

NOTES TO THE FINANCIAL STATEMENTS

30 September 2003

(Amount expressed in Hong Kong dollars unless otherwise stated)

1. Appointment And Resignation Of Directors, And Change Of Company Name

On 26 June 2003, Mr. Henry Hung CHEN and Miss Wing Yan AU were appointed as directors of the Company and Dr. Jeffrey Len-Song KOO and Mr. Jeffrey John Leon KOO, Jr. resigned as directors of the Company.

By a special resolution at the Annual General Meeting of the Company held on 29 August 2003, the proposal to change the Company name from “KG NextVision Company Limited” to “Pyxis Group Limited”, and to change the Chinese name translation from “和信致遠股份有限公司” to “瀚智集團有限公司” (the “Name Change”) was approved by the shareholders of the Company. The Name Change was subsequently approved by the Registrar of Companies in Bermuda on 10 September 2003. The Certificate of Incorporation on Change of Name was issued by the Registrar of Companies in Bermuda on 16 September 2003 and the Certificate of Registration on Change of Name was issued by the Companies Registry in Hong Kong on 8 October 2003. The shares of the Company had been traded on The Stock Exchange of Hong Kong Limited (“SEHK”) using the new name with effect from 20 October 2003.

2. Basis Of Preparation And Accounting Policies

The unaudited condensed consolidated financial statements for the Period have been prepared in accordance with Hong Kong Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants and the disclosure requirements set out in Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) of the SEHK. The accounting policies and basis of preparation used in the preparation of the condensed consolidated financial statements are consistent with those followed in the Group’s annual financial statements for the year ended 31 March 2003 except for the adoption of the following revised SSAP which is effective for the first time for the Period:

- SSAP 12 (Revised): “Income Taxes”

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In prior periods, taxation is accounted for using the income statement liability method, that is, a liability was recognized in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognized in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Nevertheless, the adoption of SSAP 12 (Revised) has not resulted in any significant changes to the prior periods' net assets and results and accordingly, no prior period adjustment is required.

3. Turnover And Segment Information

Turnover for the Period mainly represents interest income received and receivable during the Period, which is recognized on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

During the Period, the Group was principally engaged in investment holding in Hong Kong. Accordingly, no analysis of segment information by principal activity and geographical area is presented.

An analysis of turnover is as follows:

	For the six months ended 30 September	
	2003 '000 (Unaudited)	2002 '000 (Unaudited)
Interest income	<u>762</u>	<u>1,346</u>

4. Other Revenue And Gains, Net

An analysis of other revenue and gains, net, is as follows:

	For the six months ended 30 September	
	2003	2002
	'000	'000
	(Unaudited)	(Unaudited)
Rental income from operating leases	241	723
Consultancy service fee income	829	834
Management service income	866	312
Gain on disposal of short term investments (note 10)	2,438	—
Others	194	5
	<u>4,568</u>	<u>1,874</u>

5. Profit/(Loss) Before Tax

Profit/(Loss) before tax is arrived at after charging:

	For the six months ended 30 September	
	2003	2002
	'000	'000
	(Unaudited)	(Unaudited)
Depreciation	<u>339</u>	<u>485</u>

6. Tax

No Hong Kong profits tax has been provided as there were no assessable profits arising in Hong Kong during the Period (2002: Nil).

No provision for deferred tax has been made as the Group did not have any significant unprovided deferred tax liabilities in respect of the Period (2002: Nil).

7. Interim Dividend

The directors do not propose any interim dividends in respect of the Period (2002: Nil).

8. Earning/(Loss) Per Share

The calculation of basic earning/(loss) per share is based on the net profit attributable to shareholders for the Period of approximately HK\$1,712,000 (2002: net loss of approximately HK\$1,845,000) and on the weighted average number of 2,400,001,640 (2002: 2,400,001,640) ordinary shares in issue during the Period.

Diluted earning/(loss) per share amounts for the periods ended 30 September 2003 and 2002 have not been disclosed as the share options outstanding during these periods had an anti-dilutive effect on the basic earning/(loss) per share for these periods.

