建美集團有限公司
MAE HOLDINGS LIMITED

ANNUAL REPORT 2007

POWER SUPPLY PRODUCTS HOME APPLIANCES GUITAR AMP MIXER PCB ASSEMBLY

STOCK CODE: 851

Contents

Corporate Information

Board of Directors

Executive Directors

Lo Wai Shing, Felix
(Chairman & Managing Director)
Ko Chun Shun, Johnson
Lau Kevin
Wong Siu Kang

Independent Non-Executive Directors

Liu Tsun Kie
Tang Ho Sum
Yuen Kin

Audit Committee

Liu Tsun Kie (appointed on 23 July 2007)
Tang Ho Sum (appointed on 23 July 2007)
Yuen Kin (appointed on 23 July 2007)
Chu Chin Fan (resigned on 13 August 2007)
Yeong Yun Hong, Gary (resigned on 13 August 2007)
Yan Po Kwan (resigned on 13 August 2007)

Remuneration Committee

Ko Chun Shun, Johnson
(appointed on 23 July 2007)
Liu Tsun Kie (appointed on 23 July 2007)
Yuen Kin (appointed on 23 July 2007)
Lo Wai Shing, Felix (resigned on 27 August 2007)
Chu Chin Fan (resigned on 13 August 2007)
Yeong Yun Hong, Gary (resigned on 13 August 2007)
Yan Po Kwan (resigned on 13 August 2007)

Principal Bankers

Chong Hing Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
DBS Bank (Hong Kong) Limited

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business

Unit 3902
Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

Principal Share Registrars and Transfer Office

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bemudiana Road
Pembroke, Bermuda

Company Secretary

Wong Po Keung

Auditors

CCIF CPA Limited

Legal Adviser

Conyers Dill & Pearman

Hong Kong Branch Share Registrars and Transfer Office

Tricor Tengis Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

Website

www.mae.com.hk

Chairman's Statement

Forward

On behalf of the board of directors (the "Board") of MAE Holdings Limited (the "Company"), I announce herewith the annual results of the Company and its subsidiaries (together the "Group") for the year ended 30 April 2007.

Business Review and Prospects

During the year under review, the Group recorded a turnover of HK$26.4 million, a decrease of approximately 22% compared to previous year. Loss attributable to shareholders of the Company rose to HK$54.7 million compared to previous year of HK$49.9 million.

Continued with difficult operating environment from last year, the financial year 2007 was strait to the Group. Change of key management personnel caused loss of major customers in key segments and resulted in decrease in the turnover. Shortage of labor in Southern China also decreased efficiency in production. The prices of copper and fuel in the global market were persistently in high level. These factors led to adverse impact on margin and the loss.

In view of the difficult situation in financial year 2007, the Group has introduced a new controlling shareholder and certain new directors were appointed 23 July 2007. The new management team is going to review the current operation of the Group and to formulate new business strategy and direction.

The Group is optimistic to 2007 onwards and has confidence that the Group will benefit from the new management extensive experience and widespread business connection within the market. The Group will continue to implement prudent financial control and enhance stringent cost control measures to cope with the challenge. The Group has the need to raise more funding to strengthen the capital base. While continuing the existing trading business, the Group will also seek possible investment opportunities to broaden the revenue base.

Conclusion

Finally, I would take this opportunity to express my gratitude to the members of the board for their diligent guidance and support, to thank the management team for their leadership and all staff for their hard works during our difficulty. I would also like to thank our shareholder, bankers, customers and vendors for their continued supports.

Lo Wai Shing, Felix
Chairman

Hong Kong, 27 August 2007

Management Discussion and Analysis

Financial results

During the year ended 30 April 2007, the shortage of labor supply in Pearl River region gravely affected our production capacity and efficiency. We lost orders from certain major customers and this resulted in significant decrease in turnover to HK$26,396,000 (2006: HK$33,661,000) which represented a decrease of 22% as compared with last year. In addition, the continuous tense supply of copper caused tremendous pressure on turnover.

The prices of copper and fuel were persistently at higher level led to the gross loss for the year at HK$23,859,000 (2006: HK$17,573,000) and the net loss for the year was escalated to HK$54,672,000 (2006: HK$49,964,000). The basic loss per share was HK$0.95 (2006: HK$1.16).

Final dividend

The Board does not recommend the payment of any dividend (2006: Nil).

Business review

The turnover for electrical products was HK$10,503,000 and represented a decrease of 14% in comparison with last year. The decrease was mainly due to the loss of orders from certain major customers resulting from loss of certain senior management of this segment.

The turnover for adaptors and transformers recorded HK$14,672,000 and represented an increase of 17% in comparison with last year. The increase was due to the effort of exploring the market niche and the successful introduction of new customers.

The other products consisted of manufacture and sale of plastics, moulding and electronic assembly services.

Prospects

In July 2007, the Group has raised HK$60,000,000 from the subscription of new shares and convertible note by the new controlling shareholder. The Group has introduced new management team to formulate new business strategy and direction. The new management team will review the existing operation and take appropriate steps to restructure the Group's operation to cope with the future challenge. To leverage on the experience and business connection of the new management team, the Group will seek for good business acquisition opportunities with high growth potential in order to broaden the Group's revenue base. The Group also has the need to raise more funding to strengthen the capital base for future acquisitions.

Management Discussion and Analysis

Liquidity and financial resources

The Group financed its operation with internally generated cash flow, banking facilities and loan facility from a major shareholder. As at 30 April 2007, the Group had current assets of approximately HK$15,668,000 (2006: HK$28,916,000) and current liabilities of approximately HK$72,238,000 (2006: HK$20,247,000). The Group's current ratio (current assets over current liabilities) dropped to 22% (2006: 143%) and the gearing ratio (total interest-bearing borrowings over shareholders' funds) was 8.76 times for year 2006.

The Group's transactions are mainly denominated in Hong Kong dollars and United States dollars. As Hong Kong dollars is pegged to United State dollars, the Group's exposure to exchange rate fluctuations is minimal.

Subsequent to the balance sheet date, the Group has raised HK$60,000,000 as a result of the subscriptions of 70,000,000 news shares at a price of HK$0.12 per share by Prime Sun Group Limited and new convertible note of HK$51,600,000 by Grand Promise Enterprises Limited.

Employees and remuneration policies

As at 30 April 2007, the Group employed approximately 450 employees and workers in both Hong Kong and Mainland China. Remuneration policies are reviewed regularly and maintained at competitive level with the market. In addition to basic salary, discretionary bonuses, mandatory provident fund, medical insurance scheme and share options may also be granted to eligible employees which are at the discretion of the Board and are based on the performance of the individual employee as well as the Group. Subsequent to the balance sheet date, the Group has taken measures to reduce the cost of labour by reducing number of employees and to enhance the work efficiency.

Contingent liabilities

The Company has given guarantees to a bank and a financial institution to secure facilities of HK$20,000,000 (2006: HK$815,000) granted to subsidiaries. Under the guarantees, the Company is liable for the borrowings and finance leases of the subsidiary from the bank and the financial institution which are the beneficiaries of the guarantees.

At the balance sheet date, the directors do not consider it probable that any claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the balance sheet date under the guarantees is the amount of the facilities drawn down by all the subsidiaries which are covered by the guarantees, being HK$6,149,000 (2006: HK$285,000).

The Company has not recognised any deferred income in respect of the guarantees as their fair value cannot be reliably measured and their transaction price is HK$Nil.

Subsequent to the balance sheet date, the Group has repaid all the outstanding bank loans and finance leases.

Biographical Details of Directors and Senior Management

Executive directors

Mr. Lo Wai Shing, Felix, aged 47, joined the Company as a Director in August 2000 and was appointed as the Chairman and Managing Director of the Company in December 2000 and March 2002, respectively. He is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the Certified General Accountants in Ontario, Canada. He is responsible for formulating the overall strategic planning of the Group.

Mr. Ko Chun Shun, Johnson, aged 55, joined the Company as a Director in July 2007. Mr. Ko has extensive experience in direct investments, business acquisitions, TMT (Technology, Media and Telecommunications), advertising, electronic manufacturing services, financial services and property investments. Mr. Ko is the chairman and controlling shareholder of Hong Kong Pharmaceutical Holdings Limited. He is also the chairman and a substantial shareholder of Varitronix International Limited, the chairman of DVN (Holdings) Limited and an executive director of Asian Union New Media (Group) Limited. The securities of these companies are listed on the Stock Exchange.

Mr. Wong Siu Kang, aged 55, joined the Company as a Director in July 2007. Mr. Wong holds a Bachelor of Social Science degree from the University of Hong Kong. Mr. Wong has extensive experience in manufacturing, international trade and application services provision.

Mr. Lau Kevin, aged 36, was appointed as a Director of the Company in June 2000. He has over 11 years' experience in the operational management of various production processes in the electronics industry in the PRC. Prior to joining the Group in June 2000, he worked for a public listed company in Hong Kong and a securities firm, and was actively involved in formulating investment strategy for these companies. Mr. Lau is responsible for overseeing the management operations of various investment projects of the Group.

Biographical Details of Directors and Senior Management

Independent non-executive Directors

Mr. Tang Ho Sum, aged 47, was appointed as independent-non executive Director in July 2007. Mr. Tang graduated from Macquarie University in Sydney, Australia with a Bachelor of Economics Degree. Mr. Tang has extensive experience in manufacturing, accounts and finance.

Mr. Yuen Kin, aged 52, was appointed as independent-non executive Director in July 2007. Mr. Yuen holds a Master of Business Administration degree from the University of Toronto, Canada. He is a Chartered Accountant in Canada and is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom. Mr. Yuen is also an independent non-executive director of Asian Union New Media (Group) Limited and Varitronix International Limited, both of which are listed on the Stock Exchange.

Mr. Liu Tsun Kie, aged 56, was appointed as independent-non executive Director in July 2007. Mr. Liu is the Deputy Chairman of Roly International Holdings Limited. He was appointed to sit on the Singapore Broadcasting Authority Board by the Minister of Information and the Arts in 2000. Mr Liu holds a Master Degree in Business Administration in International Finance from the Graduate School of Keio University, Tokyo. Mr. Liu has over 30 years of experience in electronic engineering, telecommunications, corporate finance and general administration. Mr. Liu is an independent non-executive director of DVN (Holdings) Limited, whose shares are listed on the Stock Exchange.

