建美集團有限公司

MAE HOLDINGS LIMITED

Stock Code : 851

2008 Annual Report

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ko Chun Shun, Johnson *(Chairman)*
Wong Siu Kang

Independent Non-Executive Directors

Liu Tsun Kie
Tang Ho Sum
Yuen Kin

COMPANY SECRETARY

Chan Kam Kwan, Jason

QUALIFIED ACCOUNTANT

Jim Pak Keung, Patrick

AUDITORS

CCIF CPA Limited

BANKERS

Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) 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

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.irasia.com/listco/hk/mae

Chairman's Statement

On behalf of the board of directors (the "Board") of MAE Holdings Limited, (the "Company"), I announce herewith the annual financial results of the Company and its subsidiaries (the "Group") for the year ended 30 April 2008.

Financial year 2008, albeit challenging, was a year of reform for the Group. The Group has introduced a new management team. The team has three major tasks: 1) to review the recurrent operations, 2) to formulate new business strategy and directions for the Group as a whole, and 3) to seek business opportunities which will offer growth and investment returns.

While several rationalization measures have been taken, given the brief period of time, they have yet to yield any significant results. Although the trading and operating environment for the year 2008 remained unfavorable, the Group successfully overcame hurdles and recorded turnover of HK$35.4 million, representing an increase of approximately 34% from HK$26.4 million for the corresponding period of the previous year. Gross loss for the year under review narrowed by approximately 45% to HK$12.9 million from HK$ 23.8 million a year earlier.

The Group's manufacturing business further declined after the departure of key customers in October 2007. The new management team has paid attentive efforts to improve the situation, including the tightening of controls over operational costs and expenses. As a result, loss from operations narrowed by approximately 31% to HK$34.9 million from HK$50.9 million for the corresponding period of the previous year. However, the departure of customers, the escalation of competition and the rises of operating costs and expenses have dimmed the hope for a profit turnaround for this division. Expecting declining profitability and little shareholders' value to be created by this division, the management plans to terminate the manufacturing business in due course.

The unfavorable factors for the manufacturing sector have encouraged the management team to pursue business ventures in other sectors. In this regard, as well as aiming to broaden its existing revenue base and profit source, the Group has ventured into the trading of copper concentrate, recycled from electronic components.

Chairman's Statement

PROSPECTS

Going forward, we will continue to pursue favorable investment opportunities in any business area, including possible acquisition of assets and/or businesses that can improve the Group's financial performance, to broaden its revenue base and reduce its dependence and business risks associated with the current operations. By doing that, the Group believes that it will enhance the long-term value and returns for the shareholders.

The management will examine measures to further strengthen the Group's capital and liquidity base so as to facilitate the funding of its future business expansions.

Lastly, I wish to express my gratitude to members of staff, the Board and shareholders for their relentless dedication, and our customers and suppliers for their support during this demanding period.

Ko Chun Shun, Johnson
Chairman

Hong Kong, 25 August 2008

Management Discussion and Analysis

BUSINESS REVIEW AND FINANCIAL RESULTS

During the year ended 30 April 2008, the Group's manufacturing business has experienced significant changes. It had lost certain major customers during the year, and since October 2007, it had not generated further sales. In light of loss of significant revenues, escalating operational and overhead costs, the strengthening of the Renminbi and new PRC government policy regarding labor law, the Group has strived to curtail the losses from this operation and has shifted its focus on finding new revenues and on exploring new business developments, with the aim of improving its financial health, growth and financial returns.

As part of its rationalization and consolidation plan, the Group achieved success in finding new sources of revenue and sales order in the trading of electrical products. Although the margin of such business is low, it carries correspondingly low overhead costs, especially when compared to the traditional manufacturing business. The sales and profit contribution from the new found focus has lent to improve the financial performance of the Group this year.

The turnover for electrical products was HK$30,828,000 (2007: HK$10,503,000) and represented an increase of 194% in comparison with last year. The increase has been a direct result of the new found sales orders and customers since the joining of the new management.

The turnover for adaptors and transformers recorded HK$2,007,000 (2007: HK$14,672,000) and represent a decrease of 86% in comparison with last year. The significant reduction has been attributable to the loss of major customers in this sector over the year.

Turnover of other products consisted of manufacture and sale of plastics, moulding and electronic assembly services and trading of copper concentrate. Turnover from this segment recorded at HK$2,560,000 compared to HK$1,221,000 as recorded last year, an increase of 110%. Turnover of this segment is expected to improve as the level and operation of trading of copper concentrate matures and become established.

The gross loss for the year has been significantly narrowed to HK$12,992,000 (2007: HK$23,859,000) and the net loss for the year reduced to HK$41,101,000 (2007: 54,672,000). This in turn helped reduce the basic loss per share to HK$0.32 (2007: HK$0.95).

FINAL DIVIDEND

The Board does not recommend the payment of any dividend (2007: Nil).

Management Discussion and Analysis

PROSPECTS

The Group has introduced new management team to formulate new business strategy and direction. The new management team will review and take appropriate steps to streamline and restructure the Group's existing operations to cope with the future challenge, this will involve further divestment of subsidiaries that are loss making and are not aligned with future business and corporate objectives of the Group. The Group will seek for good business acquisition opportunities with high growth potential in order to broaden the Group's revenue base. The Group may also raise more funding to strengthen the capital base for future acquisitions.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operation with internally generated cash flow, banking facilities, loan facility from a former major shareholder and funds from issuance of shares and convertible bonds. As at 30 April 2008, the Group had current assets of approximately HK$31,509,000 (2007: HK$15,668,000) and current liabilities of approximately HK$65,369,000 (2007: HK$72,238,000). The Group's current ratio (current assets over current liabilities) increased to 48% (2007: 22%).

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.

During the year, the Group has raised HK$60,000,000 as a result of the subscriptions of 70,000,000 new shares at a price of HK$0.12 per share by Prime Sun and issuance of the new convertible bonds of HK$51,600,000 to Grand Promise Enterprises Limited.

DISPOSAL OF SUBSIDIARIES

During the year, as part of the Group's rationalization measures, subsidiaries that were dormant and/or non-strategic to the Group's future plans and objectives were disposed of, realising a gain on disposal of HK$4,432,000.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 April 2008, the Group employed approximately 9 employees, all situated in Hong Kong. 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.

CONTINGENT LIABILITIES

Save as disclosed in the notes to the consolidated financial statements for the year, the Group had no contingent liabilities as at 30 April 2008.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Ko Chun Shun, Johnson, aged 57, was appointed Chairman of the Group in 2007. He is also the Chairman of DVN (Holdings) Limited, Varitronix International Limited and China WindPower Group Limited. The above companies are listed on the Main Board of the Hong Kong Stock Exchange.

Mr. Wong Siu Kang, aged 56, joined the Group in 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tang Ho Sum, aged 48, joined the Group in 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 53, joined the Group in 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 FCPA in Hong Kong and FCCA in the United Kingdom. He is currently the managing director of Sunray Trading Co., Ltd., a company engaging in the export of construction materials and furniture. He is also an independent non executive director of Varitronix International Limited and Asian Union New Media (Group) Limited, both of which are listed on the Main Board of the Hong Kong Stock Exchange.

Mr Liu Tsun Kie, aged 57, joined the Group in 2007. He holds a master degree in Business Administration in International Finance from the Graduate School of Keio University, Tokyo in Japan. He has over 30 years of experience in electronic engineering, telecommunication, corporate finance and general administration. He was appointed to sit on the Singapore Broadcasting Authority Board by the Minister of Information and Arts in 2000. He is also an independent non-executive director of DVN (Holdings) Limited, which is listed on the Main Board of the Hong Kong Stock Exchange. He is also the deputy chairman of Roly International Holdings Limited.

SENIOR MANAGEMENT

Mr. Chan Kam Kwan, Jason, aged 35, has been the Company Secretary of the Company since 2007. He graduated from the University of British Columbia in Canada with a Bachelor of Commerce Degree and is a member of the American Institute of Certified Public Accountants. He has over 10 years of experience in corporate finance.

Mr. Jim Pak Keung, Patrick, aged 41, is the Qualified Accountant responsible for the overall financial matters of the group. Mr. Jim is a fellow member of the Association of Chartered Certified Accountants in the U.K. and the Hong Kong Institute of Certified Public Accountants and has more than 15 years in finance and accounting.

Corporate Governance Report

The board of directors (the "Board") is committed to achieving a high standard of corporate governance. The Board has reviewed the Group's corporate governance practices and is satisfied that the Company has complied with the code provisions in the Code on Corporate Governance Practices ("the Code") set out in the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") during the year, except for the following:

CODE PROVISION A.2.1

There was no separation of the role of chairman ("Chairman") and chief executive officer ("CEO") as set out in the code provision A.2.1. Mr. Ko Chun Shun, Johnson currently assumes the role of both the Chairman and the CEO of the Company. This is a temporary arrangement and the Board is actively seeking a suitable candidate to assume the role of the CEO of the Company.

THE BOARD

The Board, led by the chairman, is responsible for the formulation of the Group's strategies and policies, approval of annual budgets and business plans, and supervising the management of the day-to-day operations of the Group to ensure the business objectives are met.

The Board currently comprises two executive directors (one of whom is the Chairman) and three independent non-executive directors. Biographical details of the directors are stated under the section "Biographical Details of Directors and Senior Management".

