

PYXIS GROUP LTD.  
瀚智集團有限公司

Stock Code:516

2014

*INTERIM REPORT*

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 2014 (the “Period”), which have been reviewed by the Company’s Audit Committee, together with the comparative figures for the corresponding period of last year, as follows.

## CONDENSED CONSOLIDATED INCOME STATEMENT

*Six months ended 30 September 2014*

	<i>Notes</i>	2014 <i>HK\$’000</i> (Unaudited)	2013 <i>HK\$’000</i> (Unaudited)
REVENUE	2	393	424
Other losses	2	(46)	(36)
Administrative expenses		(3,864)	(10,565)
		<hr/>	<hr/>
LOSS BEFORE TAX	4	(3,517)	(10,177)
Income tax expense	5	–	–
		<hr/>	<hr/>
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(3,517)</u>	<u>(10,177)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	6	<u>HK (0.15 cent)</u>	<u>HK (0.42 cent)</u>

## **CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*Six months ended 30 September 2014*

	2014 <i>HK\$'000</i> (Unaudited)	2013 <i>HK\$'000</i> (Unaudited)
LOSS FOR THE PERIOD	<u>(3,517)</u>	<u>(10,177)</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>271</u>	<u>390</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u><u>(3,246)</u></u>	<u><u>(9,787)</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2014

	<i>Notes</i>	30 September 2014 <i>HK\$'000</i> (Unaudited)	31 March 2014 <i>HK\$'000</i> (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	8	49	55
Deposits		—	322
Total non-current assets		<u>49</u>	<u>377</u>
<b>CURRENT ASSETS</b>			
Prepayments, deposits and other receivables		1,109	1,399
Equity investments at fair value through profit or loss	9	1,816	1,862
Cash and cash equivalents	10	70,623	75,278
Total current assets		<u>73,548</u>	<u>78,539</u>
<b>CURRENT LIABILITIES</b>			
Other payables and accruals		3,986	5,909
<b>NET CURRENT ASSETS</b>		<u>69,562</u>	<u>72,630</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>69,611</u>	<u>73,007</u>
<b>NON-CURRENT LIABILITY</b>			
Accrual		—	150
Net assets		<u>69,611</u>	<u>72,857</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital	11	240,000	240,000
Reserves	12	(170,389)	(167,143)
Total equity		<u>69,611</u>	<u>72,857</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*Six months ended 30 September 2014*

	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 2014	240,000	112,550	29,800	5,935	(315,428)	72,857
Loss for the Period	-	-	-	-	(3,517)	(3,517)
Other comprehensive income for the Period:						
Exchange differences on translation of foreign operations	-	-	-	271	-	271
Total comprehensive income/ (expense) for the Period	-	-	-	271	(3,517)	(3,246)
At 30 September 2014	<u>240,000</u>	<u>112,550</u>	<u>29,800</u>	<u>6,206</u>	<u>(318,945)</u>	<u>69,611</u>
At 1 April 2013	240,000	112,550	29,800	5,968	(293,602)	94,716
Loss for the period	-	-	-	-	(10,177)	(10,177)
Other comprehensive income for the period:						
Exchange differences on translation of foreign operations	-	-	-	390	-	390
Total comprehensive income/ (expense) for the period	-	-	-	390	(10,177)	(9,787)
At 30 September 2013	<u>240,000</u>	<u>112,550</u>	<u>29,800</u>	<u>6,358</u>	<u>(303,779)</u>	<u>84,929</u>

\* These reserve accounts comprise the negative consolidated reserves of approximately HK\$170,389,000 (2013: approximately HK\$155,071,000) in the condensed consolidated statement of financial position.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six months ended 30 September 2014

	2014 <i>HK\$'000</i> (Unaudited)	2013 <i>HK\$'000</i> (Unaudited)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(5,096)	(5,463)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	(82)	812
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,178)	(4,651)
Cash and cash equivalents at beginning of Period	51,168	66,510
Effect of foreign exchange rate changes, net	271	390
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>46,261</u>	<u>62,249</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	46,261	62,249
Time deposits with original maturity of more than three months	<u>24,362</u>	<u>25,363</u>
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	<u>70,623</u>	<u>87,612</u>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 September 2014

### 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 2014, 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 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i>
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation Offsetting Financial Assets and Financial Liabilities</i>
HKAS 39 Amendments	Amendments to HKAS 39 <i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
HK(IFRIC)-Int 21	<i>Levies</i>

The adoption of these new and revised HKFRSs had no material impact on the results and financial position for the current and 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	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<b>Revenue</b>		
Bank interest income	393	424
	<u>          </u>	<u>          </u>
<b>Other losses</b>		
Fair value losses on equity investments at fair value through profit or loss	(46)	(36)
	<u>          </u>	<u>          </u>

## 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.

Segment assets and segment liabilities exclude certain unallocated corporate assets and liabilities, respectively, as these assets and liabilities are managed on a group basis.