Senior Management

Mr. Wong Po Keung, aged 36, is the Qualified Accountant, Company Secretary and Finance Manager of the Group. He joined the Group in March 2002. Mr. Wong holds a Master degree in business administration from the University of South Australia. He is an associate member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He has over 3 years' experience in the field of audit and 10 years' experience in finance and accounting of listed companies.

Corporate Governance Report

The board of directors of the Company (the "Board") is committed to maintaining high standards of corporate governance. It believes that high standards of corporate governance provide a framework and solid foundation for the Group to manage business risks, enhance transparency, maintain high standards of accountability and protect shareholders' interest in general. The Board will continuously review and improve the corporate governance practices to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

The Board has complied with the code provisions set out in Appendix 14 of the Codes on Corporate Governance Practices under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 30 April 2007 except for the deviations from Code Provisions A.2.1 which will be elaborated below.

Board of Directors

The Board is responsible for the Group's system of corporate governance and is ultimately accountable for the Group's activities, strategy and financial performance. The Board has extensive corporate and strategic planning experience and industry knowledge. To enable all directors to make informed decisions in the Board meetings and to discharge their duties and responsibilities, appropriate, complete and reliable information prepared by the management are provided in a timely manner. The management is required to submit reports on the operations to the Board on a regular basis and make recommendations to the Board on the development of major projects or business proposals and their respective implementation. The Board is of the view that such division of responsibilities can enhance the corporate governance of the Company.

The appointment of all independent Non-Executive Directors strictly adheres to the guidelines for assessing independence set out in the rule 3.13 of the Listing Rules. The Independent Non-Executive Directors bring independent judgment to the Group's strategy and policies through their informed contributions. The Board considers that there is a reasonable balance between executive and non-executive Directors and has provided adequate checks and balances for safeguarding the interests of shareholders and the Group.

The Board is currently comprised of four executive directors (one of whom is the Chairman) and three independent non-executive directors. The directors of the Company during the year and up to the date of this Annual Report were:

Corporate Governance Report

Executive Directors

Mr. Lo Wai Shing, Felix *(Chairman)*
Mr. Lau Kevin
Mr. Ko Chun Shun, Johnson (appointed on 23 July 2007)
Mr. Wong Siu Kang (appointed on 23 July 2007)
Ms. Leung Wai Kuen, Cerene (resigned on 13 August 2007)

Independent Non-Executive Directors

Mr. Tang Ho Sum (appointed on 23 July 2007)
Mr. Yuen Kin (appointed on 23 July 2007)
Mr. Liu Tsun Kie (appointed on 23 July 2007)
Mr. Chu Chin Fan (resigned on 13 August 2007)
Mr. Yeong Yun Hong, Gary (resigned on 13 August 2007)
Ms. Yan Po Kwan (resigned on 13 August 2007)
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The biographical details of the directors are set out on pages 6 to 7 of this Annual Report.

The Board has received from each former independent Non-Executive Director an annual written confirmation of their independence and considers the former Independent Non-Executive Directors to be independent of the Group. All the new independent non-executive directors ("INED(s)") are not appointed for a specific term. However, all INEDs are subject to retirement by rotation and re-election at every annual general meeting of the Company in accordance with the bye-laws of the Company.

Chairman and Chief Executive Officer

A.2.1: the roles of chairman and chief executive officer should be separated.

There is no separation of the role of Chairman ("Chairman") and chief executive officer ("CEO") as set out in the code provision A.2.1. Mr. Lo Wai Shing, Felix currently assumes the role of both the Chairman and the CEO of the Company as the Company cannot identify any suitable candidate to be the CEO of the Company.

Corporate Governance Report

Board Meetings

Regular Board meetings are held at least four times a year to approve annual and interim results, review the business operation and the internal control system of the Group. At least 14 days' notice of each regular meeting is given to all directors. Agendas and accompanying Board papers are sent not less than 3 days before the date of Board meetings to ensure that the directors are given sufficient review time. The attendance record of each member of the Board during the year ended 30 April 2007 is set out below:

Directors	**No. of Meetings Attended/Held**	**Attendance Rate**
Executive Directors		
Mr. Lo Wai Shing, Felix	31/31	100%
Mr. Lau Kevin	29/31	94%
Ms. Leung Wai Kuen, Cerene	31/31	100%
Independent Non-executive Directors		
Mr. Chu Chin Fan	31/31	100%
Mr. Yeong Yun Hong, Gary	31/31	100%
Ms. Yan Po Kwan	31/31	100%

Model code for securities transactions by directors

The Company has adopted the Model Coded for Securities Transaction by Directors of Listed Issuers ("Model Code") set out in the Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors of the Company have confirmed that they have complied with the required standards set out in the Model Code during the year.

Remuneration Committee

During the year ended 30 April 2007, Mr. Lo Wai Shing, Felix, Mr. Chu Chin Fan, Mr. Yeong Yun Hong, Gary and Ms. Yan Po Kwan were the members of the Remuneration committee and Mr. Chu, Mr. Yeong and Ms. Yan resigned on 13 August 2007 and Mr. Lo resigned on 27 August 2007 respectively..

On 23 July 2007, Mr. Ko Chun Shun, Johnson, Mr. Yuen Kin and Mr. Liu Tsun Kie have been appointed as member of Remuneration Committee and Mr. Ko has been appointed as the Chairman of the Committee.

Corporate Governance Report

The principal duties of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and reviewing the special remuneration packages of all Executive Directors by reference to corporate goals and objectives resolved by the Board from time to time. The Company has adopted written terms of reference for the Remuneration Committee, which clearly defined the role, authority and function of the Remuneration Committee.

Other Board Committees

Two Board Committees, namely Investment Committee and Executive Committee, were set up to deal with specific matters delegated by the Board. The Investment Committee advises and formulates strategies related to the Group's investment activities. The Executive Committees review and deal with the daily operation of the Group.

Audit Committee

During the year ended 30 April 2007, Mr. Chu Chin Fan, Mr. Yeong Yun Hong, Gary and Ms. Yan Po Kwan were members of Audit Committee until 13 August 2007.

The principal duties of the Audit Committee include reviewing the Group's current financial standing, considering the nature and scope of audit reports, and ensuring internal control systems operate in accordance with applicable standards and conventions. The Company has adopted written terms of reference for the Audit Committee, which clearly defined the role, authority and function of the Audit Committee.

The Audit committee held two meetings during the year and reported to the Board on their tasks regarding: (i) unaudited interim accounts and audited annual accounts and (ii) the financial and accounting policies and practices, the internal control, financial control and risk management system of the Company.

On 23 July 2007, Mr. Yuen Kin, Mr. Liu Tsun Kie and Mr. Tang Ho Sum have been appointed as member of Audit Committee and Mr. Yuen has been appointed as Chairman of the Committee.

Corporate Governance Report

Details of the individual Directors' attendance at the Audit Committee Meetings and the Remuneration Committee Meetings held in the year are set out in the following table:

Name of Directors	Meeting Attended/Eligible to Attend/Percentage: Audit Committee Meetings	Remuneration Committee Meeting
Executive Directors		
Mr. Lo Wai Shing, Felix	2/2 100%	2/2 100%
Mr. Lau Kevin	2/2 100%	—
Ms. Leung Wai Kuen, Cerene	2/2 100%	—
Independent Non-executive Directors		
Mr. Chu Chin Fan	2/2 100%	2/2 100%
Mr. Yeong Yun Hong, Gary	2/2 100%	2/2 100%
Ms. Yan Po Kwan	2/2 100%	2/2 100%

Nomination of directors

The Board is empowered under the Company's Bye-laws to appoint any person as a director either to fill a casual vacancy on or as an additional member of the Board. Candidates to be selected and recommended are those who are experienced and competence and able to fulfill the fiduciary duties and duties of skill, care and diligence to a standard required of for listed companies' directors. A proposal for the appointment of a new Director together with detailed information on his/her educational and professional qualifications and the relevant working experience is submitted to the Board for decision in the appointment process. At every annual general meeting, one-third of the Directors are subject to retirement by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement at least once every three years. All new Directors will be subject to re-election by shareholders at the next following annual general meeting after their appointment.

Internal control

A sound and effective internal control system is important to safeguard the shareholders' investment and the Company's assets. During the year, the Board has reviewed the effectiveness of the internal control system of the Group. The review covers all material controls, including financial, operational and compliance controls and risk management functions of the Group.

Corporate Governance Report

Responsibility for preparation and reporting of accounts

The directors of the Company acknowledge their responsibility for preparing the accounts which were prepared in accordance with statutory requirements and applicable accounting standards.

A statement by the auditors about their reporting responsibilities is set out on page 20 of this Annual Report. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern as at 30 April 2007. Accordingly, the Directors have prepared the financial statement on a going concern basis.

Auditors' remuneration

On 8 May 2006, Messrs. CCIF CPA Limited ("CCIF") have been appointed as the auditors of the Group to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu ("Deloitte").

The Audit Committee recommended to the Board to re-appoint CCIF as the auditor of the Group. For the financial year ended 30 April 2007, the total remuneration in respect of statutory audit services provided by the external auditors, CCIF, amounted to HKD430,000.

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 30 April 2007.

Principal activities

The Company is an investment holding company. The principal activities and other details of its principal subsidiaries are set out in note 15 to the financial statements.

Results and dividends

The results of the Group for the year ended 30 April 2007 are set out in the consolidated income statement on page 22.

The directors do not recommend the payment of a final dividend for the year ended 30 April 2007 (2006: NIL)

Property, plant and equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

Convertible bonds

Details of movements in conversion of the convertible bonds of the Company during the year are set out in note 21 to the financial statements.

Share capital

Details of movements in the share capital of the Company during the year are set out in note 22 to the financial statements.

Distributable reserves

At 30 April 2007, the Company had no retained profits available for distribution.