9. Long Term Investment

	As at	
	30 September 2003 '000 (Unaudited)	31 March 2003 '000 (Audited)
Overseas unlisted equity investment, at cost	6,449	6,449
Less: Provision for impairment	(6,449)	(6,449)
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BeXcom Japan, the investee company, was undergoing liquidation as at the Period end date.

10. Short Term Investments

	As at	
	30 September	31 March
	2003	2003
	'000	'000
	(Unaudited)	(Audited)
Overseas unlisted equity investments, at fair value	14,813	17,106
Overseas unlisted debt investment, at fair value	—	38,922
	<u>14,813</u>	<u>56,028</u>

During the Period, the entire debt investment was redeemed at par value, resulting a gain of approximately HK\$78,000. Furthermore, partial equity investment was disposed of at a gain of approximately HK\$2,360,000.

11. Share Capital

	As at	
	30 September	31 March
	2003	2003
	'000	'000
	(Unaudited)	(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:		
2,400,001,640 ordinary shares of HK\$0.1 each	<u>240,000</u>	<u>240,000</u>

Share options

The Company operated a share option scheme (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 and employees of the Group. The Scheme became effective on 28 July 1992 and, unless otherwise cancelled or amended, will remain in force for ten years from that date.

As at the Period end date, the Company had 145,250,000 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 145,250,000 additional ordinary shares of the Company and additional share capital of HK\$14,525,000 and share premium of HK\$60,642,500 (before issue expenses). The details of the outstanding share options as at the Period end date are set out below under the section “Staff Remuneration Policy And Share Option Scheme”.

The exercise price of the share options is determinable by the directors, but may not be less than the higher of (i) the SEHK closing price of the Company’s shares on the date of the offer of the share options; and (ii) a maximum of 20% discount over the average SEHK closing price of the Company’s shares for the five trading days immediately preceding the date of the offer.

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

The movements in the share options during the Period were as follows:

	Number of share options granted on	
	20 June 2000	26 March 2001
At beginning of the Period	33,750,000	111,500,000
Lapsed during the Period	<u>—</u>	<u>—</u>
At end of the Period	<u>33,750,000</u>	<u>111,500,000</u>
Exercise price per share	<u>HK\$1.17</u>	<u>HK\$0.32</u>

The exercise period of the above share options is three years commencing on the expiry of six months after the date on which the share options are granted.

On 1 September 2001, the SEHK amended Chapter 17 (Share Option Schemes) of the Listing Rules. In accordance with the revised rules, it is possible for the Company to grant further options from its existing scheme only if the options granted are in accordance with the requirements of the new rules of Chapter 17. The Company did not grant any options after the amendment came into force.

12. Reserves

The detailed movements in reserves during the Period were disclosed in the Condensed Statement Of Changes In Equity.

13. Operating Lease Arrangement

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

As at the Period end date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at	
	30 September 2003 '000 (Unaudited)	31 March 2003 '000 (Audited)
Within one year	383	1,571
In the second to fifth years, inclusive	—	12
	<u>383</u>	<u>1,583</u>

14. Commitments And Contingent Liabilities

As at 30 September 2003 and 31 March 2003, the Group had no significant commitments or contingent liabilities.

15. Related Party Transactions

The Group had the following significant related party transactions during the Period:

		For the six months ended 30 September	
	Notes	2003 '000 (Unaudited)	2002 '000 (Unaudited)
Consultancy fee income from a related company	(i)	829	834
Rental income from an associate	(ii)	—	155
Management service fee income from an associate	(iii)	—	312
		<u> </u>	<u> </u>

Notes:

- (i) The consultancy fee received in respect of management advisory services from a related company, of which a chief operating officer of the Group is the president, was charged on mutually agreed terms with reference to actual time and staff costs incurred.
- (ii) The rental income from an associate was charged based on open market rental. On 9 May 2002, the Group swapped out the entire interests in the associate.
- (iii) The management service fee income was related to the provision of administrative services for the liquidation process of an associate and was charged at a lump sum of US\$60,000 for the nine months period from April to December 2002. The associate was liquidated as at 31 March 2003.