

PYXIS GROUP LTD.
瀚智集團有限公司

Stock Code: 516



INTERIM
2012

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 2012 (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 2012

	<i>Notes</i>	2012 <i>HK\$’000</i> (Unaudited)	2011 <i>HK\$’000</i> (Unaudited)
REVENUE	2	443	404
Other losses	2	(145)	(564)
Administrative expenses		(8,341)	(6,607)
LOSS BEFORE TAX	4	(8,043)	(6,767)
Income tax expense	5	–	–
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(8,043)</u>	<u>(6,767)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	6	<u>HK(0.34 cent)</u>	<u>HK (0.28 cent)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 September 2012

	2012 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited)
LOSS FOR THE PERIOD	(8,043)	(6,767)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	9	575
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	(8,034)	(6,192)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2012

	Notes	30 September 2012 <i>HK\$'000</i> (Unaudited)	31 March 2012 <i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	243	332
Deposits		–	207
Total non-current assets		243	539
CURRENT ASSETS			
Prepayments, deposits and other receivables		1,078	1,428
Equity investments at fair value through profit or loss	9	2,010	1,789
Cash and cash equivalents	10	100,646	108,514
Total current assets		103,734	111,731
CURRENT LIABILITIES			
Accruals		2,428	2,537
NET CURRENT ASSETS		101,306	109,194
TOTAL ASSETS LESS CURRENT LIABILITIES			
		101,549	109,733
NON-CURRENT LIABILITY			
Accrual		–	150
Net assets		101,549	109,583
EQUITY			
Equity attributable to owners of the Company			
Issued capital	11	240,000	240,000
Reserves	12	(138,451)	(130,417)
Total equity		101,549	109,583

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 September 2012

	Issued Capital HK\$'000 (Unaudited)	Share Premium Account* HK\$'000 (Unaudited)	Contributed Surplus* HK\$'000 (Unaudited)	Exchange Fluctuation Reserve* HK\$'000 (Unaudited)	Accumulated Losses* HK\$'000 (Unaudited)	Total Equity HK\$'000 (Unaudited)
At 1 April 2012	240,000	112,550	29,800	5,625	(278,392)	109,583
Loss for the Period	-	-	-	-	(8,043)	(8,043)
Other comprehensive income for the Period:						
Exchange differences on translation of foreign operations	-	-	-	9	-	9
Total comprehensive income/ (expense) for the Period	-	-	-	9	(8,043)	(8,034)
At 30 September 2012	<u>240,000</u>	<u>112,550</u>	<u>29,800</u>	<u>5,634</u>	<u>(286,435)</u>	<u>101,549</u>
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>

* These reserve accounts comprise the negative consolidated reserves of approximately HK\$138,451,000 (2011: approximately HK\$119,240,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 September 2012

	2012 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(7,903)	(6,071)
NET CASH FLOWS FROM INVESTING ACTIVITIES	509	60,964
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(7,394)	54,893
Cash and cash equivalents at beginning of Period	81,265	32,302
Effect of foreign exchange rate changes, net	9	575
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>73,880</u>	<u>87,770</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	73,880	87,770
Time deposits with original maturity of more than three months	26,766	30,467
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	<u>100,646</u>	<u>118,237</u>

NOTES TO THE FINANCIAL STATEMENTS

30 September 2012

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 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 2012, 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 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

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. An analysis of revenue and other losses is as follows:

	For the six months ended 30 September	
	2012 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited)
Revenue		
Bank interest income	443	404
Other losses		
Fair value losses on equity investments at fair value through profit or loss	(145)	(564)

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 that engages in investments in equity investments; and
- (b) the marketing service segment that 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.

3. Operating Segment Information (continued)

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

	Investment holding		Marketing service		Consolidated	
	2012	2011	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
For the six months ended 30 September						
Segment revenue:						
Revenue from external customers	443	404	–	–	443	404
Other losses	(145)	(564)	–	–	(145)	(564)
Total	298	(160)	–	–	298	(160)
Segment results	(150)	(568)	(986)	(3,198)	(1,136)	(3,766)
<i>Reconciliation:</i>						
Corporate and other unallocated expenses					(6,907)	(3,001)
Loss before tax					(8,043)	(6,767)

4. Loss Before Tax

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

	For the six months ended 30 September	
	2012 <i>HK\$'000</i> (Unaudited)	2011 <i>HK\$'000</i> (Unaudited)
Depreciation	<u>120</u>	<u>116</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 (2011: 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 offsetting against future taxable profits of the companies in which the losses arose, for the future ten and five years, 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.

6. Loss Per Share Attributable to Owners of the Company

The calculation of basic and diluted loss per share amounts is based on the loss for the Period attributable to owners of the Company of HK\$8,043,000 (2011: HK\$6,767,000), and the weighted average number of 2,400,002,000 (2011: 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 dividend in respect of the Period (2011: Nil).

8. Property, Plant and Equipment

During the Period, the Group spent HK\$30,000 on acquisitions of items of property, plant and equipment (31 March 2012: HK\$1,000). No items of property, plant and equipment was written off during the Period (31 March 2012: Nil).

9. Equity Investments at Fair Value Through Profit or Loss

	30 September 2012 <i>HK\$'000</i> (Unaudited)	31 March 2012 <i>HK\$'000</i> (Audited)
Unlisted equity investments, at fair value	2,010	1,789

The above equity investments at 30 September 2012 and 31 March 2012 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 2012 <i>HK\$'000</i> (Unaudited)	31 March 2012 <i>HK\$'000</i> (Audited)
Time deposits	26,766	27,249
Cash and bank balances	73,880	81,265
	<hr/>	<hr/>
Cash and cash equivalents	100,646	108,514

As the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to HK\$25,584,000 (31 March 2012: HK\$26,117,000). 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 period of one year (31 March 2012: 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.