Directors and directors' service contracts

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Lo Wai Shing, Felix
Mr. Lau Kevin
Mr. Ko Chun Shun, Johnson (appointed on 23 July 2007)
Mr. Wong Siu Kang (appointed on 23 July 2007)
Ms. Leung Wai Kuen, Cerene (resigned on 13 August 2007)

Directors' Report

Independent Non-Executive Directors

Mr. Tang Ho Sum (appointed on 23 July 2007)
Mr. Yuen Kin (appointed on 23 July 2007)
Mr. Liu Tsun Kie (appointed on 23 July 2007)
Mr. Chu Chin Fan (resigned on 13 August 2007)
Mr. Yeong Yun Hong, Gary (resigned on 13 August 2007)
Ms. Yan Po Kwan (resigned on 13 August 2007)

There is neither any service contract having executed between the Company and each of the new Directors nor any specific length for proposed length of service with the Company. Appointment of each of the new Directors is subject to retirement by rotation and re-election at the forthcoming annual general meeting in accordance with the bye-laws of the Company.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Directors' interests in securities

At 30 April 2007, the directors who had interests or short positions in the shares or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance), as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, 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 (the "Model Code"), were as follows:

Name of director	Capacity	Number of issued shares	Total percentage of shareholding	Share options granted but not exercised
Mr. Lo Wai Shing, Felix	Held by controlled corporation (Note)	4,177,500	6.53%	–
Mr. Lau Kevin	Beneficial owner	–	–	102,400

Note: The 4,177,500 shares are held by HK Sky Entertainment Holdings Limited (which is the person other than substantial shareholder holding 6.53% interest in the Company), a company wholly-owned by Mr. Lo Wai Shing, Felix.

On 16 July 2007, HK Sky Entertainment Holdings Limited had sold all shares in the Company to Prime Sun Group Limited, currently being a substantial shareholder. Both HK Sky Entertainment Holdings Limited and Mr. Lo Wai Shing, Felix no longer hold any interest in the Company.

Directors' Report

Save as disclosed above, at 30 April 2007, none of the directors, chief executives nor their associates, had any interests in any securities of the Company or any of its associated corporations.

Share options

The following table discloses the Company's share options held by employees (including directors) and movements during the year:

Date of grant	Outstanding at 1/5/2006	Exercise up to 30/4/2007	Lapsed up to 30/4/2007	Outstanding at 30/4/2007	Exercise price	Exercisable period
(a) An executive director:						
Mr. Lau Kevin						
24/6/2000	102,400	–	–	102,400	8.40	24/6/2000 to 9/11/2008
(b) employee's in aggregate						
18/2/2000	800	–	–	800	16.9	18/2/2000 to 9/11/2008
3/7/2000	7,200	–	–	7,200	8.4	3/7/2000 to 9/11/2008
5/7/2000	3,840	–	160	3,680	8.4	5/7/2000 to 9/11/2008
	11,840		160	11,680		
	114,240		160	114,080		

The Company did not grant any share options during the year. As at the date of this annual report, all the existing share options granted pursuant to the option scheme were cancelled due to the General Offer. Details of the share option schemes of the Company during the year are set out in note 26 to the financial statements.

Directors' Report

Arrangements to purchase shares or debentures

Other than the option holding disclosed under "Share options", at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial shareholders

Other than as disclosed under section "Directors" interests in securities, as at 30 April 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance ("SFO") shows that, the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company.

Name of shareholder	Capacity	Number of ordinary shares held	Approximate percentage of the Company's existing issued share capital	On assumption of full conversion of convertible bonds into ordinary shares	Approximate percentage of the Company's existing issued share capital
Mr. Lo Kit Sing, Steven (Note 1)	Interested of Corporation controlled by him	18,919,502	29.59%	112,728,775	176.28%
Fine Asset Ltd (Note 1)	Beneficial owner	18,919,502	29.59%	112,728,775	176.28%

Note:

1. Mr. Lo Kit Sing, Steven is the elder brother of Mr. Lo Wai Shing, Felix, an executive Director of the Company. Fine Asset Ltd. is 100% beneficially held by Mr. Lo Kit Sing, Steven and accordingly Mr. Lo Kit Sing, Steven is deemed to be interested for the above shares under SFO.

On 16 July 2007, Fine Asset Limited had sold all shares and convertible notes in the Company to Prime Sun Group Limited, currently being a substantial shareholder and Grand Promise Enterprises Limited respectively. Both Fine Asset Limited and Mr. Lo Kit Sing, Steven no longer hold any interest in the Company.

Other than as disclosed above, the Company has not been notified of any other relevant interests in the issued share capital of the Company as at 30 April 2007.

Directors' Report

Connected transactions

Details of connected transactions of the Company during the year are set out in note 30 to the financial statements.

Purchase, sale or redemption of the company's listed securities

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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.

Directors' interest in competing business

During the year, none of the directors had any interests in competing business of the Company which was required to be disclosed pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Directors' interests in contracts of significance

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' and senior management's biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 6 to 7 of the Annual Report.

Audit committee

An audit committee is established by the Company to review and supervise the Group's financial reporting process and internal controls. As at the date of this annual report, members of the Audit Committee are the three independent non-executive directors, Mr. Tang Ho Sum, Mr. Yuen Kin and Mr. Liu Tsun Kie. The audited financial results for the year ended 30 April 2007 had been reviewed by the Audit Committee.

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules").

Directors' Report

Major customers and suppliers

During the year, the largest and the five largest customers of the Group accounted for approximately 20% and 48% of the Group's turnover respectively. The largest and the five largest suppliers of the Group accounted for approximately 15% and 56% of the purchases of the Group respectively.

None of the directors, their associates or any shareholders of the Company which, to the knowledge of the directors, owned more than 5% of the Company's issued share capital, had any interest in the five largest customers or suppliers of the Group.

Other matters

Details of significant events occurring after the balance sheet date are set out in note 31 to the financial statements of the annual report.

Auditors

The financial statements have been audited by CCIF CPA Limited who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Lo Wai Shing, Felix
Chairman

Hong Kong, 27 August 2007

Independent Auditor's Report

CCIF

CCIF CPA LIMITED

20/F Sunning Plaza
10 Hysan Avenue
Causeway Bay Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MAE HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of MAE Holdings Limited (the "Company") set out on pages 22 to 75, which comprise the consolidated and Company balance sheets as at 30 April 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of the report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

Independent Auditor's Report

Auditor's responsibility (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 April 2007 and of the Group's loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Without qualify our opinion, we draw attention to note 2(b) to the financial statements which indicates that the Group incurred consolidated loss of HK$54,672,000 during the year ended 30 April 2007 and, as of that date, the Group's consolidated net current liabilities of HK$56,570,000 and net liabilities of HK$52,461,000. These conditions, along with other matters as set forth in note 2(b) to the financial statements, indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 27 August 2007

Fung Pui Cheung
Practising Certificate Number P00755

Consolidated Income Statement

For the year ended 30 April 2007

	Note	2007 HK$'000	2006 HK$'000
TURNOVER	4	**26,396**	33,661
COST OF SALES		**(50,255)**	(51,234)
GROSS LOSS		**(23,859)**	(17,573)
OTHER REVENUE	5	**551**	330
Selling and distribution costs		**(3,963)**	(3,479)
Administrative and operating expenses		**(23,625)**	(26,373)
		(27,588)	(29,852)
LOSS FROM OPERATIONS		**(50,896)**	(47,095)
FINANCE COSTS	6(a)	**(3,776)**	(2,869)
LOSS BEFORE INCOME TAX	6	**(54,672)**	(49,964)
INCOME TAX	7	**—**	—
LOSS FOR THE YEAR	9	**(54,672)**	(49,964)
Dividends		**—**	—
LOSS PER SHARE	10		
Basic		**(HK$0.95)**	(HK$1.16)
Diluted		**—**	—

The notes on pages 28 to 75 form an integral part of these financial statements.

Consolidated Balance Sheet

As at 30 April 2007

	Note	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**6,267**	8,968
Deferred costs	14	**251**	410
		6,518	9,378
CURRENT ASSETS			
Inventories	16	**8,353**	16,387
Trade and other receivables	17	**5,111**	11,371
Cash and bank balances		**2,204**	1,158
		15,668	28,916
CURRENT LIABILITIES			
Bank overdrafts — secured		**3,001**	—
Trade and other payables	18	**26,718**	19,636
Obligations under finance leases	19	**302**	461
Borrowings	20	**42,217**	150
		(72,238)	(20,247)
NET CURRENT (LIABILITIES)/ASSETS		**(56,570)**	8,669
TOTAL ASSETS LESS CURRENT LIABILITIES		**(50,052)**	18,047
NON-CURRENT LIABILITIES			
Obligations under finance leases	19	**—**	302
Borrowings	20	**—**	12,000
Convertible bonds	21	**2,409**	3,776
		(2,409)	(16,078)
NET (LIABILITIES)/ASSETS		**(52,461)**	1,969
CAPITAL AND RESERVES			
Share capital	22	**6,395**	5,558
Reserves		**(58,856)**	(3,589)
TOTAL EQUITY		**(52,461)**	1,969

Approved and authorised for issue by the board of directors on 27 August 2007

Lo Wai Shing, Felix	**Lau Kevin**
Director	*Director*

The notes on pages 28 to 75 form an integral part of these financial statements.

Balance Sheet

As at 30 April 2007

	Note	2007 HK$'000	2006 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	15	**–**	–
CURRENT ASSETS			
Prepayments, deposits and other receivables		**1,432**	2,167
Cash and bank balances		**4**	15
		1,436	2,182
CURRENT LIABILITIES			
Other payables and accruals		**4,509**	3,919
Borrowings	20	**42,217**	150
		(46,726)	(4,069)
NET CURRENT LIABILITIES		**(45,290)**	(1,887)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(45,290)**	(1,887)
NON-CURRENT LIABILITIES			
Borrowings	20	**–**	12,000
Convertible bonds	21	**2,409**	3,776
		(2,409)	(15,776)
NET LIABILITIES		**(47,699)**	(17,663)
CAPITAL AND RESERVES			
Share capital	22	**6,395**	5,558
Reserves	23	**(54,094)**	(23,221)
TOTAL EQUITY		**(47,699)**	(17,663)

Approved and authorised for issue by the board of directors on 27 August 2007

Lo Wai Shing, Felix	**Lau Kevin**
Director	*Director*

The notes on pages 28 to 75 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 April 2007

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Merger reserve HK$'000 (Note)	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 May 2005	44,838	177,844	477	–	758	–	(232,908)	(8,991)
Capital reduction (Note 22(i))	(42,596)	42,596	–	–	–	–	–	–
Rights issue (Note 22(ii))	2,242	20,178	–	–	–	–	–	22,420
Expenses incurred in connection with the issue of shares	–	(2,039)	–	–	–	–	–	(2,039)
Elimination of accumulated losses of the Company	–	(238,519)	–	–	–	–	238,519	–
Translation reserve incurred in the year	–	–	–	–	–	(339)	–	(339)
Equity component of convertible bonds issued (Note 21)	–	–	–	40,542	–	–	–	40,542
Conversion of convertible bonds into shares (Note 21)	1,074	2,470	–	(3,204)	–	–	–	340
Loss for the year	–	–	–	–	–	–	(49,964)	(49,964)
At 30 April 2006	5,558	2,530	477	37,338	758	(339)	(44,353)	1,969
At 1 May 2006	5,558	2,530	477	37,338	758	(339)	(44,353)	1,969
Conversion of convertible bonds into shares (Note 21)	837	1,925	–	(2,497)	–	–	–	265
Translation reserve incurred in the year	–	–	–	–	–	(23)	–	(23)
Loss for the year	–	–	–	–	–	–	(54,672)	(54,672)
At 30 April 2007	6,395	4,455	477	34,841	758	(362)	(99,025)	(52,461)

Note: The merger reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for their acquisition at the time of a group reorganisation in 1998.