For a director to be considered independent, that director should not have any direct or indirect material interest in the Group. In determining the independence of directors, the Board follows the requirements set out in the Listing Rules. Each of the independent non-executive directors has made an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules.

All the independent non-executive directors are appointed for a specific term and will be subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws 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 Board held 5 meetings during the year ended 30 April 2008.

Directors	**Attended/ Eligible to attend**
Executive Directors	
Mr. Ko Chun Shun, Johnson[(1)]	3/3
Mr. Wong Siu Kang[(1)]	3/3
Mr. Lo Wai Shing, Felix[(3)]	4/4
Mr. Lau Kevin[(3)]	4/4
Ms. Leung Wai Kuen, Cerene[(2)]	3/3
Independent Non-executive Directors	
Mr. Tang Ho Sum[(1)]	3/3
Mr. Yuen Kin[(1)]	3/3
Mr. Liu Tsun Kie[(1)]	3/3
Mr. Chu Chin Fan[(2)]	3/3
Mr. Yeong Yun Hong, Gary[(2)]	3/3
Ms. Yan Po Kwan[(2)]	3/3

**Notes:* (1) Mr. Ko Chun Shun, Johnson, Mr. Wong Siu Kang, Mr. Tang Ho Sum, Mr. Yuen Kin and Mr. Liu Tsun Kie were appointed on 23 July 2007.

(2) Ms. Leung Wai Kuen, Cerene, Mr. Chu Chin Fan, Mr. Yeong Yun Hong, Gary and Ms. Yan Po Kwan resigned on 10 August 2007.

(3) Mr. Lo Wai Shing, Felix and Mr. Lau Kevin resigned on 28 August 2007.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Corporate Governance Report

REMUNERATION COMMITTEE

As at 30 April 2008, Mr. Ko Chun Shun, Johnson, Mr. Yuen Kin, Mr. Liu Tsun Kie and Mr. Tang Ho Sum were the members of the Remuneration Committee and Mr. Liu was appointed as the Chairman of the Committee. The Remuneration Committee has held one meeting during the year.

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.

Name of Members	Attended/ Eligible to attend
Mr. Ko Chun Shun, Johnson	1/1
Mr. Tang Ho Sum	1/1
Mr. Yuen Kin	1/1
Mr. Liu Tsun Kie	1/1

AUDIT COMMITTEE

As at 30 April 2008, Mr. Yuen Kin, Mr. Liu Tsun Kie and Mr. Tang Ho Sum were members of Audit Committee and Mr. Yuen was appointed as Chairman of the Committee.

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 are operated in accordance with applicable standards. 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.

Name of Members	Attended/ Eligible to attend
Mr. Tang Ho Sum	2/2
Mr. Yuen Kin	2/2
Mr. Liu Tsun Kie	2/2

Corporate Governance Report

INTERNAL CONTROL

A sound and effective internal control system is important to safeguard the shareholders' interest and the Company's assets. During the year, the Audit Committee and the Board have 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.

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 pages 18 and 19 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 2008. Accordingly, the directors have prepared the financial statement on a going concern basis.

AUDITORS' REMUNERATION

The Audit Committee recommended to the Board to re-appoint CCIF CPA Limited ("CCIF") as the auditors of the Group. For the financial year ended 30 April 2008, the total remuneration in respect of statutory audit services provided by CCIF, amounted to HK$560,000.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Board is committed in providing clear and full performance information of the Group to shareholders through the publication of interim and annual reports. In addition to the circulars, notices and financial reports sent to shareholders, additional information of the Group is also available to shareholders on the Group's website.

Shareholders are encouraged to attend the annual general meeting for which at least 21 days' notice is given. The Chairman and directors are available to answer questions on the Group's business at the meeting. Subject to the bye-laws of the Company, all shareholders shall have statutory rights to call for special general meetings and put forward agenda items for consideration in the general meetings. All substantive resolutions at the general meeting are decided by a poll which is conducted by the Group's branch share registrar in Hong Kong.

The Group values feedback from shareholders on its effort to promote transparency and foster investor relationships. Comments and suggestions are always welcomed.

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 30 April 2008.

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 2008 are set out in the consolidated income statement on page 20.

The directors do not recommend the payment of a final dividend for the year ended 30 April 2008 (2007: 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 23 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 26(c) to the financial statements.

DISTRIBUTABLE RESERVES

At 30 April 2008, the Company has no retained profits available for distribution.

Directors' Report

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. Ko Chun Shun, Johnson (appointed on 23 July 2007)
Mr. Wong Siu Kang (appointed on 23 July 2007)
Mr. Lo Wai Shing, Felix (resigned on 28 August 2007)
Mr. Lau Kevin (resigned on 28 August 2007)
Ms. Leung Wai Kuen, Cerene (resigned on 10 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 10 August 2007)
Mr. Yeong Yun Hong, Gary (resigned on 10 August 2007)
Ms. Yan Po Kwan (resigned on 10 August 2007)

In accordance with the bye-laws of the Company, Mr. Yuen Kin shall retire by rotation and, being eligible offer himself for re-election at the forthcoming annual general meeting.

All the non-executive directors are appointed for a specific term and will be subject to retirement by rotation and re-election at the annual general meeting of the Company.

The Company has received from each of the independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules during the year and the Company considered that they are independent.

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' Report

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 30 April 2008, 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:

(i) Long position in the Shares:

Name of director	**Capacity**	**Number of issued shares**	**Approximate percentage of the total Issued share capital**
Mr. Ko Chun Shun, Johnson	Held by controlled corporation *(Note)*	93,099,512	64.80%

Note: The 93,099,512 shares are held by Prime Sun Group Limited, a company wholly-owned by Mr. Ko Chun Shun, Johnson.

(ii) Long position in the underlying shares of the convertible bonds of the Company:

Name of director	**Description of equity derivatives**	*Note*	**Number of the total underlying shares**
Mr. Ko Chun Shun, Johnson	3 Years 4.5% convertible bonds	*(2)*	372,004,960
	5 Years 5.0% convertible bonds	*(3)*	430,000,000
			802,004,960

Notes: (1) The convertible bonds are held by Grand Promise Enterprises Limited, a company wholly-owned by Mr. Ko Chun Shun, Johnson.

(2) The 3 Years 4.5% convertible bonds with an outstanding principal amount of HK$37,200,496 as at 30 April 2008 issued by the Company on 3 March 2006 and due on 2 March 2009 are convertible into the shares at a conversion price of HK$0.1 per share.

(3) The 5 Years 5.0% convertible bonds with an outstanding principal amount of HK$51,600,000 as at 30 April 2008 issued by the Company on 17 July 2007 and due on 16 July 2012 are convertible into the shares at a conversion price of HK$0.12 per share.

Directors' Report

Save as disclosed above, as at 30 April 2008, none of the directors and chief executives of the Company and/or any of their associates had any interest or short position in the shares, underlying shares or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code adopted by the Company.

SHARE OPTIONS

Details of the share option schemes of the Company during the year are set out in note 25 to the financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed under the heading "Directors and chief executives' interests and/or short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, at no time during the period was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the directors of the Company (including their respective spouse and children under the age of 18) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS

As at 30 April 2008, save as disclosed under the section "Directors' and chief executives' interests and/ or short positions in the shares, underlying shares and debentures of the Company or any associated corporation" above, no other person had registered any substantial shareholders' interests, being 5% or more of the Company issued share capital under Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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' Report

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.

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 consolidated financial results for the year ended 30 April 2008 had been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

The Company is committed to achieve a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 8 to 11 of the annual report.

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").

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the largest and the five largest customers of the Group accounted for approximately 82% and 98% of the Group's turnover respectively. The largest and the five largest suppliers of the Group accounted for approximately 61% and 97% 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.

Directors' Report

AUDITORS

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

The financial statements have been audited by CCIF who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting of the Company.

On behalf of the Board
Ko Chun Shun, Johnson
Chairman

Hong Kong, 25 August 2008

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 20 to 87, which comprise the consolidated and Company balance sheets as at 30 April 2008 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 2008 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 qualifying our opinion, we draw attention to note 2(b) to the financial statements which indicates that the Group incurred consolidated loss of HK$41,101,000 during the year ended 30 April 2008 and, as of that date, the Group's consolidated net current liabilities of HK$33,860,000 and net liabilities of HK$75,898,000. 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, 25 August 2008

Sze Chor Chun, Yvonne
Practising Certificate Number P05049

Consolidated Income Statement

For the year ended 30 April 2008

	Notes	2008 HK$'000	2007 HK$'000
TURNOVER	4	**35,395**	26,396
COST OF SALES		**(48,387)**	(50,255)
GROSS LOSS		**(12,992)**	(23,859)
Other revenue	5	**620**	551
Other income	5	**9,912**	—
Selling and distribution costs		**(1,773)**	(3,963)
Administrative and operating expenses		**(30,714)**	(23,625)
LOSS FROM OPERATIONS		**(34,947)**	(50,896)
FINANCE COSTS	6(a)	**(5,299)**	(3,776)
GAIN ON DISPOSAL OF SUBSIDIARIES	28	**4,432**	—
LOSS BEFORE TAXATION	6	**(35,814)**	(54,672)
INCOME TAX	7(a)	**(5,287)**	—
LOSS FOR THE YEAR	10	**(41,101)**	(54,672)
Dividends		**—**	—
LOSS PER SHARE	11		
Basic		**(HK$0.32)**	(HK$0.95)
Diluted		**—**	—

The notes on pages 26 to 87 form part of these financial statements.