3. **Operating Segment Information** *(continued)*

	Investment holding		Marketing services		Total	
	For the six months ended 30 September					
	2014	2013	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Segment revenue:</b>						
Revenue – bank interest income	393	424	–	–	393	424
Other losses	(46)	(36)	–	–	(46)	(36)
<b>Total</b>	<b>347</b>	<b>388</b>	<b>–</b>	<b>–</b>	<b>347</b>	<b>388</b>
<b>Segment results</b>	<b>(50)</b>	<b>(40)</b>	<b>23</b>	<b>(397)</b>	<b>(27)</b>	<b>(437)</b>
<i>Reconciliation:</i>						
Corporate and other unallocated expenses					(3,490)	(9,740)
<b>Loss before tax</b>					<b>(3,517)</b>	<b>(10,177)</b>

**3. Operating Segment Information** *(continued)*

	Investment holding		Marketing services		Total	
	30 September 2014 <i>HK\$'000</i> (Unaudited)	31 March 2014 <i>HK\$'000</i> (Audited)	30 September 2014 <i>HK\$'000</i> (Unaudited)	31 March 2014 <i>HK\$'000</i> (Audited)	30 September 2014 <i>HK\$'000</i> (Unaudited)	31 March 2014 <i>HK\$'000</i> (Audited)
Segment assets:	45,332	48,630	26,843	26,560	72,175	75,190
<i>Reconciliation:</i>						
Corporate and other unallocated assets					1,422	3,726
Total assets					<u>73,597</u>	<u>78,916</u>
Segment liabilities:	-	-	36	45	36	45
<i>Reconciliation:</i>						
Corporate and other unallocated liabilities					3,950	6,014
Total liabilities					<u>3,986</u>	<u>6,059</u>

**4. Loss Before Tax**

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

	For the six months ended 30 September	
	2014 <i>HK\$'000</i> (Unaudited)	2013 <i>HK\$'000</i> (Unaudited)
Depreciation	<u>8</u>	<u>85</u>

5. **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 Period (2013: 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 tax losses arising in Hong Kong, Taiwan and Mainland China that are available 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 and diluted loss per share amounts is based on the loss for the Period attributable to owners of the Company of HK\$3,517,000 (2013: HK\$10,177,000), and the weighted average number of 2,400,002,000 (2013: 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.

7. **Interim Dividend**

The directors do not propose the payment of any interim dividend in respect of the Period (2013: Nil).

8. **Property, Plant and Equipment**

No acquisition of items of property, plant and equipment was made during the Period (2013: Nil), and no items of property, plant and equipment was written off during the Period (2013: Nil).

9. **Equity Investments at Fair Value Through Profit or Loss**

	30 September 2014 <i>HK\$'000</i> (Unaudited)	31 March 2014 <i>HK\$'000</i> (Audited)
Unlisted equity investments, at fair value	<u>1,816</u>	<u>1,862</u>

**9. Equity Investments at Fair Value Through Profit or Loss** *(continued)*

The above equity investments at 30 September 2014 and 31 March 2014 were classified as held for trading.

The unlisted equity investments have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. The inputs used in the valuation technique that are significant to the fair value measurement are observable, either directly or indirectly. 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 2014 <i>HK\$'000</i> (Unaudited)	31 March 2014 <i>HK\$'000</i> (Audited)
Time deposits	24,362	24,110
Cash and bank balances	46,261	51,168
	<hr/>	<hr/>
Cash and cash equivalents	<b>70,623</b>	<b>75,278</b>

As the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK\$25,349,000 (31 March 2014: HK\$24,950,000). 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 deposit are made for periods of one year (31 March 2014: 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 2014 <i>HK\$'000</i> (Unaudited)	31 March 2014 <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>

**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, has remained in force for 10 years from that date and has then expired on 27 October 2014. The Company operated 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 option was granted under the Scheme while the Scheme was effective.

The maximum number of unexercised share options used to be permitted to be granted under the Scheme was 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, was 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 was subject to shareholders’ approval in a general meeting.

**11. Share Capital** *(continued)***Share options** *(continued)*

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, were 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, were subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options might 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 was determinable by the directors, and commences after a certain vesting period and ends on a date which was 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 was determinable by the directors, but might 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 did 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 two years, and that for office equipment for terms of five years.

At 30 September 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 September</b> <b>2014</b> <i>HK\$'000</i> <b>(Unaudited)</b>	<b>31 March</b> <b>2014</b> <i>HK\$'000</i> <b>(Audited)</b>
Within one year	<b>1,186</b>	1,135
In the second to fifth years, inclusive	<b>101</b>	459
	<hr/> <b>1,287</b> <hr/>	<hr/> 1,594 <hr/>

**14. Commitments and Contingent Liabilities**

As at 30 September 2014 and 31 March 2014, the Group had no significant commitments or contingent liabilities.