The notes on pages 28 to 75 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 30 April 2007

	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(54,672)**	(49,964)
Adjustments for:		
Depreciation of property, plant and equipment	**2,564**	4,631
Amortisation of deferred costs	**201**	451
Interest expenses	**3,776**	2,869
Interest income	**(26)**	(3)
Gain on disposal of an investment property	**—**	(58)
Loss on disposal of property, plant and equipment	**591**	—
Deferred cost written off	**24**	—
Write down of inventories to net realisable value	**7,066**	2,918
Provision for impairment loss on trade receivables	**1,932**	404
Operating loss before working capital changes	**(38,544)**	(38,752)
Decrease in inventories	**968**	258
Decrease in trade and other receivables	**4,328**	5,597
Increase/(decrease) in trade and other payables	**4,635**	(17,802)
	9,931	(11,947)
CASH USED IN OPERATIONS	**(28,613)**	(50,699)
Interest received	**26**	3
Interest paid	**(2,431)**	(1,539)
	(2,405)	(1,536)
NET CASH USED IN OPERATING ACTIVITIES	**(31,018)**	(52,235)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(472)**	(3,083)
Sale of property, plant and equipment	**65**	—
Payment for deferred costs	**(66)**	(53)
Sale of investment property	**—**	700
NET CASH USED IN INVESTING ACTIVITIES	**(473)**	(2,436)

Consolidated Cash Flow Statement

For the year ended 30 April 2007

	2007 HK$'000	2006 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Rights issue raised	**—**	22,420
Expenses incurred in connection with issue of shares	**—**	(2,039)
Convertible bonds issued	**—**	44,838
New loans raised	**33,117**	12,000
Repayment of loans	**(3,050)**	(22,850)
Capital element of finance leases repaid	**(461)**	(352)
Inception of finance leases	**—**	300
NET CASH FROM FINANCING ACTIVITIES	**29,606**	54,317
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,885)**	(354)
EFFECT OF FOREIGN CURRENCY TRANSLATION	**(70)**	(335)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**1,158**	1,847
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**(797)**	1,158
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**2,204**	1,158
Bank overdrafts — secured	**(3,001)**	—
	(797)	1,158

The notes on pages 28 to 75 form an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 30 April 2007

1. General Information

MAE Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Group is located in Unit 3902, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong.

2. Significant Accounting Policies

a) Statement of Compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on the changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

b) Basis of Preparation of the Financial Statements

The consolidated financial statements for the year ended 30 April 2007 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that certain assets and liabilities are stated at their fair value as explained in the accounting policies set out below.

In preparing the financial statements, the directors of the Company have given careful consideration to the liquidity of the Group and its ability to meet its ongoing obligations in light of its financial position as at 30 April 2007. At the balance sheet date, the Group had consolidated net liabilities of approximately HK$52,461,000 and consolidated net current liabilities of approximately HK$56,570,000.

Notes to the Financial Statements

For the year ended 30 April 2007

2. Significant Accounting Policies (continued)

b) Basis of Preparation of the Financial Statements (continued)

Notwithstanding going concerns and liquidity concerns arising from the consolidated net current liabilities as at 30 April 2007, the financial statements have been prepared on the assumption that the Group will continue to operate as a going concern in the foreseeable future. In the opinion of directors, the liquidity of the Group can be maintained in the coming year, after taking into account several measures adopted and to be adopted subsequent to the balance sheet date as further detailed below:

(i) the Company had entered into the subscription agreement with Prime Sun Group Limited ("Prime Sun") and Grand Promise Enterprises Limited ("Grand Promise") on 20 April 2007 (as amended by a supplemental agreement dated 16 May 2007) pursuant to which Prime Sun has conditionally agreed to subscribe for 70,000,000 new shares at a price of HK$0.12 per share and Grand Promise has conditionally agreed to subscribe for the new convertible notes in the principal amount of HK$51,600,000. The subscription agreement was completed subsequent to the balance sheet date on 17 July 2007 and capital of HK$60,000,000 was raised through these subscriptions;

(ii) the Group's management has prepared a cash flow forecast for the eighteen months period ending 31 October 2008. Based on the cash flow forecast, the directors are of the opinion that the Group will be able to generate adequate cash flows from its operations;

(iii) Prime Sun, the then major shareholder of the Company has committed to provide adequate funds for the Group to meet its liabilities as they fall due; and

(iv) the directors are planning to adopt various cost control measures to reduce various general and administrative and other operating expenses.

In the opinion of the directors, in light of the measures adopted, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the directors are of the view that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to achieve the above and fail to continue in business as a going concern, adjustments would have to be made to restate the values of the assets to their immediate recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

Notes to the Financial Statements

For the year ended 30 April 2007

2. Significant Accounting Policies (continued)

b) Basis of Preparation of the Financial Statements (continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 32.

c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unreaslised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(f)).

d) Investment Property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

Investment properties are stated in the balance sheet at fair value. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2 (v)(ii).

Notes to the Financial Statements

For the year ended 30 April 2007

2. Significant Accounting Policies (continued)

d) Investment Property (continued)

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(j)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance lease. Lease payments are accounted for as described in note 2(j).

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property at fair value. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

e) Property, Plant and Equipment

Property, plant and equipment are carried in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(f)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost less their residual values over their estimated useful lives, at the following annual rates:

Leasehold improvements	Over the term of the relevant lease
Plant and machinery	20%
Furniture, fixtures and equipment	20%
Moulds	20%
Motor vehicles	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful live of an asset and its residual value, if any, are reviewed annually.

f) Impairment of Assets

i) Impairment of receivables

For receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Notes to the Financial Statements

For the year ended 30 April 2007

2. Significant Accounting Policies (continued)

f) Impairment of Assets (continued)

ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased.

— property, plant and equipment (other than properties carried at revalued amounts);
— pre-paid interests in leasehold land classified as being held under an operating lease;
— intangible assets;
— investments in subsidiaries

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

Notes to the Financial Statements

For the year ended 30 April 2007

2. Significant Accounting Policies (continued)

f) Impairment of Assets (continued)

ii) Impairment of other assets (continued)

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

g) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out, method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenues is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

h) Trade and Other Receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts.

Notes to the Financial Statements

For the year ended 30 April 2007

2. Significant Accounting Policies (continued)

i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

j) Leased Assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

ii) Asset acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(e). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(f). Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Notes to the Financial Statements

For the year ended 30 April 2007

2. Significant Accounting Policies (continued)

j) Leased Assets (continued)

iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made.

k) Borrowing Costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

l) Interest-Baring Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in the income statement over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

m) Deferred Costs

Cost incurred in obtaining approvals from safety boards for products to be produced and sold commercially, are capitalised and deferred only when the products are expected to be profit generating; the costs are separately identifiable and can be measured reliably; and whose technical feasibility has been demonstrated. Deferred costs are stated at cost less accumulated amortisation and any impairment losses and are amortised on a straight line basis over a period to reflect the pattern in which the related economic benefits are recognised.

Notes to the Financial Statements

For the year ended 30 April 2007

2. Significant Accounting Policies (continued)

n) Convertible Notes

Convertible notes that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

At initial recognition the liability component of the convertible notes is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the capital reserve until either the note is converted or redeemed.

If the note is converted, the capital reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the note is redeemed, the capital reserve is released directly to retained profits.

o) Trade and Other Payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(p)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

Notes to the Financial Statements

For the year ended 30 April 2007

2. Significant Accounting Policies (continued)

p) Financial Guarantees Issued, Provisions and Contingent Liabilities

i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specific payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

When the Company issues a financial guarantee for the borrowings of a subsidiary, the fair value of the guarantee is initially recognised as deferred income within accrued charges, and a corresponding increase in the Company's investment in the subsidiary is recognised on initial recognition of the deferred income.

The amount of the guarantee initially recognised as deferred income is amortised to the income statement over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(p)(ii), if and when it becomes probable that the holder of the guarantee will call upon the Company under the guarantee, and the amount of that claim on the Company is expected to exceed the amount currently carried in accrued charges in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Financial Statements

For the year ended 30 April 2007

2. Significant Accounting Policies (continued)

q) Related Parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

ii) the Group and the party are subject to common control;

iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

r) Income Tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Notes to the Financial Statements

For the year ended 30 April 2007

2. Significant Accounting Policies (continued)

r) Income Tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet ate. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Notes to the Financial Statements

For the year ended 30 April 2007

2. Significant Accounting Policies (continued)

r) Income Tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

s) Translation of Foreign Currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rate ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of subsidiaries outside Hong Kong are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of a foreign operation, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

Notes to the Financial Statements

For the year ended 30 April 2007

2. Significant Accounting Policies (continued)

t) Employee Benefits

i) Retirement benefits schemes

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of the trustees. The Group contributes at the lower of HK$1,000 or 5% of relevant payroll costs, for each of the employees every month, to the MPF Scheme, which contribution is matched by employees.