Consolidated Balance Sheet

As at 30 April 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,080**	6,267
Deferred costs	14	**—**	251
		1,080	6,518
CURRENT ASSETS			
Inventories	16	**—**	8,353
Trade and other receivables	17	**15,781**	5,111
Cash and cash equivalents	18	**15,728**	2,204
		31,509	15,668
CURRENT LIABILITIES			
Bank overdrafts, secured	18	**—**	3,001
Trade and other payables	19	**37,837**	26,718
Obligations under finance leases	20	**—**	302
Other borrowings, unsecured	21	**20,966**	42,217
Current taxation	22(a)	**5,287**	—
Convertible bonds	23	**1,279**	—
		(65,369)	(72,238)
NET CURRENT LIABILITIES		**(33,860)**	(56,570)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(32,780)**	(50,052)
NON-CURRENT LIABILITIES			
Convertible bonds	23	**(43,118)**	(2,409)
NET LIABILITIES		**(75,898)**	(52,461)
CAPITAL AND RESERVES	26(a)		
Share capital		**14,367**	6,395
Reserves		**(90,265)**	(58,856)
TOTAL EQUITY		**(75,898)**	(52,461)

Approved and authorised for issue by the board of directors on 25 August 2008

Ko Chun Shun, Johnson
Director

Wong Siu Kang
Director

The notes on pages 26 to 87 form part of these financial statements.

Balance Sheet

As at 30 April 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	15	**4,642**	—
CURRENT ASSETS			
Prepayments, deposits and other receivables		**97**	1,432
Cash and cash equivalents	18	**4,229**	4
		4,326	1,436
CURRENT LIABILITIES			
Other payables and accruals		**3,378**	4,509
Other borrowings, unsecured	21	**—**	42,217
Convertible bonds	23	**1,279**	—
		(4,657)	(46,726)
NET CURRENT LIABILITIES		**(331)**	(45,290)
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,311**	(45,290)
NON-CURRENT LIABILITIES			
Convertible bonds	23	**(43,118)**	(2,409)
NET LIABILITIES		**(38,807)**	(47,699)
CAPITAL AND RESERVES	26(b)		
Share capital		**14,367**	6,395
Reserves		**(53,174)**	(54,094)
TOTAL EQUITY		**(38,807)**	(47,699)

Approved and authorised for issue by the board of directors on 25 August 2008

Ko Chun Shun, Johnson
Director

Wong Siu Kang
Director

The notes on pages 26 to 87 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 April 2008

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Capital reserve HK$'000	Merger reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 May 2006	5,558	2,530	477	37,338	758	(339)	(44,353)	1,969
Shares issued upon conversions of convertible bonds *(note 23)*	837	1,925	—	(2,497)	—	—	—	265
Exchange difference on translation of financial statements of a subsidiary	—	—	—	—	—	(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)
At 1 May 2007	6,395	4,455	477	34,841	758	(362)	(99,025)	(52,461)
Equity component of convertible bonds issued *(note 23)*	—	—	—	9,766	—	—	—	9,766
Shares issued upon conversions of convertible bonds *(note 23)*	972	255	—	(1,110)	—	—	—	117
Shares issued under placement *(note 26(c)(ii))*	7,000	419	—	—	—	—	—	7,419
Exchange difference on translation of financial statements of a subsidiary	—	—	—	—	—	1,927	—	1,927
Reserve realised upon disposal of subsidiaries *(note 28)*	—	—	—	—	—	(1,565)	—	(1,565)
Loss for the year	—	—	—	—	—	—	(41,101)	(41,101)
At 30 April 2008	14,367	5,129	477	43,497	758	—	(140,126)	(75,898)

The notes on pages 26 to 87 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 30 April 2008

	2008 *HK$'000*	2007 *HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	**(35,814)**	(54,672)
Adjustments for:		
Depreciation of property, plant and equipment	**1,267**	2,564
Amortisation of deferred costs	**57**	201
Finance costs	**5,299**	3,776
Interest income	**(253)**	(26)
(Gain)/loss on disposal of property, plant and equipment	**(2,078)**	591
Property, plant and equipment written off	**3,661**	—
Deferred cost written off	**194**	24
Write down of inventories to net realisable value	**6,762**	7,066
Impairment loss on trade receivables	**1,809**	1,932
Waive of debt by former substantial shareholder	**(4,467)**	—
Gain on disposal of subsidiaries	**(4,432)**	—
Operating loss before working capital changes	**(27,995)**	(38,544)
Decrease in inventories	**1,591**	968
(Increase)/decrease in trade and other receivables	**(13,350)**	4,328
Increase in trade and other payables	**13,361**	4,635
	1,602	9,931
CASH USED IN OPERATIONS	**(26,393)**	(28,613)
Interest received	**253**	26
Interest paid	**(1,892)**	(2,431)
	(1,639)	(2,405)
NET CASH USED IN OPERATING ACTIVITIES	**(28,032)**	(31,018)

Consolidated Cash Flow Statement

For the year ended 30 April 2008

	2008 *HK$'000*	2007 *HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash outflow from disposal of subsidiaries	**(68)**	—
Purchase of property, plant and equipment	**(379)**	(472)
Sale of property, plant and equipment	**2,078**	65
Payment for deferred costs	**—**	(66)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	**1,631**	(473)
CASH FLOWS FROM FINANCING ACTIVITIES		
Share issue under placement	**7,419**	—
Convertible bonds issued	**51,600**	—
New loans raised	**28,366**	33,117
Repayment of loans	**(45,150)**	(3,050)
Capital element of finance leases repaid	**(302)**	(461)
NET CASH FROM FINANCING ACTIVITIES	**41,933**	29,606
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**15,532**	(1,885)
EFFECT OF FOREIGN CURRENCY TRANSLATION	**993**	(70)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**(797)**	1,158
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**15,728**	(797)
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**15,728**	2,204
Bank overdrafts — secured	**—**	(3,001)
	15,728	(797)

The notes on pages 26 to 87 form part of these financial statements.

Notes to the Financial Statements

For the year ended 30 April 2008

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. 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 2008 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 values as explained in the accounting policies set out below. For the purposes of presenting the consolidated financial statements, the Group adopted Hong Kong dollars as its presentation currency, which is also the functional currency of the Group.

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 2008. At the balance sheet date, the Group had consolidated net liabilities of approximately HK$75,898,000 and consolidated net current liabilities of approximately HK$33,860,000.

Notes to the Financial Statements

For the year ended 30 April 2008

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 2008, 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 Group's management has prepared a cash flow forecast for the eighteen months period ending 31 October 2009. Based on the cash flow forecast, the directors are of the opinion that the Group will be able to generate cash flows from its operations;

(ii) Mr. Ko Chun Shun, Johnson has committed to provide adequate funds for the Group to meet its liabilities as they fall due. Mr. Ko is the controlling shareholder of Prime Sun Group Limited ("Prime Sun"), the major shareholder of the Company; and

(iii) 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 2008

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 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 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 35.

(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 unrealised 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 any impairment losses (see note 2(g)).

Notes to the Financial Statements

For the year ended 30 April 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Property, plant and equipment

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

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 proceeds on disposal and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Leasehold improvements	Over the term of the relevant lease
Plant and machinery	5 years
Furniture, fixtures and equipment	5 years
Moulds	5 years
Motor vehicles	5 years

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

(e) 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 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) 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 held by 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 fixed assets 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 Company or Group will obtain ownership of the asset, the life of the asset, as set out in note 2(d). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(g). Finance charges implicit in the lease payments are charged to profit or loss 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.

(iii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss 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 profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

Notes to the Financial Statements

For the year ended 30 April 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets

(i) Impairment of receivables

Receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss for receivables carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the 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. This assessment is made collectively where the assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for these assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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 profit or loss. 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 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets *(Continued)*

(i) Impairment of receivables (Continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(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:

— property, plant and equipment;
— intangible assets; and
— investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

— *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).

Notes to the Financial Statements

For the year ended 30 April 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Impairment of assets *(Continued)*

(ii) Impairment of other assets *(Continued)*

— *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 to reduce the carrying amount of the 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.

— *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(g)(i) and (ii)).

(h) 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.

Notes to the Financial Statements

For the year ended 30 April 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Inventories *(Continued)*

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.

(i) Debtors, other receivables, deposits and prepayments

Debtors, other receivables, deposits and prepayments are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment losses for bad and doubtful debts (see note 2(g)).

(j) Interest-bearing 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 profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(k) Convertible bonds

Convertible bonds 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 bonds 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.

Notes to the Financial Statements

For the year ended 30 April 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Convertible bonds *(Continued)*

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 bond is converted or redeemed.

If the bond 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 bond is redeemed, the capital reserve is released directly to retained profits.

(l) Creditors

Creditors, other payables and accrued expenses are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(m) 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.

(n) Employee benefits

(i) Short term employee benefits and contributions to defined contribution plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Notes to the Financial Statements

For the year ended 30 April 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Employee benefits *(Continued)*

(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 share 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 under 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).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(o) 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 profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Notes to the Financial Statements

For the year ended 30 April 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax *(Continued)*

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.

