盛源控股有限公司

SHENG YUAN HOLDINGS LIMITED

Stock Code: 851

Annual Report 2011

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Lin Min *(Chairman)*
Mr. Yip Kar Hang, Raymond

Independent Non-Executive Directors

Mr. Chan Chi On, Derek
Mr. Cheung Kwok Keung
Mr. Lam Kam Tong

AUDIT COMMITTEE

Mr. Cheung Kwok Keung *(Chairman)*
Mr. Chan Chi On, Derek
Mr. Lam Kam Tong

REMUNERATION COMMITTEE

Mr. Cheung Kwok Keung *(Chairman)*
Mr. Chan Chi On, Derek
Mr. Lam Kam Tong

COMPANY SECRETARY

Mr. Or Wing Keung

STOCK CODE

851

WEBSITE

www.shengyuan.hk

PRINCIPAL REGISTRAR

Butterfield Fulcrum Group (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

SHARE REGISTRAR

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL OFFICE IN HONG KONG

Suites 4301-5, 43/F
Tower 1, Times Square
1 Matheson Street
Causeway Bay
Hong Kong

AUDITORS

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor, One Pacific Place
88 Queensway
Hong Kong

SOLICITORS

K&L Gates
44th Floor
Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

The Hong Kong & Shanghai Banking Corporation Limited
Bank of China

Chairman's Statement

I hereby announce the annual results of Sheng Yuan Holdings Limited (the "Company") together with its subsidiaries (the "Group") for the year ended 30 April 2011 (the "Year").

During the Year, broadening the Group's business portfolio with the aim of enhancing returns for all stakeholders in the long run has been a key objective of the Group. Eying on continued growth of the China market and leveraging on the Group's strong business network in China, the Group has extended its trading business into the People's Republic of China (the "PRC"), and its contribution to the Group's results had begun during the Year. In Hong Kong, the well-established financial market is one of the strongest attributes of the city. The Group is set to capture the opportunities in the vibrant financial market via the establishment of financial services group offering a comprehensive set of services, and has embarked on such development with brokerage, advisory and asset management divisions recently set up. It is envisaged that the financial services sector shall be an attractive direction towards which the Group shall further venture. With the dedication and expertise of our team, we are confident that these endeavors will yield favorable contributions for the Group, creating value for all stakeholders.

I would also like to take this opportunity to thank all our board of directors (the "Directors", collectively referred to as the "Board"), management and staff members for their support and contribution to the Group during the Year.

Lin Min
Chairman

27 July 2011

Management Discussion and Analysis

BUSINESS AND FINANCIAL REVIEW

For the Year, revenue of the Group was approximately HK$52.2 million, as compared with approximately HK$7.8 million for the year ended 30 April 2010 (the "Preceding Year"). The increase in revenue was mainly attributable to the new stream of revenue contribution from the Group's newly established trading and procurement of electronic and telecommunication equipment business in the PRC and an increase in revenue generated from the Group's trading of electrical products in Hong Kong. The increased turnover, together with a significant decrease in administrative expenses mainly due to share options expense recorded in the Preceding Year not being a recurrent event for the Year, have led to the decrease in net loss attributable to shareholders to approximately HK$13.1 million of the Year from approximately HK$19.4 million of the Preceding Year.

During the Year, revenues from the Group's trading operations have improved, particularly since the Group's expansion into trading and procurement of electronic and telecommunication equipment in the municipality of Shanghai, PRC in August 2010. The Group's trading operations in the PRC is principally engaged in sourcing goods and products for local telecommunication service providers. Initial focus is placed on the procurement and sale of the end user telecommunication equipment including network equipment such as routers and modems, as well as other electronic products. These products and related solutions are fast moving items with relative low maintenance requirements, providing an appropriate entry point for the Group. The Group had actively cultivated business relationships since establishing its China operations and recorded approximately HK$19.8 million in aggregate revenue during the Year, taking over the Group's trading operations in Hong Kong as the key revenue contributor in for the Group's trading operations in the second half of the Year.

The Group's trading operations in Hong Kong comprise the trading of electrical products and copper concentrates. Exercising prudence in view of the competitive environment of the business leading to difficulties in maintaining margins, the Group had been selective on transactions to take. Efforts made in such difficult environment in soliciting trading business in electrical products have resulted in improved revenue of approximately HK$32.5 million for the Year. However, in consideration for minimizing pricing risks associated with taking positions in copper concentrate, the Group had been very cautious on copper concentrate trading and the Group had not entered into any such transaction during the Year.