The employees of the Company's subsidiary in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute 8% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

Notes to the Financial Statements

For the year ended 30 April 2007

2. Significant Accounting Policies (continued)

u) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

v) Revenue Recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

i) Revenue from the sales of good is recognised when the Company has delivered the goods to the customers and the customer has accepted the goods together with the risks and rewards of ownership of the goods;

ii) Rental income from operating leases is recognised in income statement on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the user's benefit; and

iii) Interest income is recognised as it accrues using the effective interest method.

Notes to the Financial Statements

For the year ended 30 April 2007

3. Changes in Accounting Policies

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group.

Note 2 summarises the accounting policies of the Group after the adoption of these developments to the extent that they are relevant to the Group. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 33).

Financial guarantees issued (Amendments to HKAS 39, Financial instruments: Recognition and measurement: financial guarantee contracts)

In prior years, financial guarantees issued by the Company were disclosed as contingent liabilities in accordance with HKAS 37, Provisions, contingent liabilities and contingent assets. No provisions were made in respect of these guarantees unless it was more likely than not that the guarantees would be called upon.

With effect from 1 May 2006, in order to comply with the amendments to HKAS 39 in respect of financial guarantee contracts, the Company has changed its accounting policy for financial guarantees issued. Under the new policy, financial guarantees issued are accounted for as financial liabilities under HKAS 39 and measured initially at fair value, where the fair value can be reliably measured. Subsequently, they are measured at the higher of the amount initially recognised, less accumulated amortisation, and the amount of the provision, if any, that should be recognised in accordance with HKAS 37. Further details of the new policy are set out in note 2(p)(i).

The change in accounting policy has no material impact on the financial statements for the years presented. Details of the financial guarantees currently issued by the Company are set out in note 28.

Notes to the Financial Statements

For the year ended 30 April 2007

4. Turnover

Turnover represents the invoiced value of goods sold to customers as follows:

	2007 **HK$'000**	2006 HK$'000
Sales of:		
Electrical products	**10,503**	12,149
Adaptors and transformers	**14,672**	12,544
Other products	**1,221**	8,968
	26,396	33,661

5. Other Revenue

	2007 **HK$'000**	2006 HK$'000
Interest income	**26**	3
Gain on disposal of investment property	**—**	58
Sundry income	**525**	269
	551	330

Notes to the Financial Statements

For the year ended 30 April 2007

6. Loss Before Income Tax

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

	2007 HK$'000	2006 HK$'000
a) Finance Costs:		
Interest on bank overdrafts	**640**	22
Interest on other borrowings wholly repayable within five years	**3,079**	2,792
Finance charges on obligations under finance leases	**57**	55
	3,776	2,869
b) Staff Costs:		
Staff costs, including directors' emoluments		
— Salaries and allowances	**20,534**	20,842
— Retirement benefits scheme contribution	**440**	432
	20,974	21,274
c) Other Items:		
Auditors' remuneration	**453**	430
Cost of inventories sold	**28,474**	25,307
Depreciation		
— owned assets	**2,388**	4,379
— assets held under finance leases	**176**	252
Operating leases in respect of land and buildings	**6,423**	8,796
Less: Sub-letting income	**(420)**	(359)
	6,003	8,437
Amortisation of deferred costs	**201**	451
Provision for impairment loss on trade receivables	**1,932**	404
Loss on disposal of property, plant and equipment	**591**	—
Deferred cost written off	**24**	—
Write down of inventories to net realisable value	**7,066**	2,918

Notes to the Financial Statements

For the year ended 30 April 2007

7. Income Tax in the Consolidated Income Statement

No provision for Hong Kong profits tax has been made in the financial statements as the Group does not have any assessable profits for the year (2006: Nil).

No provision for People's Republic of China (the "PRC") enterprise income tax has been made in the financial statements as the PRC subsidiary incurred a tax loss for the year (2006: Nil).

Reconciliation between tax expense and accounting loss at applicable tax rates:

	2007 **HK$'000**	2006 HK$'000
Loss before income tax	**(54,672)**	(49,964)
Tax at the applicable tax rate of 17.5% (2006: 17.5%)	**(9,568)**	(8,744)
Tax effect of non-deductible expenses	**3,395**	3,486
Tax effect of deferred tax assets not recognised	**6,560**	5,658
Effect of different tax rates of the subsidiary operating in other jurisdiction	**(387)**	(400)
Income tax expense	**–**	–

8. Directors' Remuneration and Individuals with Highest Emoluments

a) Directors' Emoluments

Emoluments of the Company's directors disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	2007 **HK$'000**	2006 HK$'000
Fees	**360**	360
Salaries including benefits in kind	**2,190**	2,068
Retirement benefits scheme contributions	**54**	54
	2,604	2,482

Notes to the Financial Statements

For the year ended 30 April 2007

8. Directors' Remuneration and Individuals with Highest Emoluments (continued)

a) Directors' Emoluments (continued)

For the year ended 30 April 2007

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors				
Lo Wai Shing, Felix	—	1,008	12	1,020
Lau Kevin	—	720	12	732
Leung Wai Kuen, Cerene	—	462	12	474
Independent non-executive directors				
Yeong Yun Hong, Gary	120	—	6	126
Chu Chin Fan	120	—	6	126
Yan Po Kwan	120	—	6	126
	360	2,190	54	2,604

For the year ended 30 April 2006

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total HK$'000
Executive directors				
Lo Wai Shing, Felix	—	976	12	988
Lau Kevin	—	720	12	732
Leung Wai Kuen, Cerene	—	372	12	384
Independent non-executive directors				
Yeong Yun Hong, Gary	120	—	6	126
Chu Chin Fan	120	—	6	126
Yan Po Kwan	120	—	6	126
	360	2,068	54	2,482

During the year, no options (2006: Nil) were granted to the directors.

No directors have waived emoluments in respect of the two years ended 30 April 2007 and 2006.

Notes to the Financial Statements

For the year ended 30 April 2007

8. Directors' Remuneration and Individuals with Highest Emoluments (continued)

b) Individuals with Highest Emoluments

Of the five individuals with the highest emoluments, three (2006: two) are directors whose emoluments are reflected in the analysis presented above. The emolument of the remaining two (2006: three) individuals are as follows:

	2007 HK$'000	2006 HK$'000
Salaries and other emoluments	**937**	1,326
Retirement benefits scheme contributions	**11**	36
	948	1,362

The emoluments of the above two (2006: three) individuals with the highest emoluments are:

	Number of individuals	
	2007	2006
Nil — HK$1,000,000	**2**	3

9. Loss for the Year

The consolidated loss for the year includes a loss of HK$30,301,000 (2006: HK$79,188,000) which has been dealt with in the financial statements of the Company.

Notes to the Financial Statements

For the year ended 30 April 2007

10. Loss per Share

a) Basic Loss per Share

The calculation of basic loss per share is based on the consolidated loss for the year of HK$54,672,000 (2006: HK$49,964,000) and the weighted average of 57,402,368 ordinary shares (2006: 43,216,030 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2007	2006
Issued ordinary shares at 1 May	**55,578,985**	4,483,840,000
Effect of capital reduction (Note 22(i))	**–**	(4,259,648,000)
Effect of rights issue (Note 22(ii))	**–**	197,030,307
Effect of share consolidation (Note 22(iii))	**–**	(379,100,076)
Effect of conversion rights attached to convertible bonds exercised (Note 21)	**1,823,383**	1,093,799
Weighted average number of ordinary shares at 30 April	**57,402,368**	43,216,030

b) Diluted Loss per Share

Diluted loss per share for the years ended 30 April 2007 and 2006 have not been disclosed as the potential ordinary shares outstanding during the year had an anti-dilutive effect on the basic loss for the year.

11. Segment Reporting

Business Segments

For management purposes, the Group is currently organised into three operating divisions- manufacturing and trading of electrical products, adaptors and transformers and other products.

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers during the year.

These divisions are the basis on which the Group reports its primary segment information.

Notes to the Financial Statements

For the year ended 30 April 2007

11. Segment Reporting (continued)

Business Segments (continued)

Segment information about these businesses is presented below.

	Electrical products		Adaptors and transformers		Other products		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Turnover – external	**10,503**	12,149	**14,672**	12,544	**1,221**	8,968	**26,396**	33,661
Segment result	**(7,102)**	(5,958)	**(11,181)**	(5,581)	**(5,661)**	(10,155)	**(23,944)**	(21,694)
Unallocated corporate income							**551**	330
Unallocated corporate expenses							**(27,503)**	(25,731)
Loss from operations							**(50,896)**	(47,095)
Finance costs							**(3,776)**	(2,869)
Loss for the year							**(54,672)**	(49,964)
ASSETS								
Segment assets	**7,072**	10,367	**7,571**	10,259	**2,161**	10,471	**16,804**	31,097
Unallocated corporate assets							**5,382**	7,197
Consolidated total assets							**22,186**	38,294
LIABILITIES								
Segment liabilities	**8,756**	7,648	**10,814**	7,519	**999**	4,469	**20,569**	19,636
Unallocated corporate liabilities							**54,078**	16,689
Consolidated total liabilities							**74,647**	36,325

	Electrical products		Adaptors and transformers		Other products		Unallocated		Consolidated	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
OTHER INFORMATION										
Amortisation of deferred costs	**86**	167	**105**	178	**10**	106	**–**	–	**201**	451
Capital expenditure	**–**	–	**538**	1,142	**–**	560	**–**	1,434	**538**	3,136
Depreciation of property, plant and equipment	**1,089**	1,560	**1,206**	1,558	**269**	1,513	**–**	–	**2,564**	4,631
Loss on disposal of property, plant and equipment	**–**	–	**–**	–	**–**	–	**591**	–	**591**	–
Write down of inventories to net realisable value	**–**	–	**5,770**	759	**1,296**	2,159	**–**	–	**7,066**	2,918
Provision for impairment loss on trade receivables	**–**	–	**1,932**	299	**–**	105	**–**	–	**1,932**	404
Deferred cost written off	**–**	–	**–**	–	**–**	–	**24**	–	**24**	–
Gain on disposal of investment property	**–**	–	**–**	–	**–**	–	**–**	58	**–**	58

Notes to the Financial Statements

For the year ended 30 April 2007

11. Segment Reporting (continued)

Geographical Segments

The Group's customers are principally located in Japan, the PRC, North America and Europe. The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods:

	Turnover by geographical market	
	2007	2006
	HK$'000	HK$'000
Japan	**5,838**	13,922
North America	**7,422**	3,775
PRC, including Hong Kong	**10,035**	13,729
Europe	**3,048**	1,393
Others	**53**	842
	26,396	33,661

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment and deferred costs, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and deferred costs	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
PRC, excluding Hong Kong	**10,854**	20,218	**258**	2,554
Hong Kong	**11,332**	18,076	**280**	582
	22,186	38,294	**538**	3,136

Notes to the Financial Statements

For the year ended 30 April 2007

12. Investment Property

	The Group	
	2007	2006
	HK$'000	HK$'000
Valuation		
At 1 May	**–**	642
Disposal	**–**	(642)
At 30 April	**–**	–

The Group's investment property was revalued at 30 April 2005 by an independent firm of professional valuers, Dynasty Premium Asset Valuation & Real Estate Consultancy Limited, on an open market value basis. During the year ended 30 April 2006, the investment property was disposed at a consideration of HK$700,000.