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11. Share Capital

	30 September 2012 HK\$'000 (Unaudited)	31 March 2012 HK\$'000 (Audited)
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

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 ("INEDs"). 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.

11. Share Capital *(continued)*

Share options *(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 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.

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.

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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 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2012 <i>HK\$'000</i> (Unaudited)	31 March 2012 <i>HK\$'000</i> (Audited)
Within one year	745	661
In the second to fifth years, inclusive	109	274
	<hr/>	<hr/>
	854	935
	<hr/> <hr/>	<hr/> <hr/>

14. Commitments and Contingent Liabilities

As at 30 September 2012 and 31 March 2012, the Group had no significant commitments or contingent liabilities.

15. Related Party and Connected Transactions

The related party and connected transactions comprise compensation to key management personnel of the Group.

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 2012.

BUSINESS REVIEW AND PROSPECTS

During the Period, the Group had a loss attributable to owners of the Company of approximately HK\$8.0 million (2011: approximately HK\$6.8 million).

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, and also solar farm, micro financing, estate broker, advertising, e-coupon, employee benefits management, etc.) As the economic environment has been difficult, no investment deal has been concluded so far. Currently the Group is principally focusing on renewable energy investments and related activities, as to be briefly explained below.

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 third stage of delisting of the Company's shares under Practice Note 17 to the Main Board Listing Rules expired on 22 May 2012. Before the expiry date, the Company had submitted a resumption proposal, as to be mentioned at below.

The Company has been working to have its share trading resumed. As stated in the announcements of the Company "Update on Current Status", dated 21 October 2011, 11 May 2012 and 26 September 2012, the Board has identified an investment opportunity in obtaining the rights to build and operate renewable energy projects. The Company submitted a resumption proposal on 10 May 2012, along with a revision on 14 September 2012.

BUSINESS REVIEW AND PROSPECTS *(continued)*

Subsequent to the above-mentioned submission, the Stock Exchange informed the Company in a letter dated 5 November 2012 (the “Decision Letter”) that it concluded the Company’s proposed transactions as stated in the revised resumption proposal constituted a reverse takeover under Rule 14.06(6) of the Listing Rules and would therefore treat the Company’s proposal as it were a new listing application. Under such conclusion, the Company is required to submit a new listing application according to Chapter 9 of the Listing Rules by 1 May 2013. On 13 November 2012, the Company submitted a request to the Stock Exchange to apply to have the decisions under the Decision Letter be reviewed by the Listing Committee, by the right as conferred by Rule 2B.06 of the Listing Rules. The Stock Exchange then replied the Company that a Review Hearing has been scheduled on 22 January 2013.

Notwithstanding the current difficulties, the Board still believes that, 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.

Looking forward, despite these difficulties, the Board remains hopeful of the future of the Group’s business. The Board believes 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 results of operations and enhance long-term shareholders’ value.

STAFF REMUNERATION POLICY AND SHARE OPTION SCHEME

The Group maintained a team of 5 staff as at 30 September 2012.

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.

STAFF REMUNERATION POLICY AND SHARE OPTION SCHEME

(continued)

As stated in note 11 to the unaudited condensed consolidated interim financial statements, a share option scheme was adopted by the Company in previous financial year ended 31 March 2005. 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 businesses, and internally generated cashflows. There were no outstanding bank overdrafts or bank borrowings as at the Period end date.

As at 30 September 2012, shareholders' funds of the Group amounted to approximately HK\$101.5 million. Current assets amounted to approximately HK\$103.7 million, of which approximately HK\$100.6 million were cash and bank deposits. The Group's current liabilities amounted to approximately HK\$2.4 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 environment, the Group has to use its cash very cautiously.

As at 30 September 2012, 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 2012 and the date of this 2012 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 2012, 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 2012, 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.

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 2012, 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 2012, 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.

CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company complied with the Corporate Governance Code and Corporate Governance Report (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 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.

CORPORATE GOVERNANCE PRACTICES *(continued)*

CG Code Provision A.5.1 stipulates the establishment of a Nomination Committee. However, the Board considers that the setting up of such a Nomination Committee may not be necessary at the current scale of the Board and the Company. According to the bye-law of the Company, the Board has the power from time to time and at any time is fully responsible for selection and approval of candidate for appointment as a director either to fill a casual vacancy or as addition to the Board. In assessing a new director, the Board will take consideration of the candidate's integrity, qualification, capability, experience and potential contribution to the Company.

CG Code Provision A.6.7 stipulates that INEDs and other non-executive directors should attend general meetings of the Company. Due to other business commitments, the two INEDs of the Company, included Mr. Robert Joseph ZULKOSKI who resigned effective 2 November 2012, were unable to attend the annual general meeting of the Company held on 28 September 2012.

CG Code Provision D.1.4 of the CG Code stipulates that the Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointments. The Company did not have formal letters of appointment for directors. However, the directors are subject to the retirement and re-election provisions under the Company's bye-law. Moreover, the directors are required to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry of the Hong Kong SAR, and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" (if applicable) published by the Hong Kong Institute of Directors in performing their duties and responsibilities as directors. In addition, the directors are required to comply with the requirements under statute and common law, the Main Board Listing Rules, legal and other regulatory requirements.

The Company will periodically review and improve its corporate governance practices with reference to the latest development of corporate governance. 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.

INEDs 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 resignations of Mr. Robert Joseph ZULKOSKI and Mr. Bernard King Bong LEUNG effective 2 November 2012 and 18 July 2011, respectively, the Company does not comply 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 suitable candidates to fill the vacancies of INEDs 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 2012

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 Executive Directors; and Mr. Chin Yao LIN as INED.