



Interim Report **2011**

PYXIS GROUP LTD.
瀚智集團有限公司

Stock Code:516

The Board of Directors (the “Board”) of Pyxis Group Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2011 (the “Period”) together with the comparative figures for the corresponding period of last year, as follows. The results have been reviewed by the Company’s Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 September 2011

	<i>Notes</i>	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)
REVENUE	2	404	343
Other losses	2	(564)	(297)
Administrative expenses		(6,607)	(6,583)
LOSS BEFORE TAX	4	(6,767)	(6,537)
Income tax expense	5	–	–
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(6,767)</u>	<u>(6,537)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	6	<u>HK (0.28 cent)</u>	<u>HK (0.27 cent)</u>

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 September 2011

	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)
LOSS FOR THE PERIOD	(6,767)	(6,537)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	575	731
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	(6,192)	(5,806)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2011

		30 September 2011 <i>HK\$'000</i> (Unaudited)	31 March 2011 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	8	448	561
Deposits		207	207
Total non-current assets		<u>655</u>	<u>768</u>
CURRENT ASSETS			
Prepayments, deposits and other receivables		630	809
Equity investments at fair value through profit or loss	9	2,171	2,735
Cash and cash equivalents	10	118,237	123,736
Total current assets		<u>121,038</u>	<u>127,280</u>
CURRENT LIABILITIES			
Accruals		783	946
NET CURRENT ASSETS		<u>120,255</u>	<u>126,334</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>120,910</u>	<u>127,102</u>
NON-CURRENT LIABILITY			
Accrual		150	150
Net assets		<u>120,760</u>	<u>126,952</u>
EQUITY			
Equity attributable to owners of the Company			
Issued capital	11	240,000	240,000
Reserves	12	(119,240)	(113,048)
Total equity		<u>120,760</u>	<u>126,952</u>

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*Six months ended 30 September 2011*

	Issued Capital <i>HK\$'000</i> (Unaudited)	Share Premium Account* <i>HK\$'000</i> (Unaudited)	Contributed Surplus* <i>HK\$'000</i> (Unaudited)	Exchange Fluctuation Reserve* <i>HK\$'000</i> (Unaudited)	Accumulated Losses* <i>HK\$'000</i> (Unaudited)	Total Equity <i>HK\$'000</i> (Unaudited)
At 1 April 2011	240,000	112,550	29,800	4,735	(260,133)	126,952
Loss for the Period	-	-	-	-	(6,767)	(6,767)
Other comprehensive income for the Period:						
Exchange differences on translation of foreign operations	-	-	-	575	-	575
Total comprehensive income/ (expense) for the Period	-	-	-	575	(6,767)	(6,192)
At 30 September 2011	<u>240,000</u>	<u>112,550</u>	<u>29,800</u>	<u>5,310</u>	<u>(266,900)</u>	<u>120,760</u>
At 1 April 2010	240,000	112,550	29,800	2,731	(246,038)	139,043
Loss for the period	-	-	-	-	(6,537)	(6,537)
Other comprehensive income for the period:						
Exchange differences on translation of foreign operations	-	-	-	731	-	731
Total comprehensive income/ (expense) for the period	-	-	-	731	(6,537)	(5,806)
At 30 September 2010	<u>240,000</u>	<u>112,550</u>	<u>29,800</u>	<u>3,462</u>	<u>(252,575)</u>	<u>133,237</u>

* These reserve accounts comprise the negative consolidated reserves of approximately HK\$119,240,000 (2010: approximately HK\$106,763,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 September 2011

	2011 <i>HK\$'000</i> (Unaudited)	2010 <i>HK\$'000</i> (Unaudited)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(6,071)	(5,624)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	60,964	1,314
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	54,893	(4,310)
Cash and cash equivalents at beginning of Period	32,302	97,700
Effect of foreign exchange rate changes, net	575	731
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>87,770</u>	<u>94,121</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	87,770	94,121
Time deposits with original maturity of more than three months	30,467	34,944
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	<u>118,237</u>	<u>129,065</u>

NOTES TO THE FINANCIAL STATEMENTS

30 September 2011

1. Basis of Preparation and Accounting Policies

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

The accounting policies and the basis of preparation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the audited annual financial statements for the year ended 31 March 2011, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), which also include HKASs and Interpretations (“Ints”) that affect the Group and are adopted for the first time for the current Period’s unaudited condensed consolidated interim financial statements as disclosed below.