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 that 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 goodwill not deductible for tax purposes, 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 date. Deferred tax assets and liabilities are not discounted.

Notes to the Financial Statements

For the year ended 30 April 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Income tax *(Continued)*

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.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

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 realise 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 realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(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.

Notes to the Financial Statements

For the year ended 30 April 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(p) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(i) Financial guarantees issued *(Continued)*

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss 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 (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables 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 Group or the Company 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 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) 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 profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customers has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts;

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in income statement in equal instalments over the period covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased assets. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned; and

(iii) Interest income

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

(r) 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 profit or loss.

Non-monetary assets and liabilities 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 foreign operations 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.

Notes to the Financial Statements

For the year ended 30 April 2008

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Borrowing costs

Borrowing costs are expensed in profit or loss 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.

(t) Related parties

For the purposes of these financial statements, parties are 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.

Notes to the Financial Statements

For the year ended 30 April 2008

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 purpose 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 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.

Notes to the Financial Statements

For the year ended 30 April 2008

3. CHANGES IN ACCOUNTING POLICIES

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

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments: Disclosures* and the amendment to HKAS 1, *Presentation of financial statements: Capital disclosures*, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments: Disclosure and presentation*. These disclosures are provided throughout these financial statements, in particular in note 27.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 26(f).

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 36).

Notes to the Financial Statements

For the year ended 30 April 2008

4. TURNOVER

The principal activities of the Group are manufacturing and trading of electrical products, adaptors and transformers and other products.

Turnover represents the sales value of goods supplied to customers. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2008	2007
	HK$'000	*HK$'000*
Sales of:		
Electrical products	**30,828**	10,503
Adaptors and transformers	**2,007**	14,672
Other products	**2,560**	1,221
	35,395	26,396

5. OTHER REVENUE AND OTHER INCOME

	2008	2007
	HK$'000	*HK$'000*
Other revenue		
Interest income	**253**	26
Others	**367**	525
	620	551
Other income		
Waive of debt and interest by former substantial shareholder *(note 21(a))*	**7,834**	—
Gain on disposal of property, plant and equipment	**2,078**	—
	9,912	—

Notes to the Financial Statements

For the year ended 30 April 2008

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting) the following

	2008 HK$'000	2007 HK$'000
(a) Finance costs:		
Interest on bank advances wholly repayable within five years	**224**	640
Interest on other borrowings wholly repayable within five years	**5,045**	3,079
Finance charges on obligations under finance leases	**30**	57
Total interest expense on financial liabilities not at fair value through profit or loss	**5,299**	3,776
(b) Staff costs (including directors' remuneration):		
Contributions to defined contribution retirement plans	**138**	440
Salary, wages and other benefits	**8,038**	20,534
	8,176	20,974
(c) Other items:		
Auditor's remuneration	**560**	453
Cost of inventories sold	**33,649**	28,474
Depreciation		
— owned assets	**1,192**	2,388
— assets held under finance leases	**75**	176
Operating leases in respect of land and buildings	**2,503**	6,423
Less: Sub-letting income	**—**	(420)
	2,503	6,003
Amortisation of deferred costs	**57**	201
Impairment loss on trade receivables	**15,878**	1,932
(Gain)/loss on disposal of property, plant and equipment	**(2,078)**	591
Deferred costs written off	**194**	24
Write down of inventories to net realisable value	**6,762**	7,066
Net foreign exchange loss	**886**	339
Property, plant and equipment written off	**3,661**	—

Notes to the Financial Statements

For the year ended 30 April 2008

7. INCOME TAX

(a) Income tax in the consolidated income statement represents:

	2008	2007
	HK$'000	*HK$'000*
Under provision in respect of prior years		
Hong Kong	**5,287**	—

No provision for Hong Kong profits tax has been made in the financial statements as the Group did not have any assessable profits for the years ended 30 April 2008 and 2007.

The amount represents under-provision of Hong Kong profits tax in the book of a major operating subsidiary for the year of assessment 2001/02. During the year, the IRD has issued an additional assessment for this subsidiary on the reason that manufacturing services fee and management fee paid by this subsidiary to several group companies for the year ended 30 April 2001 should be disallowable.

On 27 February 2008, the Financial Secretary of the Government of Hong Kong Special Administrative Region announced the 2008-09 Budget which proposes the corporation profits tax rate will be lowered from 17.5% to 16.5% with effect from the year of assessment 2008-09 and an one-off reduction of 75% of the final tax for the year of assessment 2007-08 subject to a ceiling of HK$25,000 for each company.

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 up to the date of disposal (2007: HK$Nil).

Notes to the Financial Statements

For the year ended 30 April 2008

7. INCOME TAX *(Continued)*

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	2008	2007
	HK$'000	*HK$'000*
Loss before taxation	**(35,814)**	(54,672)
Tax at the applicable tax rate of 16.5% (2007: 17.5%)	**(5,909)**	(9,568)
Tax effect of non-deductible expenses	**4,694**	3,395
Tax effect on non-taxable income	**(3,081)**	—
Tax effect of deferred tax assets not recognised	**3,955**	6,560
Effect of different tax rates of the subsidiary operating in other jurisdiction	**—**	(387)
Under provision in prior years	**5,287**	—
Tax effect of temporary timing difference	**341**	—
Tax charge for the year	**5,287**	—

(c) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("New Tax Law") which took effect on 1 January 2008 whereby PRC income tax rate was unified to 25% for all enterprises.

The State Council of the PRC passed an implementation guidance note ("Implementation Guidance") on 26 December 2007, which sets out details of how existing preferential income tax rates will be adjusted to the standard rate of 25%. According to the Implementation Guidance, certain PRC enterprises of the Group which have not fully utilised their five-year tax holiday will be allowed to continue to receive benefits of the full exemption from a reduction in income tax rate until expiry of the tax holiday, after which, the 25% standard rate will apply.

Pursuant to the Notice on the Implementation Rules for Grandfathering Relief under the New Tax Law ("Notice 39") issued by The State Council on 26 December 2007, effective from 1 January 2008, the existing preferential income tax rate of 15% pertaining to certain enterprises of the Group established in the PRC will gradually transit to the applicable tax rate of 25%.

The enactment of the New Tax Law is not expected to have a significant impact on the results of operations and financial position of the Group as at 30 April 2008 as the only PRC subsidiary was disposed during the year.

Notes to the Financial Statements

For the year ended 30 April 2008

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

For the year ended 30 April 2008

	Notes	Directors' fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Retirement scheme contributions *HK$'000*	Total *HK$'000*
Executive directors					
Ko Chun Shun, Johnson	*(i)*	—	400	—	400
Wong Siu Kang	*(i)*	—	120	—	120
Lo Wai Shing, Felix	*(ii)*	—	332	4	336
Lau Kevin	*(ii)*	—	236	4	240
Leung Wai Kuen, Cerene	*(iii)*	—	129	3	132
Independent non-executive directors					
Tang Ho Sum	*(i)*	—	111	—	111
Yuen Kin	*(i)*	—	111	—	111
Liu Tsun Kie	*(i)*	—	111	—	111
Yeong Yun Hong, Gary	*(iii)*	—	33	2	35
Chu Chin Fan	*(iii)*	—	33	2	35
Yan Po Kwan	*(iii)*	—	33	2	35
		—	1,649	17	1,666

Notes to the Financial Statements

For the year ended 30 April 2008

8. DIRECTORS' REMUNERATION *(Continued)*

For the year ended 30 April 2007

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

Notes:

(i) appointed on 23 July 2007

(ii) resigned on 28 August 2007

(iii) resigned on 10 August 2007

There was no amount paid during the years ended 30 April 2008 and 2007 to any directors of the Company as inducement to join or upon joining the Group or as compensation for loss of office. There was no any arrangement under which a director waived or agreed to waive any remuneration during the years ended 30 April 2008 and 2007.

As at 30 April 2008, no share options (2007: 102,400 share options) were held by the directors under the Company's share option scheme. The details of the share options are disclosed under the paragraph "Share option" in the report of the directors and note 25.

Notes to the Financial Statements

For the year ended 30 April 2008

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2007: three) were directors of the Company whose emoluments are included in the disclosures in note 8 above. The emolument of the remaining two (2007: two) individuals were as follows:

	2008	2007
	HK$'000	*HK$'000*
Salaries and other benefit	**290**	937
Contribution to retirement benefits scheme	**8**	11
	298	948

The emoluments were all within HK$1,000,000.

There was no amount paid during the years ended 30 April 2008 and 2007 to the five highest paid employees as inducement to join or upon joining the Group or as compensation for loss of office.

10. LOSS FOR THE YEAR

The consolidated loss for the year includes a loss of HK$8,410,000 (2007: HK$30,301,000) which has been dealt with in the financial statements of the Company.

Notes to the Financial Statements

For the year ended 30 April 2008

11. 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$41,101,000 (2007: HK$54,672,000) and the weighted average number of 128,125,189 ordinary shares (2007: 57,402,368 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares:

	2008	2007
Issued ordinary shares at 1 May	**63,947,156**	55,578,985
Effect of issuance of shares under placement	**56,803,279**	—
Effect of issuance of shares upon conversions of convertible bonds	**7,374,754**	1,823,383
Weighted average number of ordinary shares at 30 April	**128,125,189**	57,402,368

(b) Diluted loss per share

Diluted loss per share for the years ended 30 April 2008 and 2007 have not been disclosed as the potential ordinary shares outstanding during the year had an anti-dilutive effect on the basic loss per share for the year.

12. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

(a) Electrical products: the manufacture and trading of electrical products.

(b) Adaptor and transformers: the manufacture and trading of adaptors and transformers.

(c) Other products: the manufacture and trading of other products.

Notes to the Financial Statements

For the year ended 30 April 2008

12. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

	Electrical products		Adaptors and transformers		Other products		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover – external	**30,828**	10,503	**2,007**	14,672	**2,560**	1,221	**35,395**	26,396
Segment results	**(3,919)**	(7,102)	**(8,556)**	(11,181)	**(1,907)**	(5,661)	**(14,382)**	(23,944)
Interest income							**253**	26
Unallocated corporate expenses							**(20,818)**	(26,978)
Operating loss							**(34,947)**	(50,896)
Finance costs							**(5,299)**	(3,776)
Gain on disposal of subsidiaries							**4,432**	—
Income tax							**(5,287)**	—
Loss for the year							**(41,101)**	(54,672)

Notes to the Financial Statements

For the year ended 30 April 2008

12. SEGMENT INFORMATION *(Continued)*

Business segments *(Continued)*

	Electrical products		Adaptors and transformers		Other products		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
OTHER INFORMATION								
Amortisation of deferred costs	**25**	86	**25**	105	**7**	10	**57**	201
Capital expenditure	**379**	—	**—**	538	**—**	—	**379**	538
Depreciation	**629**	1,089	**601**	1,206	**37**	269	**1,267**	2,564
(Gain)/ loss on disposal of property, plant and equipment	**—**	—	**—**	—	**(2,078)**	591	**(2,078)**	591
Write down of inventories to net realisable value	**—**	—	**6,762**	5,770	**—**	1,296	**6,762**	7,066
Impairment loss on trade receivables	**868**	—	**619**	1,932	**14,391**	—	**15,878**	1,932
Deferred cost written off	**—**	—	**—**	—	**194**	24	**194**	24
Property, plant and equipment written off	**—**	—	**3,281**	—	**380**	—	**3,661**	—
ASSETS								
Segment assets	**15,863**	7,072	**2,102**	7,571	**211**	2,161	**18,176**	16,804
Unallocated corporate assets							**14,413**	5,382
Consolidated total assets							**32,589**	22,186
LIABILITIES								
Segment liabilities	**19,540**	8,756	**18,791**	10,814	**137**	999	**38,468**	20,569
Unallocated corporate liabilities							**70,019**	54,078
Consolidated total liabilities							**108,487**	74,647

Notes to the Financial Statements

For the year ended 30 April 2008

12. SEGMENT INFORMATION *(Continued)*

Geographical segments

The Group's customers are principally located in Japan, the People's Republic of China (the "PRC"), North America and Europe.

In presenting information on the basis of geographical segments, segments revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

	Japan		North America		PRC, including Hong Kong		Europe		Others		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue from external customer	**1,627**	5,838	**356**	7,422	**32,299**	10,035	**1,113**	3,048	**—**	53	**35,395**	26,396
Carrying amount of segment assets	**—**	—	**—**	—	**32,589**	22,186	**—**	—	**—**	—	**32,589**	22,186
Addition to property, plant and equipment and deferred costs	**—**	—	**—**	—	**379**	538	**—**	—	**—**	—	**379**	538

Notes to the Financial Statements

For the year ended 30 April 2008

13. PROPERTY, PLANT AND EQUIPMENT

	The Group					
	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Moulds *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost						
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 adjustments	5	46	7	57	—	115
At 30 April 2007	15,597	69,272	15,504	11,858	2,089	114,320
At 1 May 2007	15,597	69,272	15,504	11,858	2,089	114,320
Additions	379	—	—	—	—	379
Disposals	—	(15,301)	—	—	—	(15,301)
Written off	(15,451)	(954)	(4,587)	(1,179)	—	(22,171)
Disposal of subsidiaries *(note 28)*	(147)	(2,867)	(721)	(392)	(2,089)	(6,216)
Exchange adjustments	1	6	—	7	—	14
At 30 April 2008	379	50,156	10,196	10,294	—	71,025
Accumulated depreciation						
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 adjustments	2	46	7	13	—	68
At 30 April 2007	11,899	68,000	15,317	11,312	1,525	108,053
At 1 May 2007	11,899	68,000	15,317	11,312	1,525	108,053
Provided for the year	614	380	101	97	75	1,267
Written back on disposals	—	(15,301)	—	—	—	(15,301)
Written off	(12,272)	(954)	(4,533)	(751)	—	(18,510)
Disposal of subsidiaries *(note 28)*	(147)	(2,738)	(721)	(366)	(1,600)	(5,572)
Exchange adjustments	—	6	—	2	—	8
At 30 April 2008	94	49,393	10,164	10,294	—	69,945
Net book value						
At 30 April 2008	285	763	32	—	—	1,080
At 30 April 2007	3,698	1,272	187	546	564	6,267

Notes to the Financial Statements

For the year ended 30 April 2008

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:

	2008	2007
	HK$'000	*HK$'000*
Motor vehicles	—	564

14. DEFERRED COSTS

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Cost		
At 1 May	**11,842**	11,846
Additions	—	66
Written off	**(11,770)**	(70)
Disposal of subsidiaries *(note 28)*	**(72)**	—
At 30 April	—	11,842
Amortisation and impairment		
At 1 May	**11,591**	11,436
Provided for the year	**57**	201
Written off	**(11,576)**	(46)
Disposal of subsidiaries *(note 28)*	**(72)**	—
At 30 April	—	11,591
Net book values		
At 30 April	—	251

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

Notes to the Financial Statements

For the year ended 30 April 2008

15. INTERESTS IN SUBSIDIARIES

	The Company	
	2008	2007
	HK$'000	*HK$'000*
Unlisted shares, at cost	**—**	106,167
Less: Impairment loss	**—**	(106,167)
	—	—
Amounts due from subsidiaries	**74,384**	293,068
Less: allowance for doubtful debts *(note (b))*	**(66,927)**	(293,068)
	7,457	—
Amounts due to subsidiaries	**(2,815)**	—
	4,642	—

Notes:

(a) The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	**Place of incorporation and operations**	**Particulars of issued capital**	**Proportion of ownership interest held by the Company directly**	**Principal activities**
Mei Ah Electrical Industry (HK) Limited	Hong Kong *(note i)*	HK$90 Non-voting deferred HK$1,000,000 *(note ii)*	100%	Manufacture sale of transformers adaptors and other electrical products
Silver Pearl International Limited	Hong Kong *(note i)*	HK$1	100%	Trading of electrical products

(i) The companies are registered as private limited companies.

(ii) 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 2008

15. INTERESTS IN SUBSIDIARIES *(Continued)*

Notes: (Continued)

(b) Movement in the allowance for doubtful debts

	Company	
	2008	2007
	HK$'000	*HK$'000*
At 1 May	**293,068**	272,432
Impairment losses recognised	**7,910**	20,802
Amount reversed during the year	**—**	(166)
Disposal of subsidiaries	**(234,051)**	—
At 30 April	**66,927**	293,068

(c) After considering the profitability, financial positions, cash flows and future prospects of these subsidiaries, the directors considered that it was appropriate to make impairment on amounts due from the subsidiaries. The recoverable amount of the investment in subsidiaries based upon which impairment loss is arrived at its value in use and is determined using discounted cash flows. The discount rate used is 11%, which is determined with reference to the borrowing rates of the Group as at balance sheet date.

(d) Amounts due from/(to) subsidiaries are unsecured, interest free and not expected to be recovered/settled within one year.

16. INVENTORIES

(a) Inventories in the consolidated balance sheet comprise:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Raw materials	**—**	2,441
Work in progress	**—**	2,635
Finished goods	**—**	3,277
	—	8,353

Upon the disposal of subsidiaries during the year as set out in note 28, the Group has no inventories as at 30 April 2008.

Notes to the Financial Statements

For the year ended 30 April 2008

16. INVENTORIES *(Continued)*

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

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Carrying amount of inventories sold	**33,649**	21,408
Write-down of inventories	**6,762**	7,066
	40,411	28,474

17. TRADE AND OTHER RECEIVABLES

		The Group	
	Note	**2008**	2007
		HK$'000	*HK$'000*
Trade receivables		**20,306**	7,132
Less: allowance for doubtful debts		**(7,008)**	(5,199)
	(a)	**13,298**	1,933
Prepayments, deposits and other receivables		**2,483**	3,178
		15,781	5,111

All of the trade and other receivables, apart from rental and other deposits, are expected to be recovered or recognised as expense within one year.

Notes to the Financial Statements

For the year ended 30 April 2008

17. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis

Trade receivables are generally granted with credit terms ranging from 0 to 90 days. Included in trade and other receivables are trade receivables net of allowance for doubtful debts of HK$7,008,000 (2007: HK$5,199,000) with the following ageing analysis as of the balance sheet date:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
0 – 90 days	**13,298**	1,456
91 – 180 days	**—**	69
Over 180 days	**—**	408
	13,298	1,933

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 2(g)).

