907	2,415	5,164	25,144
LOSS BEFORE TAX	**(14,095)**	(12,761)	(14,308)	(9,053)	(7,146)
Income tax expense	**–**	–	–	–	(437)
LOSS FOR THE YEAR	**(14,095)**	(12,761)	(14,308)	(9,053)	(7,583)
Attributable to:					
Owners of the Company	**(14,095)**	(12,761)	(14,308)	(9,053)	(7,582)
Non-controlling interests	**–**	–	–	–	(1)
	(14,095)	(12,761)	(14,308)	(9,053)	(7,583)
ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS					
TOTAL ASSETS	**128,048**	140,060	152,133	168,639	175,976
TOTAL LIABILITIES	**(1,096)**	(1,017)	(1,643)	(1,720)	(3,529)
NON-CONTROLLING INTERESTS	**–**	–	–	(13)	(13)
	126,952	139,043	150,490	166,906	172,434