HKFRS 1 Amendment	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 <i>Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC)-Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

1. Basis of Preparation and Accounting Policies (Continued)

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.

The adoption of these new and revised HKFRSs had no material impact on the results and financial position for the current or prior accounting periods which have been prepared and presented.

2. Revenue and Other Losses

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

	For the six months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Revenue		
Bank interest income	404	312
Gain on disposal of equity investments at fair value through profit or loss	–	31
	404	343
Other losses		
Fair value losses on equity investments at fair value through profit or loss	(564)	(297)
	(160)	(297)

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3. Operating Segment Information

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

- (a) the investment holding segment engages in investments in equity investments; and
- (b) the marketing service segment engages in the provision of marketing services.

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

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

	Investment holding		Marketing service		Consolidated	
	For the six months ended 30 September					
	2011	2010	2011	2010	2011	2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:						
Revenue from external customers	404	343	–	–	404	343
Other losses	(564)	(297)	–	–	(564)	(297)
Total	<u>(160)</u>	<u>46</u>	<u>–</u>	<u>–</u>	<u>(160)</u>	<u>46</u>
Segment results	<u>(568)</u>	<u>(301)</u>	<u>(3,198)</u>	<u>(3,515)</u>	<u>(3,766)</u>	<u>(3,816)</u>
<i>Reconciliation:</i>						
Corporate and other unallocated expenses					(3,001)	(2,721)
Loss before tax					<u>(6,767)</u>	<u>(6,537)</u>

4. Loss Before Tax

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

	For the six months ended 30 September	
	2011 HK\$'000 (Unaudited)	2010 HK\$'000 (Unaudited)
Depreciation	116	46
Write-off of items of property, plant and equipment	–	149
	<u>116</u>	<u>149</u>

5. Income Tax Expense

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 Period (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.

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

6. Loss Per Share Attributable to Owners of the Company

The calculation of basic loss per share is based on the loss for the Period attributable to owners of the Company of approximately HK\$6,767,000 (2010: approximately HK\$6,537,000), and the weighted average number of 2,400,002,000 (2010: 2,400,002,000) ordinary shares in issue during the Period.

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

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7. Interim Dividend

The directors do not propose the payment of any interim dividends in respect of the Period (2010: Nil).

8. Property, Plant and Equipment

During the Period, the Group spent approximately HK\$1,000 on acquisitions of item of property, plant and equipment (31 March 2011: approximately HK\$568,000). No items of property, plant and equipment was written off during the Period (31 March 2011: approximately HK\$149,000).

9. Equity Investments at Fair Value Through Profit or Loss

	30 September 2011 <i>HK\$'000</i> (Unaudited)	31 March 2011 <i>HK\$'000</i> (Audited)
Unlisted equity investments, at fair value	2,171	2,735

The above equity investments at 30 September 2011 and 31 March 2011 were classified as held for trading.

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

10. Cash and Cash Equivalents

	30 September 2011 <i>HK\$'000</i> (Unaudited)	31 March 2011 <i>HK\$'000</i> (Audited)
Time deposits	30,467	32,302
Cash and bank balances	87,770	91,434
Cash and cash equivalents	<u>118,237</u>	<u>123,736</u>

As the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to approximately HK\$26,226,000 (31 March 2011: approximately HK\$25,700,000). The RMB is not freely convertible into other currencies, however under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for periods from six months to one year (31 March 2011: six months to one year) and earn interest at respective short term fixed deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

11. Share Capital

	30 September 2011 <i>HK\$'000</i> (Unaudited)	31 March 2011 <i>HK\$'000</i> (Audited)
Authorised:		
5,000,000,000 ordinary shares of HK\$0.1 each	<u>500,000</u>	<u>500,000</u>
Issued and fully paid:		
2,400,002,000 ordinary shares of HK\$0.1 each	<u>240,000</u>	<u>240,000</u>

11. Share Capital (Continued)

Share options

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

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

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

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

11. Share Capital *(Continued)*

Share options *(Continued)*

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) closing price of the Company’s shares on the date of the 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 the offer; and (iii) the nominal value of a share.