Striving to strengthen its business portfolio and broaden its income stream, the Group expanded its business scope into securities brokerage and financial services. In January 2011, the Group entered into an agreement to acquire Sheng Yuan Securities Limited ("SYSL") (previously named Kai Yuan Securities Limited), a licensed corporation under the Securities and Futures Ordinance ("SFO") to engage in Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities, details of which were disclosed in an announcement and a circular dated 17 January 2011 and 1 February 2011 respectively. The transaction was completed on 28 April 2011 and SYSL began contribution to the Group's results at the end of the Year.

In support for the development of the Group's financial services business as initiated by the acquisition of SYSL, the Company completed a rights issue on the basis of two rights shares for every five shares of the Company raising gross proceeds of approximately HK$ 141.4 million in March 2011.

PROSPECTS

Business environment for the Group's trading business in Hong Kong continues to be challenging. Exercising due caution on risks associated with copper concentrate trading, the Group envisages that further trading of copper concentrate in the coming year may not be justified. The Group shall also closely monitor its operations in the trading of electrical products in Hong Kong in view of the fiercely competitive environment that may not provide reasonable returns. As such, the Group may adjust its operating strategies in its trading business in Hong Kong as appropriate in order to best balance the risks and returns of such operations.

Management Discussion and Analysis

The Group's newly set-up trading and procurement of electronic and telecommunication equipment business in Shanghai shall provide the route of expansion for the Group's trading operations. The Group's subsidiary in Shanghai is actively expanding its business and has now obtained sales representation for increasing types of telecommunication products, including those from Huawei, Bellmann and Portevio, and in turn, supply products to telecommunication companies including the Shanghai branch of China Telecom Corporation Limited. Leveraging on the Group's business network in China, it is envisaged that the trading operations in Shanghai will bring new opportunities for the Group.

The Group continues to explore new business opportunities for further broadening its business operation and income stream. Considering Hong Kong's well-established status as the region's financial hub and the vibrant activities in the financial industry in Hong Kong in recent years, the financial services sector presents an attractive sector into which the Group shall develop. The acquisition of SYSL marks the first step in such development. SYSL provides stock brokerage and securities advisory services to clients (which will comprise both retail and professional investors). Provision of margin financing and internet trading for clients had also begun subsequent to completion of the acquisition of SYSL, generating securities financing income for the Group and further improving service for clients. To complement the Group's move into the financial services sector, Sheng Yuan Asset Management Limited ("SYAML"), the Group's asset management and investment advisory was set up. SYAML was approved as a licensed corporation under the SFO to engage in Type 4 (advising on securities) and Type 9 (Asset Management) regulated activities in June 2011. The Group is also currently applying for license to engage in corporate finance advisory services. In the long run, the Group plans to provide a full range of financial services so as to capture the business opportunities of the financial market in Hong Kong. The Group has recruited a number of experienced industry veterans with dedicated areas of expertise to lead the development of each of the operating divisions of the financial services business. While pursuing business growth, the Group and its team shall also ensure that risk control and compliance are duly observed by implementing a comprehensive set of internal control procedures. It is the Group's belief that healthy business growth can only be achieved via a properly operated organization.

The strong financial market in Hong Kong, which is further supported by the continued strength of the PRC economy leading to wealth being invested in Hong Kong, shall provide a favorable setting for the development of financial service businesses in Hong Kong. Investment in Hong Kong markets by mainlanders has greatly augmented trading activities, which directly benefits Hong Kong's brokerage businesses. Hong Kong's Capital Investment Entrant Scheme has not only provided a new route for foreigners looking to reside in Hong Kong, but also created new room for business development for asset management companies in managing their investment portfolios. At the same time, China-related companies continue to represent a good proportion of fundraisings and listings on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Through developing a full range of financial services, the Group is positioned to capture opportunities in the Hong Kong market.

The Group is confident that, with the support of its strong team, this new area of development shall become a keystone for improving the Group's results and providing better return to the Shareholders in the years to come.

ACQUISITIONS AND DISPOSALS

The Group entered into agreements in August 2010 to acquire two office units in Shanghai at an aggregate consideration of approximately HK$10.6 million. The properties were originally intended for serving as offices of the Group in Shanghai, but shall now serve as investment properties for rental as it is envisaged that size of the properties is insufficient for supporting the Group's operations in China given the Group's latest developments. The transactions were completed in October 2010.