Movements in the allowance for doubtful debts

	The Group	
	2008	2007
	HK$'000	*HK$'000*
At 1 May	**5,199**	3,812
Impairment loss recognised	**15,878**	1,954
Reversal of impairment loss	**(288)**	(21)
Uncollectible amounts written off	**—**	(546)
Disposal of subsidiaries	**(13,781)**	—
At 30 April	**7,008**	5,199

At 30 April 2008, the Group's trade receivables of HK$7,008,000 (2007: HK$5,199,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of HK$15,878,000 (2007: HK$1,954,000) were recognised. The Group does not hold any collateral over these balances.

Notes to the Financial Statements

For the year ended 30 April 2008

17. TRADE AND OTHER RECEIVABLES *(Continued)*

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Neither past due nor impaired	**13,298**	1,456
Less than 1 month past due	**—**	—
1 to 3 months past due	**—**	—
Over 3 months past due	**—**	477
	13,298	1,933

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Notes to the Financial Statements

For the year ended 30 April 2008

18. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Deposits with banks	**3,653**	—	**3,653**	—
Cash at bank and on hand	**12,075**	2,204	**576**	4
Cash and cash equivalents in the consolidated balance sheet	**15,728**	2,204	**4,229**	4
Bank overdraft, secured	**—**	(3,001)	**—**	—
Cash and cash equivalents in the consolidated cashflow statement	**15,728**	(797)	**4,229**	4

Bank overdraft was secured by (a) a personal guarantee given by a former executive director of the Company Mr. Lo Wai Shing, Felix and his elder brother, Mr. Lo Kit Shing, Steven; and (b) a corporate guarantee given by the Company.

19. TRADE AND OTHER PAYABLES

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Trade payables	**32,478**	6,781
Bills payable, secured	**—**	6,149
Other payables and accruals	**5,359**	12,782
Due to a related company	**—**	1,006
	37,837	26,718

Bills payable was secured by (a) a personal guarantee given by a former executive director of the Company, Mr. Lo Wai Shing, Felix and his elder brother, Mr. Lo Kit Shing Stephen; and (b) a corporate guarantee given by the Company.

Notes to the Financial Statements

For the year ended 30 April 2008

19. TRADE AND OTHER PAYABLES *(Continued)*

The amount due to a related company was unsecured, non-interest bearing and had no fixed terms of repayment.

All of the trade and other payables are expected to be settled within one year.

An ageing analysis of trade payables as at the balance sheet date is as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
0 – 90 days	**19,540**	2,110
91 – 180 days	**—**	355
Over 180 days	**12,938**	4,316
	32,478	6,781

20. OBLIGATIONS UNDER FINANCE LEASES

At 30 April 2008, the Group had obligations under finance leases repayable as follows:

	The Group			
	Minimum lease payments		**Present value of minimum lease payments**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**—**	332	**—**	302
In the second to fifth years	**—**	—	**—**	—
	—	332	**—**	302
Less: total future finance charges	**—**	(30)	**—**	—
Present value of lease obligations	**—**	302	**—**	302

Notes to the Financial Statements

For the year ended 30 April 2008

21. OTHER BORROWINGS, UNSECURED

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Interest-bearing *(note a)*	**—**	42,067	**—**	42,067
Non-interest bearing	**20,966**	150	**—**	150
	20,966	42,217	**—**	42,217

At 30 April 2008, the unsecured other borrowings were repayable as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within 1 year or on demand	**20,966**	42,217	**—**	42,217

(a) The interest rate on unsecured other borrowings from a former substantial shareholder is charged on the outstanding balance at 10.75% to 11% (2007: 8% to 11%) per annum.

During the year, the former substantial shareholder waived the repayment of outstanding borrowings (together with accrued interest) of HK$7,834,000 (2007: HK$Nil) and the Company settled HK$45,000,000 by using the proceeds from issue of shares (note 26 (c)(ii)) and convertible bonds (note 23(b)) as full settlement of the borrowings.

22. INCOME TAX

(a) Current taxation in the consolidated balance sheet represents:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Under provision for prior year		
— Hong Kong profits tax	**5,287**	—

Notes to the Financial Statements

For the year ended 30 April 2008

22. INCOME TAX *(Continued)*

(b) Deferred tax assets and liabilities recognised:

The Group

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Depreciation allowances in excess of related depreciation *HK$'000*	Deferred tax assets *HK$'000*	Tax losses *HK$'000*	Total *HK$'000*
Deferred tax arising from:				
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)	—
At 1 May 2007	564	44	(608)	—
(Credited)/charged to consolidated income statement for the year	(564)	(44)	608	—
At 30 April 2008	—	—	—	—

(c) Deferred tax assets not recognised

At the balance sheet date, the Group has unused tax losses of HK$112,112,000 (2007: HK$103,320,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams.

Notes to the Financial Statements

For the year ended 30 April 2008

23. CONVERTIBLE BONDS

(a) 4.5% coupon convertible bonds due 2009 (the "4.5% Bonds").

On 3 March 2006, the Company issued 4.5% coupon convertible bonds (the "4.5% 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.

During the year ended 30 April 2008, an aggregate principal amount of HK$1,227,700 (2007: HK$2,761,000) of this 4.5% Bonds were converted into the Company's new ordinary shares.

Interest expense on the 4.5% Bonds is calculated using the effective interest method by applying the effective interest rate of 19.32% per annum to the liability component of 4.5% Bonds.

(b) 5% coupon convertible bonds due 2012 (the "5% Bonds").

On 17 July 2007, the Company issued 5% coupon convertible bonds (the "5% Bonds") with an aggregate principal amount of HK$51,600,000 and a maturity date of 16 July 2012. The bondholders have the right to convert their bonds into the Company's new ordinary shares at any time from the date of issue to the seventh day prior to the date of maturity at an initial conversion price of HK$0.12 per ordinary share (subject to adjustment). On the maturity date, the Company shall repay to the holder of the 5% Bonds 100% of the principal amount of the outstanding convertible bonds held by the bondholders together with all accrued coupon.

Since the date of issue up to 30 April 2008, no 5% Bonds was converted into the Company's new ordinary shares.

Interest expense on the 5% Bonds is calculated using the effective interest method by applying the effective rate of 9.9% per annum to the liability component of the 5% Bonds.

Notes to the Financial Statements

For the year ended 30 April 2008

23. CONVERTIBLE BONDS *(Continued)*

(c) Both 4.5% Bonds and 5% Bonds were split into liability and equity components upon initial recognition by recognising the liability component at their fair value and attributing to the equity component the residual amount. The liability component is subsequently carried at amortised cost while the equity component is recognised in the capital reserve.

The movement of the liability component of the convertible bonds for the years is set out as below:

	The Group and the Company		
	4.5% Bonds	**5% Bonds**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Liability component at 1 May 2006	3,776	—	3,776
Conversion into shares	(265)	—	(265)
Accrued interest capitalised	(1,102)	—	(1,102)
Liability component at 30 April 2007	2,409	—	2,409
Proceeds from issue of 5% Bonds	—	51,600	51,600
Equity component	—	(9,766)	(9,766)
Liability component on initial recognition	—	41,834	41,834
Conversion into shares	(117)	—	(117)
Accrued interest capitalised	(1,013)	1,284	271
Liability component at 30 April 2008	1,279	43,118	44,397
Analysed for reporting purpose as:			
Current liability	1,279	—	1,279
Non-current liability	—	43,118	43,118
	1,279	43,118	44,397

Notes to the Financial Statements

For the year ended 30 April 2008

24. 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$138,000 (2007: HK$440,000) were charged to the income statement. As at 30 April 2008, contribution of approximately HK$Nil (2007: HK$9,000) due in respect of the reporting period had not been paid over the schemes.

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS

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) ("Qualified Persons") 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.

Pursuant to this 10-year term New Scheme, the Company can grant options to the Qualified Persons for a consideration of HK$1.00 for each grant payable by the Qualified Persons. The total number of the shares issued and to be issued upon exercise of the options granted to each Qualified Person (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares then in issue. Pursuant to a resolution passed on the annual general meeting of the Company, dated 30 October 2007, the Company can grant up to 14,366,836 share options to the Qualified Persons.

Notes to the Financial Statements

For the year ended 30 April 2008

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

Subscription price in relation to each option pursuant to the New Scheme shall be not less than the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date on which the option is offered to a Qualified Person; or (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 trading days immediately preceding the date of offer; or (iii) the nominal value of the shares. There shall be no minimum holding period for the vesting or exercise of the options but the options are exercisable within the option period as determined by the Board of directors of the Company.

The Company did not grant any share options under the New Scheme during the year.