**15. Fair Value and Fair Value Hierarchy of Financial Instruments**

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 September 2014 <i>HK\$'000</i> (Unaudited)	31 March 2014 <i>HK\$'000</i> (Audited)	30 September 2014 <i>HK\$'000</i> (Unaudited)	31 March 2014 <i>HK\$'000</i> (Audited)
<b>Financial assets</b>				
Equity investments at fair value through profit or loss	<b>1,816</b>	1,862	<b>1,816</b>	1,862

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:

The unlisted equity investments have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. The inputs used in the valuation technique that are significant to the fair value measurement are observable, either directly or indirectly. 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.



15. **Fair Value and Fair Value Hierarchy of Financial Instruments** (*continued*)

The following tables illustrate the fair values measurement hierarchy of the Group's financial instruments:

**Assets measured at fair value:**

As at 30 September 2014 (Unaudited)

	Quoted prices in active markets (Level 1) <i>HK\$'000</i>	Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Equity investments at fair value through profit or loss	–	1,816	–	1,816

As at 31 March 2014 (Audited)

	Quoted prices in active markets (Level 1) <i>HK\$'000</i>	Significant observable inputs (Level 2) <i>HK\$'000</i>	Significant unobservable inputs (Level 3) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Equity investments at fair value through profit or loss	–	1,862	–	1,862

During the Period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3 (2013: Nil).

The Group did not have any financial liabilities measured at fair value as at 30 September 2014 and 31 March 2014.

16. **Related Party and Connected Transactions**

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

17. **Approval of the Interim Financial Report**

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board on 25 November 2014.

## BUSINESS REVIEW AND PROSPECTS

During the Period, the Group had a loss attributable to owners of the Company of approximately HK\$3.5 million (2013: approximately HK\$10.2 million).

Following the disposal of the Group's unprofitable businesses previously, 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.

Because of the challenging environment the Group is facing, trading in the shares of the Company has been suspended since 5 July 2010. The Company has been actively seeking suitable investment opportunities in order to formulate a viable resumption proposal that could demonstrate sufficiency of operations or assets and resolve the cash company issue under Rules 13.24 and 14.82 of the Main Board Listing Rules.

The Company has been working at its best efforts to have its shares trading resumed, but it is still facing great challenges. As mentioned in the Company's 2014 Annual Report dated 26 June 2014, and subsequent announcements of the Company dated 14 July 2014, 17 September 2014, 24 September 2014 and 6 October 2014, the review hearing regarding the decision by the Listing Committee to cancel the Company's listing under the Main Board Listing Rules ("Listing Committee Decision") by the Listing (Review) Committee was held on 16 September 2014; and on 23 September 2014, the legal advisers to the Company as to Hong Kong laws in the Company's new listing application ("Company's legal advisers") received the decision of the Listing (Review) Committee that it had decided to uphold the Listing Committee Decision ("Listing (Review) Committee Decision"); on 6 October 2014, the Company submitted a request to the Listing Appeal Committee of the Stock Exchange for a review of the Listing (Review) Committee Decision; and as at the date of this 2014 interim report (the "Interim Report"), the review hearing regarding the Listing (Review) Committee Decision by the Appeal Committee had not yet been scheduled.

## **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 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 future proposed investment projects.

## **STAFF REMUNERATION POLICY AND SHARE OPTION SCHEME**

The Group maintained a team of 2 staff as at 30 September 2014.

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 previous financial year ended 31 March 2005 and expired on 27 October 2014. No new share option was granted under the Scheme while the Scheme was 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 2014, shareholders' funds of the Group amounted to approximately HK\$69.6 million. Current assets amounted to approximately HK\$73.5 million, of which approximately HK\$70.6 million were cash and bank deposits. The Group's current liabilities amounted to approximately HK\$4.0 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 2014, 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 2014 and the date of this 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 2014, 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:**

<b>Name of director</b>	<b>Number of ordinary shares directly beneficially owned</b>	<b>Percentage of the Company's issued share capital</b>
Mr. Lin Chin Yao	3,242,000	0.14

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 2014, 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**

As at 30 September 2014, 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:**

<b>Name</b>	<b>Capacity and nature of interest</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital</b>
Coralbells Investments Limited	Directly beneficially owned	1,795,000,000	74.79

Save as disclosed above, as at 30 September 2014, 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. Chen Henry Hung 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, the Company's existing INED was not 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-laws, 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-laws 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 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-laws. 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.

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.

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



## **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.

## **REMUNERATION COMMITTEE**

The Remuneration Committee comprises of the INEDs (currently one) of the Company and the Chairman of the Board. The Remuneration Committee is responsible for making recommendations to the Board on the Company's policy and structure for the remuneration of directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

## **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 currently comprises of the one INED of the Company, and this 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 vacancy 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. Chen Henry Hung**  
*Chairman*

Hong Kong, 25 November 2014

*As at the date of this Interim Report, the Board of the Company comprises Mr. Chen Henry Hung (Chairman) as Executive Director; and Mr. Lin Chin Yao as INED.*