In January 2011, the Group entered into an agreement to acquire SYSL. The acquisition constitutes a major transaction for the Company under Chapter 14 of the The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and was approved by shareholders of the Company in a special general meeting on 25 February 2011. Completion of the transaction took place on 28 April 2011.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at the end of the Year, cash and bank balances maintained by the Group were approximately HK$144.4 million, representing an increase of 230% from HK$43.8 million as at 30 April 2010. The increase in cash was largely attributable to the proceeds from the rights issue completed in March 2011. The expansion in trading business in the PRC and the completion of the acquisition of SYSL have led to increased trade and other receivables and prepayments during the same period from approximately HK$0.3 million to approximately HK$11.3 million. Trade and other payables as at 30 April 2011 was approximately HK$5.3 million (30 April 2010: HK$5.5 million). Non-current assets increased to approximately HK$19 million as at 30 April 2011 from approximately HK$0.3 million as at 30 April 2010 mainly as a result of acquisition of properties in Shanghai and increase in non-current assets from the acquisition of SYSL. The Group's current ratio (current assets over current liabilities) as at 30 April 2011 was a robust 29 times approximately (30 April 2010: approximately 8 times). The Group has no borrowings as at 30 April 2011. The gearing of the Group, measured as total debts to total assets was significantly improved to 30% as at 30 April 2011, as compared with 110% as at 30 April 2010. Due to the significant increases in assets, the Group recorded net assets of approximately HK$117.2 million as compared with the net deficit of approximately HK$9.8 million as at 30 April 2010. During the Year, the Group financed its operation with internally generated cash flow and funds from the rights issue and prior issuance of convertible notes.

FOREIGN EXCHANGE EXPOSURE

The Group's transactions are mainly denominated in Hong Kong dollars and Renminbi. Foreign exchange exposure of the Group is considered minimal as the exchange rate of Renminbi against Hong Kong dollars were relatively stable during the Year. Therefore, the Group has not engaged in any hedging contracts during the Year. The Group will from time to time review and monitor exchange risks, and consider employing foreign exchange hedging arrangements when appropriate and necessary.

CAPITAL STRUCTURE

In March 2011, the Group completed a rights issue on the basis of two rights Shares for every five Shares at a subscription price of HK$0.42 per rights share. 336,686,546 shares of HK$0.1 each of the Company ("Shares") were issued and gross proceeds of approximately HK$ 141.4 million were raised as a result. Details of the rights issue may be found in the prospectus of the Company dated 2 March 2011 and announcements of the Company dated 21 January 2011 and 23 March 2011. As at 30 April 2011, the Company has 1,178,402,911 Shares in issue.

CONTINGENT LIABILITIES

As at 30 April 2011, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 30 April 2011, the obligations under finance leases of approximately HK$165,000 were pledged by the assets with carrying amount of HK$134,000.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 April 2011, the Group employed approximately 21 employees. The remuneration policy and package of the Group's employees are maintained at market level and reviewed annually by the management. In addition to the basic salary, discretionary bonuses, mandatory pension fund and medical insurance scheme, share options may also be granted to eligible employees at the discretion of the Board and are subject to the performance of the individual employees as well as the Group.

Biographical Details of Directors

EXECUTIVE DIRECTORS

Ms. Lin Min, aged 35, was appointed as an executive Director in May 2009 and was also appointed as the chairman of the Board in June 2009. Ms. Lin is responsible for the Group's strategic planning including business objectives and directions. Ms. Lin is the general manager of an investment consultancy firm in Shanghai and was the general manager of an advertising company in Shanghai. Ms. Lin graduated from the research programme on enterprise management of East China Normal University (華東師範大學) and the enterprises management programme of Shanghai Jingan District College (上海市靜安區業餘大學).