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 2007

	Number of options							
Date of grant	Outstanding at 1/5/2006	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 30/4/2007	Exercise price per share after adjustment on 13/2/2006# HK$	Exercise price per share 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
(b) Employees in aggregate								
18/2/2000	800	–	–	–	800	27.0	16.9	18/2/2000 to 9/11/2008
3/7/2000	7,200	–	–	–	7,200	13.5	8.4	3/7//2000 to 9/11/2008
5/7/2000	3,840	–	–	(160)	3,680	13.5	8.4	5/7/2000 to 9/11/2008
	11,840	–	–	(160)	11,680			
	114,240	–	–	(160)	114,080			

Notes to the Financial Statements

For the year ended 30 April 2008

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

For the year ended 30 April 2008

	Number of options								
Date of grant	Outstanding at 1/5/2007	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year*	Outstanding at 30/4/2008	Exercise price per share after adjustment on 13/2/2006# *HK$*	Exercise price per share after adjustment on 28/3/2006## *HK$*	Exercisable period
(a) An executive Director Mr. Lau Kevin (Resigned on 28 August 2007)									
24/6/2000	102,400	—	—	—	(102,400)	—	13.5	8.4	24/6/2000 to 9/11/2008
(b) Employees in aggregate									
18/2/2000	800	—	—	—	(800)	—	27.0	16.9	18/2/2000 to 9/11/2008
3/7/2000	7,200	—	—	—	(7,200)	—	13.5	8.4	3/7/2000 to 9/11/2008
5/7/2000	3,680	—	—	(1,280)	(2,400)	—	13.5	8.4	5/7/2000 to 9/11/2008
	11,680	—	—	(1,280)	(10,400)	—			
	114,080	—	—	(1,280)	(114,000)	—			

Notes to the Financial Statements

For the year ended 30 April 2008

25. EQUITY SETTLED SHARE-BASED TRANSACTIONS *(Continued)*

Note:

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.

* In July 2007, Prime Sun Group Limited ("Prime Sun"), the major shareholder of the Company made the General Offer pursuant to the Takeovers Code to the shareholders, the holders of existing convertible bonds and the holders of share option. The detail of this is disclosed in the circular of the Company dated 20 July 2007. Prime Sun offers to pay HK$0.01 per share option in cash to the option holders in consideration of the cancellation of all the rights of the option holders in respect of such share options ("Option Offer"). On 13 August 2007, Prime Sun received acceptance from all the remaining option holders under the Option Offer.

No share options were outstanding at 30 April 2008. The share options outstanding at 30 April 2007 had an exercise price of HK$8.4 and a weighted average remaining contractual life of 1.53 years.

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

Notes to the Financial Statements

For the year ended 30 April 2008

26. CAPITAL AND RESERVES

(a) The Group

	Share capital *HK$'000*	Share premium *HK$'000*	Capital redemption reserve *HK$'000*	Capital reserve *HK$'000*	Merger reserve *HK$'000*	Translation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 May 2006	5,558	2,530	477	37,338	758	(339)	(44,353)	1,969
Shares issued upon conversions of convertible bonds *(note 23)*	837	1,925	—	(2,497)	—	—	—	265
Exchange difference on translation of financial statements of a subsidiary	—	—	—	—	—	(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)
At 1 May 2007	6,395	4,455	477	34,841	758	(362)	(99,025)	(52,461)
Equity component of convertible bonds issued *(note 23)*	—	—	—	9,766	—	—	—	9,766
Shares issued upon conversions of convertible bonds *(note 23)*	972	255	—	(1,110)	—	—	—	117
Shares issue under placement *(note 26 (c) (ii))*	7,000	419	—	—	—	—	—	7,419
Exchange difference on translation of financial statements of a subsidiary	—	—	—	—	—	1,927	—	1,927
Reserve realised upon disposal of subsidiaries *(note 28)*	—	—	—	—	—	(1,565)	—	(1,565)
Loss for the year	—	—	—	—	—	—	(41,101)	(41,101)
At 30 April 2008	14,367	5,129	477	43,497	758	—	(140,126)	(75,898)

Notes to the Financial Statements

For the year ended 30 April 2008

26. CAPITAL AND RESERVES *(Continued)*

(b) The Company

	Share capital	Share premium	Capital redemption reserve	Capital reserve	Contributed surplus	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 May 2006	5,558	24,414	477	37,338	23,058	(108,508)	(17,663)
Shares issued upon conversions of convertible bonds	837	1,925	—	(2,497)	—	—	265
Loss for the year	—	—	—	—	—	(30,301)	(30,301)
At 30 April 2007	6,395	26,339	477	34,841	23,058	(138,809)	(47,699)
At 1 May 2007	6,395	26,339	477	34,841	23,058	(138,809)	(47,699)
Equity component of convertible bonds issued	—	—	—	9,766	—	—	9,766
Shares issued upon conversions of convertible bonds	972	255	—	(1,110)	—	—	117
Shares issued under placement *(note 26 (c) (ii))*	7,000	419	—	—	—	—	7,419
Loss for the year	—	—	—	—	—	(8,410)	(8,410)
At 30 April 2008	14,367	27,013	477	43,497	23,058	(147,219)	(38,807)

Notes to the Financial Statements

For the year ended 30 April 2008

26. CAPITAL AND RESERVES *(Continued)*

(c) Share Capital

Authorized and issued share capital

	2008		2007	
	No. of shares	***HK$'000***	*No. of shares*	*HK$'000*
Authorized:				
Ordinary shares of HK$0.1 each	**2,000,000,000**	**200,000**	2,000,000,000	200,000
Ordinary share, issued and fully paid:				
At 1 May	**63,947,156**	**6,395**	55,578,985	5,558
Shares issued under exercise of convertible bonds	**9,721,209**	**972**	8,368,171	837
Shares issued under placement	**70,000,000**	**7,000**	—	—
At 30 April	**143,668,365**	**14,367**	63,947,156	6,395

During the year, the Company had the following movements in the share capital:

(i) During the year, a total of 9,721,000 ordinary shares per value HK$0.1 each of the Company were issued as a result of the conversions of 4.5% convertible bond with an aggregate principal amount of HK$1,228,000.

(ii) Shares issued under placement

On 20 April 2007, the Company had entered into the subscription agreement with Prime Sun (as amended by a supplemented 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. The new ordinary shares of HK$0.1 each were issued on 16 July 2007.

The holder of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Notes to the Financial Statements

For the year ended 30 April 2008

26. CAPITAL AND RESERVES *(Continued)*

(d) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by the Companies Act 1981 of Bermuda.

(ii) Capital reserve

The capital reserve of the Group represents the value of the unexercised equity component of convertible bonds issued by the Group recognised in accordance with the accounting policy adopted for convertible bonds in note 2(k).

(iii) Merger reserve

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.

(iv) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(r).

(v) Contributed surplus

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.

(e) Distributability of reserve

At 30 April 2008, the Company has no reserve available for distribution to shareholders.

Notes to the Financial Statements

For the year ended 30 April 2008

26. CAPITAL AND RESERVES *(Continued)*

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Consistent with others in the industry, the Group monitors capital on the basis of a net debt to equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated balance sheet, plus net debt.

The net debt to equity ratio did not apply as at 30 April 2008 and 2007 as the Group had total deficit for both years. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce existing debts.

Notes to the Financial Statements

For the year ended 30 April 2008

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include borrowings, trade receivable and trade payables. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, liquidity risk, interest rate risk and currency risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

(i) As at 30 April 2008, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet after deducting any impairment allowance.

(ii) In respect of trade and other receivables, in order to minimize risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its customers' financial position and condition is performed on each and every major customer periodically. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group does not require collateral in respect of its financial assets. Debts are usually due within 90 days from the date of billing.

(iii) In respect of trade receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the balance sheet date, the Group had a certain concentration risk as approximately 54% (2007: Nil) of the total trade and other receivables was due from a major customer of the Group.

(iv) The credit risk on liquid funds is limited because the counterparties are banks with high credit rating assigned by international credit-rating agencies. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 17.

(v) As set out in note 32, the financial guarantees given by the Company in 2007 was terminated in 2008.

Notes to the Financial Statements

For the year ended 30 April 2008

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to satisfy its contractual and reasonably foreseeable obligations as they fall due.

The following tables set out the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company required to pay:

The Group

	2008						2007					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Bank overdrafts	–	–	–	–	–	–	3,001	–	–	–	3,001	3,001
Other borrowings	20,966	–	–	–	20,966	20,966	42,217	–	–	–	42,217	42,217
Trade and other payables	37,837	–	–	–	37,837	37,837	26,718	–	–	–	26,718	26,718
Obligations under finance leases	–	–	–	–	–	–	302	–	–	–	302	302
Convertible bonds	1,279	2,580	59,340	–	63,199	44,397	–	2,876	–	–	2,876	2,409
	60,082	2,580	59,340	–	122,002	103,200	72,238	2,876	–	–	75,114	74,647

Notes to the Financial Statements

For the year ended 30 April 2008

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(b) Liquidity risk *(Continued)*

The Company

	2008						2007					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total contractual undiscounted cash flow	Carrying amount
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other payables and accruals	3,378	–	–	–	3,378	3,378	4,509	–	–	–	4,509	4,509
Other borrowings	–	–	–	–	–	–	42,217	–	–	–	42,217	42,217
Convertible bonds	1,279	2,580	59,340	–	63,199	44,397	–	2,876	–	–	2,876	2,409
	4,657	2,580	59,340	–	66,577	47,775	46,726	2,876	–	–	49,602	49,135

(c) Interest rate risk

The Group's interest risk arises primarily from its borrowings. Borrowings obtained at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set our in (i) below.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of market interest rate arising from the Group's borrowings and bank deposits.

The Group is exposed to interest rate risk as its bank deposits are all interest-bearing. All bank deposits are short-term deposits with maturities less than or equal to three months. Management does not anticipate any significant impact resulting from the change in interest rates because the Group's bank balances are carried at low interest rates and the interest income thereon is not significant.

