

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of Pyxis Group Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended 31 March 2004.

Change of company name

Pursuant to a special resolution passed at the annual general meeting of the Company held on 29 August 2003 and approved by the Registrars of Companies in Bermuda and Hong Kong, the name of the Company was changed from “KG NextVision Company Limited” to “Pyxis Group Limited” with effect from 10 September 2003.

The Chinese translation of the Company name for identification purposes was changed from “和信致遠股份有限公司” to “瀚智集團有限公司”.

Principal activities

The principal activity of the Company is investment holding. The principal activities of the 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 profit for the year ended 31 March 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 15 to 41.

Summary financial information

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 42. This summary does not form part of the audited financial statements.

Fixed assets

Details of movements in the fixed assets of the Group during the year are set out in note 12 to the financial statements.

REPORT OF THE DIRECTORS (Continued)

Share capital and share options

There were no movements in either the Company's authorised or issued share capital during the year. Details of the movements in the Company's share options during the year are set out in note 17 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 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

As at 31 March 2004, the Company had no reserves available for distribution in accordance with the Companies Act 1981 of Bermuda (as amended).

REPORT OF THE DIRECTORS (Continued)

Directors

The directors of the Company during the year were:

Executive directors:

Mr. Henry Hung CHEN (<i>Chairman</i>)	(appointed on 26 June 2003)
Miss Wing Yau AU	(appointed on 26 June 2003)
Dr. Jeffrey Len-Song KOO (<i>Chairman</i>)	(resigned on 26 June 2003)
Mr. Jeffrey John Leon KOO, Jr.	(resigned on 26 June 2003)

Independent non-executive directors:

Mr. Chin Yao LIN
Mr. Bernard King Bong LEUNG

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

Directors' profiles

Biographical details of the directors of the Company are set on page 6 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' 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, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

REPORT OF THE DIRECTORS (Continued)

Directors' interests and short positions in shares and underlying shares

As at 31 March 2004, 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 Companies, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Directly beneficially owned	Percentage of the Company's issued share capital
Mr. Chin Yao LIN	3,242,000	0.14

The interests of the directors in the share options of the Company are separately disclosed in note 17 to the financial statements.

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, 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 for Securities Transactions by Directors of Listed Companies.

Directors' rights to acquire shares

Save as disclosed under the heading "Directors' interests and short positions in shares and underlying shares" above and in the share option scheme disclosures in note 17 to the financial statements, at no time during the year 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.

REPORT OF THE DIRECTORS (Continued)

Share option scheme

The interests of the directors in the share options of the Company are separately disclosed in note 17 to the financial statements.

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

At 31 March 2004, 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
KG NextVision Corporation	Directly beneficially owned	<u>1,795,000,000</u>	<u>74.79</u>

Save as disclosed above, 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.

Connected transactions

Details of the connected transactions are included in note 20 to the financial statements.

Code of Best Practice

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules of the Stock Exchange, throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the bye-laws of the Company.

REPORT OF THE DIRECTORS (Continued)

Audit committee

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

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

Taipei, 15 July 2004