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

12. Reserves

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

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

13. Operating Lease Arrangements

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

At 30 September 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2011 <i>HK\$’000</i> (Unaudited)	31 March 2011 <i>HK\$’000</i> (Audited)
Within one year	746	775
In the second to fifth years, inclusive	587	922
	<u>1,333</u>	<u>1,697</u>

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14. Commitments and Contingent Liabilities

As at 30 September 2011 and 31 March 2011, the Group had no significant commitments or contingent liabilities.

15. Related Party and Connected Transactions

There had been no related party and connected transactions during the Period (2010: Nil).

16. Approval of the Interim Financial Report

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board on 29 November 2011.

BUSINESS REVIEW AND PROSPECTS

During the Period, the Group had a loss attributable to owners of the Company of approximately HK\$6.8 million (2010: approximately HK\$6.5 million).

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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.

With this business focus, the Group has been actively exploring and seeking suitable investment opportunities (including the free standing insert coupon business mentioned previously, and also solar farm, micro financing, estate broker, advertising, e-coupon, employee benefits management, etc.) However, the economic and business environments have been tough and no investment deal has concluded so far.

Because of the challenging environment the Group is facing, trading in the shares of the Company has been suspended since 5 July 2010. 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, and the announcement by the Stock Exchange "Proceeding to third stage of delisting procedures", dated 23 November 2011, the Company is now in the third stage of delisting under Practice Note 17 to the Main Board Listing Rules, as from 23 November 2011.

BUSINESS REVIEW AND PROSPECTS *(Continued)*

Notwithstanding the current difficulties, the Board still believes that, the Company should be making prudent management and investment decisions in order to protect shareholder' value. It is the intention of the Board to continue such cautious approach in applying the Group's managerial and financial resources in implementing any of the Group's proposed investment projects.

The Company is working to have its share trading resumed. As stated in the announcement of the Company "Update on Current Status", dated 21 October 2011, the Board has recently identified and is in negotiation with the relevant parties to acquire the rights to build and operate renewable energy businesses in China. Consultation has been made with the Stock Exchange on the regulatory issues arising from the proposed acquisitions by the Company. If the regulatory issues are resolved, the Board will submit a resumption proposal of the Company to the Stock Exchange before the end of the third stage of delisting.

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 realise its potential to improve the Group's profits and enhance long-term shareholder' value.

STAFF REMUNERATION POLICY AND SHARE OPTION SCHEME

The Group maintained a team of 5 staff as at 30 September 2011.

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

As stated in note 11 to the unaudited condensed consolidated interim financial statements, a share option scheme was adopted by the Company in prior financial year. No new share option was granted under the Scheme since the Scheme became effective.

LIQUIDITY AND CAPITAL RESOURCES

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

As at 30 September 2011, shareholders' funds of the Group amounted to approximately HK\$120.8 million. Current assets amounted to approximately HK\$121.0 million, of which approximately HK\$118.2 million were cash and bank deposits. The Group's current liabilities amounted to approximately HK\$0.8 million.

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

As at 30 September 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 make appropriate adjustments and measures when necessary.

As at 30 September 2011 and the date of this 2011 interim report (the "Interim Report"), the Group did not have any outstanding commitment in any of the financial derivative instruments.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

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

Long positions in ordinary shares of the Company:

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

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

Save as disclosed above, as at 30 September 2011, none of the directors had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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DIRECTORS' RIGHT TO ACQUIRE SHARES

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

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

At 30 September 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 30 September 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

INED AND AUDIT COMMITTEE

The Company has an audit committee which was established for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the INEDs of the Company.

Following the resignation of Mr. Bernard King Bong LEUNG effective 18 July 2011, the Company no longer complies with the requirements under Rules 3.10(1) and 3.21 of the Main Board Listing Rules, as the number of the INEDs and the Audit Committee members are now below the minimum requirement of three members. The Board shall use its best endeavours to look for a suitable candidate to fill the vacancy of INED and the Audit Committee of the Company in compliance with the Main Board Listing Rules as soon as practicable.

On behalf of the Board
Mr. Henry Hung CHEN
Chairman

Hong Kong, 29 November 2011

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