Notes to the Financial Statements

For the year ended 30 April 2007

13. Property, Plant and Equipment

	The Group					
	Leasehold improvements	**Plant and machinery**	**Furniture, fixtures and equipment**	**Moulds**	**Motor vehicles**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost						
At 1 May 2005	15,628	68,759	16,078	10,427	2,551	113,443
Additions	812	403	144	1,248	476	3,083
Exchange realignment	1	26	4	1	—	32
At 30 April 2006	16,441	69,188	16,226	11,676	3,027	116,558
At 1 May 2006	16,441	69,188	16,226	11,676	3,027	116,558
Additions	255	38	54	125	—	472
Disposals	(1,104)	—	(783)	—	(938)	(2,825)
Exchange realignment	5	46	7	57	—	115
At 30 April 2007	15,597	69,272	15,504	11,858	2,089	114,320
Accumulated depreciation						
At 1 May 2005	10,208	65,823	14,968	10,165	1,760	102,924
Provided for the year	1,542	1,337	809	566	377	4,631
Exchange realignment	1	26	4	4	—	35
At 30 April 2006	11,751	67,186	15,781	10,735	2,137	107,590
At 1 May 2006	11,751	67,186	15,781	10,735	2,137	107,590
Provided for the year	670	768	287	564	275	2,564
Written back on disposals	(524)	—	(758)	—	(887)	(2,169)
Exchange realignment	2	46	7	13	—	68
At 30 April 2007	11,899	68,000	15,317	11,312	1,525	108,053
Net book value						
At 30 April 2007	3,698	1,272	187	546	564	6,267
At 30 April 2006	4,690	2,002	445	941	890	8,968

Notes to the Financial Statements

For the year ended 30 April 2007

13. Property, Plant and Equipment (continued)

At the balance sheet date, the net book values of the property, plant and equipment held under finance leases of the Group are as follows:

	2007 HK$'000	2006 HK$'000
Plant and machinery	—	557
Motor vehicles	564	738
	564	1,295

14. Deferred Costs

	The Group	
	2007 HK$'000	2006 HK$'000
Cost		
At 1 May	11,846	11,793
Additions	66	53
Written off	(70)	—
At 30 April	11,842	11,846
Amortisation and impairment		
At 1 May	11,436	10,985
Provided for the year	201	451
Written off	(46)	—
At 30 April	11,591	11,436
Net book values		
At 30 April	251	410

The deferred costs are amortised on a straight line basis over a period of two to five years.

The directors have reviewed the carrying value of deferred costs at 30 April 2007 and no impairment loss was made (2006: HK$Nil) for the year.

Notes to the Financial Statements

For the year ended 30 April 2007

15. Interests In Subsidiaries

	The Company	
	2007	2006
	HK$'000	HK$'000
Unlisted shares, at cost	**106,167**	106,167
Amounts due from subsidiaries	**293,068**	272,432
	399,235	378,599
Less: Impairment losses	**(399,235)**	(378,599)
	–	–

The balances with subsidiaries are unsecured, interest free and have no fixed repayment terms. The amounts will not be repayable within twelve months from the balance sheet date and are therefore shown as non-current assets.

At the balances sheet date, the directors of the Company considered that in the light of the recurring operating losses of these subsidiaries and unfavourable market conditions, the recoverable amount of its subsidiaries has been reduced to the estimated net realisable value of the identifiable net assets.

The following list contains only the particulars of subsidiaries with principally affected the results, assets or liabilities of the Group:

Notes to the Financial Statements

For the year ended 30 April 2007

15. Interests In Subsidiaries (continued)

Name of company	Place of incorporation/ registration and operations	Nominal value of issued/ registered paid up share capital	Percentage of equity attributable to the Group		Principal activities
			Directly	Indirectly	
Bai Mei Qin Electrical (Shenzhen) Limited	PRC (note a)	US$350,000	–	100%	Manufacture and sale of transformers, adaptors and electrical products
MAE Enterprises Limited	British Virgin Islands ("BVI") (note b)	Ordinary US$10	100%	–	Investment holding
MAE Investments Limited	BVI (note b)	Ordinary US$2	100%	–	Investment holding
Mei Ah Electrical Industry (HK) Limited	Hong Kong (note b)	Ordinary HK$90 Non-voting deferred HK$1,000,000 (note c)	–	100%	Manufacture and sale of transformers, adaptors and other electrical products
Mei Ah Electrical Appliance (HK) Limited	Hong Kong (note b)	Ordinary HK$10,000	–	100%	Sale of electrical appliance
Mei Ah Management Services Limited	Hong Kong (note b)	Ordinary HK$2	–	100%	Provision of management service to group companies

Notes to the Financial Statements

For the year ended 30 April 2007

15. Interests In Subsidiaries (continued)

Name of company	Place of incorporation/ registration and operations	Nominal value of issued/ registered paid up share capital	Percentage of equity attributable to the Group Directly	Percentage of equity attributable to the Group Indirectly	Principal activities
Mei Ah Plastic Moulds Company Limited	Hong Kong (note b)	Ordinary HK$10,000	–	100%	Processing of plastic components and plastic moulds
Mei Ah Sourcing Limited	Hong Kong (note b)	Ordinary HK$2	–	100%	Sourcing of raw materials for group companies

Notes:

a) The company is registered in the form of a wholly-owned foreign investment enterprise.

b) The companies are registered as private limited companies.

c) The holders of the deferred shares are entitled to minimum rights as to dividends and return of capital, and are not entitled to share in the company's profit or to attend or vote at any general meetings of the company, which rights are vested in the ordinary shares.

Notes to the Financial Statements

For the year ended 30 April 2007

16. Inventories

Inventories in the balance sheet comprise:

	The Group	
	2007	2006
	HK$'000	HK$'000
Raw materials	**2,441**	10,739
Work in progress	**2,635**	4,085
Finished goods	**3,277**	1,563
	8,353	16,387

The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2007	2006
	HK$'000	HK$'000
Carrying amount of inventories sold	**21,408**	22,389
Write-down of inventories	**7,066**	2,918
	28,474	25,307

17. Trade and Other Receivables

		The Group	
		2007	2006
	Note	**HK$'000**	HK$'000
Trade receivables	(a)	**1,933**	5,333
Prepayments, deposits and other receivables		**3,178**	6,038
		5,111	11,371

Notes to the Financial Statements

For the year ended 30 April 2007

17. Trade and Other Receivables (continued)

a) Included in trade and other receivables are trade receivables (net of impairment losses for bad and doubtful debts) with the following ageing analysis:

	The Group	
	2007	2006
	HK$'000	HK$'000
0 — 90 days	**1,456**	2,578
91 — 180 days	**69**	354
Over 180 days	**408**	2,401
	1,933	5,333

b) The Group allows an average credit period of 0 day to 90 days to its trade customers.

c) Included in trade and other receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group	
	2007	2006
	'000	'000
Renminbi	**RMB1,356**	RMB1,963
United States Dollar	**USD120**	USD450

18. Trade and Other Payables

		The Group	
		2007	2006
	Note	**HK$'000**	HK$'000
Trade payables	(a)	**6,781**	7,056
Bills payable-secured		**6,149**	570
Due to a related company	(b)	**1,006**	—
Other payables and accruals		**12,782**	12,010
		26,718	19,636

Notes to the Financial Statements

For the year ended 30 April 2007

18. Trade and Other Payables (continued)

a) Included in trade and other payables are trade payables with the following ageing analysis:

	The Group	
	2007	2006
	HK$'000	HK$'000
0 — 90 days	**2,110**	3,834
91 — 180 days	**355**	549
Over 180 days	**4,316**	2,673
	6,781	7,056

b) The balance is unsecured, interest free and repayable on demand.

c) Included in trade and other payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group	
	2007	2006
	'000	'000
Renminbi	**RMB12,370**	RMB8,593
United States Dollars	**USD39**	USD2

Notes to the Financial Statements

For the year ended 30 April 2007

19. Obligations under Finance Leases

At 30 April 2007, the Company had obligations under finance leases repayable, i.e. minimum lease payments, as follows:

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Within one year	**332**	518	**302**	461
In the second to fifth years	**–**	332	**–**	302
	332	850	**302**	763
Less: total future finance charges	**(30)**	(87)	**–**	–
Present value of lease obligations	**302**	763	**302**	763

20. Borrowings

	The Group and the Company					
	Interest-bearing		Non-interest bearing		Total	
	2007 HK$'000	2006 HK$'000	**2007 HK$'000**	2006 HK$'000	**2007 HK$'000**	2006 HK$'000
Other loans unsecured	**42,067**	12,000	**150**	150	**42,217**	12,150

Notes to the Financial Statements

For the year ended 30 April 2007

20. Borrowings (continued)

The analysis of the above balances is as follow:

	The Group and the Company					
	Interest-bearing		Non-interest bearing		Total	
	2007 **HK$'000**	2006 HK$'000	**2007** **HK$'000**	2006 HK$'000	**2007** **HK$'000**	2006 HK$'000
Other loans						
Within 1 year or on demand	**42,067**	–	**150**	150	**42,217**	150
After 1 year but within 2 years	**–**	12,000	**–**	–	**–**	12,000
	42,067	12,000	**150**	150	**42,217**	12,150
Current portion of other loans	**(42,067)**	–	**(150)**	(150)	**(42,217)**	(150)
	–	12,000	**–**	–	**–**	12,000

The interest rate on unsecured other loans from a substantial shareholder is charged on the outstanding balance at 8% to 11% (2006: 8%) per annum.