Notes to the Financial Statements

For the year ended 30 April 2008

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(c) Interest rate risk *(Continued)*

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the balance sheet date:

	2008		2007	
	Effective interest rates		Effective interest rates	
	%	***HK$'000***	%	*HK$'000*
Fixed rate borrowings:				
Obligations under finance leases		**—**	7%	302
4.5% Bonds	**19.32%**	**1,279**	19.32%	2,409
5% Bonds	**9.9%**	**43,118**		—
		44,397		2,711
Variable rate borrowings:				
Bank borrowing		**—**	10.3%	3,001
Other borrowings		**—**	11%	42,217
		—		45,218

(ii) Sensitivity analysis

The Group does not expect any significant changes in fixed interest rates which might materially affect the Group's result of operation.

At 30 April 2008, it is estimated that a general increase/decrease of 50 basis points in interest rates for variable rate borrowings, with all other variables held constant, would increase/decrease the Group's loss after tax and accumulated losses by approximately HK$Nil (2007: HK$4,748,000). Other components of equity would not be affected (2007: $Nil) by the changes in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 50 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

Notes to the Financial Statements

For the year ended 30 April 2008

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Currency risk

Presently, there is no hedging policy with respect to the foreign exchange exposure. The Group's transactional currency is Hong Kong dollars as substantially all the turnover are in Hong Kong dollars. The Group's transactional foreign exchange exposure was insignificant.

(i) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group

	2008	2007
	'000	*'000*
Cash and cash equivalents	**RMB9**	RMB155
Trade receivables	**—**	RMB1,419
Trade payables	**(RMB12,285)**	(RMB3,421)
Net exposure to currency risk	**(RMB12,276)**	(RMB1,847)

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

The Group

	2008			2007		
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after tax and accumulated losses**	**Effect on other component of equity**	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses	Effect on other component of equity
		HK$'000	***HK$'000***		*HK $'000*	*HK$'000*
Renminbi	**5%**	**(217)**	**—**	5%	(1,607)	—
	(5)%	**(47)**	**—**	(5)%	(2,510)	—

Notes to the Financial Statements

For the year ended 30 April 2008

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(d) Currency risk *(Continued)*

(ii) Sensitivity analysis *(Continued)*

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant. The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. The analysis is performed on the same basis for 2007.

(e) Fair value

All financial instruments are carried at amounts not materially different from their fair value as at 30 April 2008 and 2007 except as follows:

	2008		2007	
	Carrying amount ***HK$'000***	**Fair value** ***HK$'000***	Carrying amount *HK$'000*	Fair value *HK$'000*
The Group:				
Obligations under finance leases	—	—	(302)	(332)
Convertible bonds	**(44,397)**	**(46,579)**	(2,409)	(3,520)
The Company:				
Convertible bonds	**(44,397)**	**(46,579)**	(2,409)	(3,520)

(f) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of the following financial instruments.

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables

The carrying values of these financial assets and liabilities approximate fair value because of the short maturities of these instruments.

Notes to the Financial Statements

For the year ended 30 April 2008

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

(f) Estimation of fair values *(Continued)*

(ii) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(iii) 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.

28. DISPOSAL OF SUBSIDIARIES

Net assets/(liabilities) disposal of:

	2008 *HK$'000*
Property, plant and equipment *(note 13)*	644
Deferred costs *(note 14)*	—
Trade and other receivables	871
Cash and cash equivalents	68
Trade and other payables	(5,378)
Amounts due to Group	(339,617)
	(343,412)
Write-off of amounts due from subsidiaries	337,415
Translation reserve realised	1,565
Gain on disposal of subsidiaries	4,432
Total consideration — satisfied by cash	—
Net outflow of cash and cash equivalents arising on disposal of subsidiaries:	
Cash consideration	—
Cash and cash equivalents disposed of	(68)
Net outflow of cash and cash equivalents	(68)

Notes to the Financial Statements

For the year ended 30 April 2008

28. DISPOSAL OF SUBSIDIARIES *(Continued)*

The above subsidiaries disposed of during the year ended 30 April 2008 contributed approximately HK$449,000 (2007: HK$3,428,000) to the Group's turnover and a loss of approximately HK$21,157,000 (2007: HK$5,827,000) to the Group's loss before taxation.

29. 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$Nil (2007: HK$35,000) and HK$Nil (2007: HK$420,000) respectively. Mr. Lo Kit Sing, Steven, the director of BMA, is the elder brother of Mr. Lo Wai Shing, an former executive director of the Company.

(ii) During the year, the Company paid interest expenses of HK$983,000 (2007: HK$2,316,000) to former major shareholder, Fine Asset Ltd., which is 100% beneficially held by Mr. Lo Kit Sing, Steven.

(iii) During the year, the Company paid interest expenses on convertible bonds of HK$3,355,000 (2007: HK$Nil) to Prime Sun, which is ultimately wholly and beneficially owned by Mr. Ko Chun Shun, Johnson, the chairman of the Group.

(iv) During the year ended 30 April 2007, a deed of personal guarantee had 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, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2008	2007
	HK$'000	*HK$'000*
Short-term employee benefits	**1,939**	3,487
Post-employment benefit	**25**	65
	1,964	3,552

Notes to the Financial Statements

For the year ended 30 April 2008

30. NON-ADJUSTING POST BALANCE SHEET EVENTS

Up to the date of issue of these financial statements, convertible bonds totalling HK$10,800,000 were converted into 108,000,000 ordinary shares of the Company.

31. OPERATING LEASES COMMITMENTS

At 30 April 2008, the total future minimum lease payments in respect of properties under non-cancellable operating leases are payable as follows:

	The Group	
	2008	2007
	HK$'000	*HK$'000*
Within one year	—	3,776
After one year but within five years	—	15,103
After five years	—	64,821
	—	83,700

Upon the disposal of subsidiaries during the year as set out in note 28, the Group had no operating lease commitments as at 30 April 2008.

32. FINANCIAL GUARANTEE

For the year ended 30 April 2007, the Company had given a corporate guarantee to a bank and a financial institution to secure facilities granted to a subsidiary. At 30 April 2007, such facilities was drawn down by the subsidiary to the extent of HK$20,000,000. The maximum liability of the Company under the guarantee issued represents the amount drawn down by the subsidiary of HK$6,149,000. No recognition was made because the fair value of the guarantee cannot be reliably measured and that the directors did not consider it probable that a claim would be made against the Company under the guarantee.

The guarantee was released in January 2008 when the subsidiary fully repaid the bank borrowings.

33. COMPARATIVE FIGURES

As a result of adopting HKFRS 7, *Financial instruments: Disclosures*, and the amendments to HKAS 1, *Presentation of financial statements: Capital disclosures*, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in 2008. Further details of these developments are disclosed in note 3.

Notes to the Financial Statements

For the year ended 30 April 2008

34. IMMEDIATE AND ULTIMATE HOLDING COMPANY

At 30 April 2008, the directors consider the immediate parent and ultimate controlling party of the Group to be Prime Sun, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

35. ACCOUNTING ESTIMATES AND JUDGEMENTS

The method, estimates and judgments the management use in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Some of the accounting policies require the Group to apply estimates and judgments, on matters that are inherently uncertain. Certain critical accounting judgments in applying the Group's accounting policies are described below.

(a) Going Concern and Liquidity

The Group has consolidated net liabilities of approximately HK$75,898,000 at 30 April 2008, along with other matters as set forth in note 2(b) to the financial statements, indicating the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The directors are taking measures to improve the liquidity position of the Group and details are set out in note 2(b). The consolidated financial statements have been prepared on a going concern basis. Should the measures fail to improve the liquidity position of the Group and the Group is unable to continue in business as going concern, adjustments would have to be made to reduce the carrying amounts of the assets of the Group to their recoverable amount and to provide for further liabilities which might arise.

(b) 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 expenses for future periods is adjusted if there are material changes from previous estimates.

Notes to the Financial Statements

For the year ended 30 April 2008

35. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(c) Impairment of Property, Plant and Equipment

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 the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(d) Allowance for Impairment of Doubtful Accounts

Allowance for impairment of doubtful debts are assessed and provided based on the directors' regular review of ageing analysis and evaluation of collectability. 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 the allowance for impairment of doubtful debts would affect profit or loss in future years.

36. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 APRIL 2008

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 2008 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, HKFRS 8 "Operating Segments", which is effective for annual periods beginning on or after 1 January 2009, may result in new or amended disclosures in the financial statements.

Financial Summary

RESULTS

	For the year ended 30 April				
	2004	2005	2006	2007	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	**HK$'000**
TURNOVER	188,036	128,968	33,661	26,396	**35,395**
Loss before taxation	(42,821)	(39,752)	(49,964)	(54,672)	**(35,814)**
Income tax	—	—	—	—	**(5,287)**
Loss for the year	(42,821)	(39,752)	(49,964)	(54,672)	**(41,101)**

ASSETS AND LIABILITIES

	As 30 April				
	2004	2005	2006	2007	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	**HK$'000**
Total assets	94,487	50,938	38,294	22,186	**32,589**
Total liabilities	(78,338)	(59,929)	(36,325)	(74,647)	**(108,487)**
Net assets/(liabilities)	16,149	(8,991)	1,969	(52,461)	**(75,898)**