21. Convertible Bonds

On 3 March 2006, the Company issued 4.5% coupon convertible bonds (the "Bonds) with an aggregate principal amount of HK$44,838,400 and a maturity date of 2 March 2009. The bondholders have the right to convert their bonds into the Company's new ordinary shares at any time during the period from 3 March 2006 to 2 March 2009 at an initial conversion price of HK$0.33 per ordinary share (subject to adjustment). On the maturity date, the outstanding convertible bonds will be automatically converted into conversion shares.

The Bonds were split into liability and equity components of HK$4,296,000 and HK$40,542,000 respectively upon initial recognition by recognising the liability component at its fair value and attributing to the equity component the residual amount. The liability component is subsequently carried at amortised cost and the equity component is recognised in the capital reserve.

Notes to the Financial Statements

For the year ended 30 April 2007

21. Convertible Bonds (continued)

The movement of the liability component of the Bonds for the year is as follows:

	The Group and the Company	
	2007	2006
	HK$'000	HK$'000
Liability component at the beginning of the year	**3,776**	—
Issue of convertible bonds	**—**	4,296
Conversion of the Bonds into the Company's new ordinary shares during the year	**(265)**	(340)
Accrued interest capitalised during the year	**(1,102)**	(180)
Liability component at the end of the year	**2,409**	3,776

During the year ended 30 April 2007, HK$265,000 (2006: HK$340,000) Bonds were converted into 8,368,171 ordinary shares (2006: 10,740,585 ordinary shares) of the company (note 22).

Subsequent to the year end, Bonds totalling HK$1,227,700 were converted into 9,721,209 ordinary shares of the Company.

The fair value of the liability component of the convertible bonds at 30 April 2007 amounted to approximately HK$3,520,000. The fair value is calculated using cash flows discounted at a rate based on the borrowing rate of 10.82% per annum.

Interest expense on the Bonds is calculated using the effective interest method by applying the effective interest rate of 19.32% per annum to the liability component.

Notes to the Financial Statements

For the year ended 30 April 2007

22. Share Capital

	No. of shares	HK$'000
Authorised:		
At 1 May 2005		
— shares of HK$0.01 each	20,000,000,000	200,000
Consolidation of every ten shares into one share on 13 February 2006 (Note iii)	(18,000,000,000)	—
At 30 April 2006 and 30 April 2007		
— shares of HK$0.10 each	2,000,000,000	200,000
Issued and fully paid:		
At 1 May 2005 — shares of HK$0.01 each	4,483,840,000	44,838
Capital reduction on 17 May 2005 (Note i)	(4,259,648,000)	(42,596)
Rights issue on 13 June 2005 (Note ii)	224,192,000	2,242
Consolidation of every ten shares into one share on 13 February 2006 (Note iii)	(403,545,600)	—
Convertible bonds conversion during the period from March to April 2006 (Note 21)	10,740,585	1,074
At 30 April 2006 and 1 May 2006		
— shares of HK$0.10 each	55,578,985	5,558
Convertible bonds conversion during the year (Note 21)	8,368,171	837
At 30 April 2007 — shares of HK$0.10 each	63,947,156	6,395

Notes to the Financial Statements

For the year ended 30 April 2007

22. Share Capital (continued)

Notes:

i) **Capital Recorganisation**

Capital Reduction

On 17 May 2005, the issued capital of the Company was reduced by HK$0.0095 per issued share by cancelling an equivalent amount of paid-up capital per issued share so that the nominal value of each issued share was reduced from HK$0.01 to HK$0.0005. Accordingly, based upon 4,483,840,000 shares in issue as at the date of the announcement, the issued share capital of the Company of HK$44,838,400 would be reduced by HK$42,596,480 to HK$2,241,920.

Share Subdivision

Upon the Capital Reduction becoming effective, each authorized but unissued existing share in the capital of the Company was subdivided into 20 shares of HK$0.0005 each.

Share Consolidation

Immediately following the Capital Reduction and Share Subdivision, the Share Consolidation will be implemented whereby every 20 shares of HK$0.0005 each resulting from the Capital Reduction and the Share Subdivision was consolidated into one Consolidated Share of HK$0.01.

ii) **Rights Issue**

On 13 June 2005, the Company had completed the fund raising by way of a rights issue, in the proportion of one share for every Consolidated Share (after completion of the Capital Reorganization, 25 May 2005) held and 224,192,000 shares were issued at HK$0.10 per share.

iii) **Share Consolidation**

On 13 February 2006, the Company had implemented the share consolidation whereby every 10 existing shares of HK$0.01 each will be consolidated into one Consolidated Share of HK$0.10.

All new shares issued by the Company during the year ranked pari passu with existing shares in all respects.

Notes to the Financial Statements

For the year ended 30 April 2007

23. Reserves

The Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Contributed surplus HK$'000 (Note)	Accumulated losses HK$'000	Total HK$'000
At 1 May 2005	177,844	477	–	44,942	(267,839)	(44,576)
Capital reduction	42,596	–	–	–	–	42,596
Rights issue	20,178	–	–	–	–	20,178
Expenses incurred in connection with the issue of shares	(2,039)	–	–	–	–	(2,039)
Elimination of accumulated losses of the company	–	–	–	(238,519)	238,519	–
Transfer share premium to contribution surplus	(216,635)	–	–	216,635	–	–
Equity component of convertible bonds issued (Note 21)	–	–	40,542	–	–	40,542
Conversion of convertible bonds into shares	2,470	–	(3,204)	–	–	(734)
Loss for the year	–	–	–	–	(79,188)	(79,188)
At 30 April 2006	24,414	477	37,338	23,058	(108,508)	(23,221)
At 1 May 2006	24,414	477	37,338	23,058	(108,508)	(23,221)
Conversion of convertible bonds into shares	1,925	–	(2,497)	–	–	(572)
Loss for the year	–	–	–	–	(30,301)	(30,301)
At 30 April 2007	26,339	477	34,841	23,058	(138,809)	(54,094)

Note: The contributed surplus of the Company represents the difference between the fair value of the shares of the subsidiaries acquired under a group reorganisation in 1998 and the nominal value of the Company's shares issued in exchange.

The Company has no reserve available for distribution to shareholders as at 30 April 2007 (2006: HK$Nil).

Notes to the Financial Statements

For the year ended 30 April 2007

24. Financial Instruments

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, credit evaluations are generally performed on all customers requiring credit over a certain amount. Trade receivables are due not more than 90 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Company has no concentrations of credit risk. It also sets credit limit on each individual customer and prior approval is required for any transaction exceeding that limit. The customer with sound payment history would accumulate a higher credit limit. In addition, the overseas customers would normally be required to transact with the Company by letter of credit in order to minimise the Company's credit risk exposure.

b) Liquidity risk

The Company manages its funds conservatively by maintaining a comfortable level of cash and cash equivalents in order to meet continuous operational need. The Group's responsibility is maintaining a balance between continuity of funding and flexibility through the use of borrowings from shareholder in order to meet its liquidity requirements both in short and long terms.

c) Cash flow interest rate risk

The Company's exposure to cash flow interest rate risk is mainly on its interest-bearing borrowings from a substantial shareholder. In order to manage the cash flow interest rate risk, the Company will repay the corresponding borrowings when it has surplus funds.

d) Currency risk

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States dollars and Renminbi.

— In respect of purchases and payables, the Company controls its volume of purchase orders to a tolerable level and avoids concentrating the purchases in a single foreign currency by diversifying such foreign currency risk exposure.

— In respect of sales and receivables, the Company sets a prudent credit limit to individual customers who transact with it in other foreign currencies. The directors' approval is required on the exposure to an individual customer or transaction that exceeds the limit.

Notes to the Financial Statements

For the year ended 30 April 2007

24. Financial Instruments (continued)

e) Fair value

All financial instruments are carried at amounts not materially different from their values as at 30 April 2007 and 2006.

f) Estimation of fair values

i) *Interest-bearing loans and borrowings and finance lease liabilities*

The fair value of interest-bearing loans and borrowings and finance lease liabilities is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

ii) *Financial guarantees*

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

25. Retirement Benefits

The Group maintains a mandatory provident fund scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The Company's and the employees' contributions to the MPF Scheme are based on 5% of the relevant income of the relevant employees (up to HK$20,000 of monthly compensation) and in accordance with the requirements of the Mandatory Provident Fund Schemes Ordinance and related regulations.

Employees of the Group in the PRC are covered by appropriate local retirement schemes pursuant to local labour rules and regulations. The Group's annual contributions to these schemes represent defined contributions, and the Group has no further obligation.

The Group's contributions to the MPF Scheme and various PRC schemes for the year of HK$440,000 (2006: HK$432,000) were charged to the income statement. As at 30 April 2007, contribution of approximately HK$9,000 (2006: HK$18,000) due in respect of the reporting period had not been paid over the schemes.

Notes to the Financial Statements

For the year ended 30 April 2007

26. Share Option Scheme

Under the share option scheme adopted by the Company on 10 November 1998 (the "Old Scheme"), the Board of Directors of the Company may grant options to the full-time employees (including executive directors) of the Company or any of its subsidiaries. On 24 September 2004, a new share option scheme (the "New Scheme") was adopted by the Company and the Old Scheme was terminated. No further options can be offered under the Old Scheme. However, all other respects of the provisions of the Old Scheme shall remain in full force and holders of all options granted under the Old Scheme prior to such termination shall be entitled to exercise the outstanding options pursuant to the terms of the Old Scheme until the expiry of the said options.

The purpose of the New Scheme provides incentives or rewards to the participants (including but not limited to employees, directors, suppliers and customers of the Group) for their contribution to the Group and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

The following table discloses details of the Company's share options held by employees (including directors) and movements in such holdings during the current and previous years:

For the year ended 30 April 2006

Date of grant	Outstanding at 1/5/2005	Lapsed up to 31/1/06	Outstanding after adjustment at 31/1/06*	Lapsed up to 28/2/06	Outstanding after adjustment at 28/2/06**	Lapsed up to 31/3/06	Outstanding after adjustment At 31/3/06***	Lapsed up to 30/4/06	Outstanding on 30/4/06	Exercise price per share on 13/2/06# HK$	Exercise price per share on 28/3/06## HK$	Exercisable period
a) An executive Director: Mr. Lau Kevin												
24/6/2000	12,800,000	–	640,000	–	64,000	–	102,400	–	102,400	13.5	8.4	24/6/2000 to 9/11/2008
b) Employees in aggregate												
18/2/2000	100,000	–	5,000	–	500	–	800	–	800	27	169	18/2/2000 to 9/11/2008
29/6/2000	–	–	–	–	–	–	–	–	–	–	–	29/6/2000 to 9/11/2008
3/7/2000	1,200,000	(15,000)	45,000	–	4,500	–	7,200	–	7,200	13.5	8.4	3/7/2000 to 9/11/2008
5/7/2000	520,000	(2,000)	24,000	–	2,400	–	3,840	–	3,840	13.5	8.4	5/7/2000 to 9/11/2008
	1,820,000	(17,000)	74,000	–	7,400	–	11,840	–	11,840			
	14,620,000	(17,000)	714,000	–	71,400	–	114,240	–	114,240			

Notes to the Financial Statements

For the year ended 30 April 2007

26. Share Option Scheme (continued)

For the year ended 30 April 2007

Date of grant	Outstanding at 1/5/2006	Exercised during the year	Lapsed during the year	Outstanding at 30/4/2007	Exercise price per after adjustment on 13/2/2006# HK$	Exercise price per after adjustment on 28/3/2006## HK$	Exercisable period
a) An executive Director Mr. Lau Kevin							
24/6/2000	102,400	–	–	102,400	13.5	8.4	24/6/2000 to 9/11/2008
a) Employees in aggregate							
18/2/2000	800	–	–	800	27	16.9	18/2/2000 to 9/11/2008
3/7/2000	7,200	–	–	7,200	13.5	8.4	9/11/2008 to 5/7/2000
5/7/2000	3,840	–	(160)	3,680	13.5	8.4	3/7/2000 to 9/11/2008
	11,840	–	(160)	11,680			
	114,240	–	(160)	114,080			

Note:

* The number of share options has been reduced due to the share consolidation approved on 17 May 2005 for every 20 issued ordinary shares be consolidated into 1 new share and the outstanding options were decreased accordingly.

** The number of share options has been reduced due to the share consolidation approved on 13 February 2006 for every 10 issued and unissued ordinary shares be consolidated into 1 new share and the outstanding options were decreased accordingly.

*** The number of share options has been adjusted on 28 March 2006 due to the open offer of convertible bonds become unconditional.

\# After the share consolidation effective on 13 February 2006, the exercise price at HK$1.35 has been adjusted to HK$13.5 and the exercise price at HK$2.7 has been adjusted to HK$27 respectively.

\#\# The exercise price of the share option has been adjusted on 28 March 2006 due to the open offer of convertible bonds become unconditional.

Notes to the Financial Statements

For the year ended 30 April 2007

26. Share Option Scheme (continued)

All existing options were granted under the Old Scheme in 2000 and thus are exempted from fair value valuation under HKFRS 2.

No option was granted under the New Scheme during the year.

In July 2007, Prime Sun, the then major shareholder of the Company make the General Offer pursuant to the Takeovers Code to the shareholders, the holders of existing convertible notes and the holder of share option. The details of this is disclosed in the circular of the Company dated 19 July 2007. Prime Sun offers to pay HK$0.01 per share option in cash to the optionholders in consideration of the cancellation of all the rights of the optionholders in respect of such share options ("Option Offer"). On 13 August 2007, Prime Sun received acceptance from all the remaining optionholders under the Option Offer.

27. Deferred Taxation

Deferred income tax is calculated in full on temporary differences under the liability method using tax rates substantially enacted by the balance sheet date.

The amounts of major deferred income tax assets and liabilities recognised by the Group during the current and prior years are as follows:

The Group

	Accelerated tax depreciation	**Deferred tax assets**	**Tax losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
Deferred tax arising from:				
At 1 May 2005	1,379	141	(1,520)	—
(Credited)/charged to consolidated income statement for the year	(684)	(69)	753	—
At 30 April 2006	695	72	(767)	—
At 1 May 2006	695	72	(767)	—
(Credited)/charged to consolidated income statement for the year	(131)	(28)	159	—
At 30 April 2007	564	44	(608)	—

Notes to the Financial Statements

For the year ended 30 April 2007

27. Deferred Taxation (continued)

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 30 April 2007, the Group has unrecognised tax losses of HK$103,320,000 (2006: HK$77,059,000 (as restated)), which have no expiry date, to carry forward.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	The Group	
	2007	2006
	HK$'000	HK$'000
Deferred income tax liabilities	**608**	767
Deferred income tax assets	**(608)**	(767)
	–	–

28. Contingent Liabilities

The Company has given guarantees to a bank and a financial institution to secure facilities of HK$20,000,000 (2006: HK$815,000) granted to subsidiaries. Under the guarantees, the Company is liable for the borrowings and finance leases of the subsidiary from the bank and financial institution which are the beneficiaries of the guarantees.

At the balance sheet date, the directors do not consider it probable that a claim will be made against the Company under any of the guarantees. The maximum liability of the Company at the balance sheet date under the guarantees is the amount of the facilities drawn down by all the subsidiaries which are covered by the guarantees, being HK$6,149,000 (2006: HK$285,000).

The Company has not recognised any deferred income in respect of the guarantees as their fair value cannot be reliably measured and their transaction price is HK$Nil.

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For the year ended 30 April 2007

29. Operating Leases Commitments

At 30 April 2007, the total future minimum lease payments under non-cancellable operating leases in respect of properties are payable as follows:

	The Group		The Company	
	2007	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**3,776**	6,532	**–**	2,246
After one year but within five years	**15,103**	17,003	**–**	—
After five years	**64,821**	94,745	**–**	—
	83,700	118,280	**–**	2,246

30. Material Related Party Transactions

a) Transactions With Related Companies

i) During the year, the Company paid rental expenses to and received rental income from BMA Records Limited ("BMA") of HK$35,000 (2006: HK$Nil) and HK$420,000 (2006: HK$359,000) respectively. Mr. Lo Kit Sing, Steven, the director of BMA, is the elder brother of Mr. Lo Wai Shing, an executive director of the Company.

ii) During the year, the Company paid interest expenses of HK$2,316,000 (2006: HK$137,000) to Fine Asset Ltd., which is 100% beneficially held by Mr. Lo Kit Sing, Steven.

iii) A deed of personal guarantee has been given by Mr. Lo Wai Shing, Felix and Mr. Lo Kit Sing, Steven up to the extent of HK$20,000,000 for bank borrowings and credit facilities granted to the Group.

b) Key Management Personnel Remuneration

Remuneration for key management personnel represents amounts paid to directors and individuals with highest emoluments as disclosed in note 8.

Notes to the Financial Statements

For the year ended 30 April 2007

31. Events after the Balance Sheet Date

(a) The Company entered into the subscription agreement with Prime Sun and Grand Promise on 20 April 2007 (as amended by a supplemental agreement dated 16 May 2007) pursuant to which Prime Sun has conditionally agreed to subscribe for 70,000,000 new shares at a price of HKD0.12 per share and Grand Promise has conditionally agreed to subscribe for the new convertible note in the principal amount of HKD51,600,000. The subscription agreement was completed subsequent to the balance sheet date on 17 July 2007 and the Group has raised HK$60,000,000 as a result of these subscriptions. Both Prime Sun and Grand Promise were ultimately wholly and beneficially owned by Mr. Ko Chun Shun, Johnson, who then became an executive director of the Company. The detail of the Subscriptions and the terms of the convertible note were also set out in the circular of the Company dated 21 June 2007.

(b) Up to the date of issue of these financial statements, convertible bonds totalling HK$1,227,700 were converted into 9,721,209 ordinary shares of the Company (Note 21).

(c) After the balance sheet date in August 2007, all the outstanding share options issued by the Company were cancelled under Option Offer by Prime Sun (Note 26).

32. Critical Accounting Judgements and Estimates

Note 24(f) contains information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

a) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are material changes from previous estimates.

b) Impairment

Internal and external sources of information are reviewed by the Group at each balance sheet date to assess whether there is any indication that fixed assets and investments in subsidiaries may be impaired. If any such indication exists, the recoverable amounts of the assets are estimated to determine impairment losses on the assets. Changes in facts and circumstances may affect the conclusion of whether an indication of impairment exists and result in revised estimates of recoverable amounts, which would affect profit or loss in future years.

Impairment losses on receivables are assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised by the Directors when assessing the creditworthiness and past collection history of each individual customer. Any increase or decrease in impairment losses would affect profit or loss in future years.

Notes to the Financial Statements

For the year ended 30 April 2007

32. Critical Accounting Judgements and Estimates (continued)

c) Impairment Loss for Doubtful Accounts

The policy for impairment loss of bad and doubtful debts of the Group is based on the evaluation of collectibility and aging analysis of accounts and on management's judgment. A considerable amount of judgement is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

d) Allowances for Inventories

The Group estimates the allowance for inventories based on the best available facts and circumstances, including but not limited to, the inventories' own conditions (i.e. whether they are damaged or become wholly or partially obsolete), their market selling prices, estimated costs of completion and estimated costs to be incurred for their sale. The provisions are re-evaluated and adjusted as additional information received affects the amount estimated.

33. Possible Impact of Amendments, New Standards and Interpretations Issued But Not Yet Effective for the year ended 30 April 2007

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 30 April 2007 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the financial statements:

		Effective for accounting periods beginning on or after
HKFRS 7	Financial Instruments: Disclosures	1 January 2007
Amendments to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007

Financial Summary

Results

	For the year ended 30 April				
	2003	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	108,371	188,036	128,968	33,661	**26,396**
Loss before taxation	(91,333)	(42,821)	(39,752)	(49,964)	**(54,672)**
Income Tax Credit	1,586	—	—	—	—
Loss for the year	(89,747)	(42,821)	(39,752)	(49,964)	**(54,672)**

Assets and liabilities

	As 30 April				
	2003	2004	2005	2006	**2007**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	113,957	94,487	50,938	38,294	**22,186**
Total liabilities	(65,695)	(78,338)	(59,929)	(36,325)	**(74,647)**
Shareholders' funds	48,262	16,149	(8,991)	1,969	**(52,461)**