Mr. Yip Kar Hang, Raymond, aged 43, was appointed as an executive Director in May 2009 and was also appointed as the chief executive officer of the Company (the "CEO") in June 2009. Mr. Yip is responsible for the overall financial and business operations and management of the Group. Mr. Yip has extensive experience in financial management, corporate mergers and acquisitions and company secretarial matters with various listed companies in Hong Kong. Mr. Yip had been an executive director and chief executive officer of Kai Yuan Holdings Limited and an executive director, chief financial officer and company secretary of Imagi International Holdings Limited, the shares of both of which are listed on the main board of the Stock Exchange. Mr. Yip is a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants. He received his master of science degree in finance from University of Leicester and bachelor of science degree in business administration from California State Polytechnic University, Pomona.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Chi On, Derek, aged 48, was appointed as an independent non-executive Director in January 2011. Mr. Chan is an executive director of Haitong International Securities Group Limited, a company listed on the Stock Exchange and is also currently the managing director of Haitong International Capital Limited, in charge of its corporate finance business. Mr. Chan graduated with a bachelor degree in social sciences from the University of Hong Kong and a master degree in business administration from the Hong Kong University of Science & Technology. Early in his career, Mr. Chan worked for the Stock Exchange. At present, he is an independent non-executive director of each of GZI REIT Asset Management Limited and Longfor Properties Co. Ltd., the shares of both of which are listed on the main board of the Stock Exchange, and is also an adjunct professor in the School of Accounting and Finance of the Hong Kong Polytechnic University. He was an independent non-executive director of GST Holdings Limited which had been privatised and delisted on the Stock Exchange in December 2009.

Mr. Cheung Kwok Keung, aged 44, was appointed as an independent non-executive Director in May 2009. Mr. Cheung started his career in the field of auditing, accounting and financial management over 20 years ago. Mr. Cheung is the chief financial officer and company secretary of Lee & Man Paper Manufacturing Limited, a company the issued shares of which are listed on the main board of the Stock Exchange. He is an independent non-executive director of China Aoyuan Property Group Limited, a company which shares are listed on the Stock Exchange. Mr. Cheung is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung holds a professional diploma in accountancy from the Hong Kong Polytechnic University.

Mr. Lam Kam Tong, aged 42, was appointed as an independent non-executive Director in November 2010. Mr. Lam is an executive director, the chief financial officer and company secretary of China Aoyuan Property Group Limited, a company which shares are listed on the Stock Exchange. Prior to that, Mr. Lam was the chief financial officer and company secretary of Greentown China Holdings Limited, a company which shares are also listed on the Stock Exchange. Starting his career as an auditor at a leading international accountancy firm, Mr. Lam has over 15 years of experience in professional audit and financial management and is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. He also holds a bachelor's degree in business management from The Chinese University of Hong Kong.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standard of corporate governance standards and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency. The Company has complied with the code on corporate governance practices as set out in Appendix 14 of the Listing Rules during the financial year ended 30 April 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") of the Listing Rules as a code of conduct of the Company for directors' securities transactions. Having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding directors' securities transactions throughout the year ended 30 April 2011.

BOARD OF DIRECTORS

As at 30 April 2011, the Board comprised two executive Directors and three independent non-executive Directors.

The composition of the Board's members during the year and up to the date of this report is as follows:

Executive Directors

Ms. Lin Min *(Chairman)*
Mr. Yip Kar Hang, Raymond *(CEO)*

Independent Non-executive Directors

Mr. Chan Chi On, Derek	(appointed on 7 January 2011)
Mr. Cheung Kwok Keung	
Mr. Lam Kam Tong	(appointed on 3 November 2010)
Mr. Chan Ho Sun, Sunny	(resigned on 3 November 2010)
Mr. Lau On Kwok	(resigned on 7 January 2011)

During the year ended 30 April 2011, thirteen Board meetings were held. Details of the Directors' attendance records were as follows:

Name		Meetings attended/ Eligible to attend
Executive Directors		
Ms. Lin Min		13/13
Mr. Yip Kar Hang, Raymond		13/13
Independent Non-executive Directors		
Mr. Chan Chi On, Derek	(appointed on 7 January 2011)	4/4
Mr. Cheung Kwok Keung		13/13
Mr. Lam Kam Tong	(appointed on 3 November 2010)	7/7
Mr. Chan Ho Sun, Sunny	(resigned on 3 November 2010)	4/4
Mr. Lau On Kwok	(resigned on 7 January 2011)	7/7

Corporate Governance Report

The Board, led by the Chairman, is responsible for formulation of the Group's strategies and policies, approval of annual budget and business plan, and supervising the management of day-to-day operation of the Group to ensure the business objectives are met. In addition, the Board has also delegated various responsibilities to the remuneration committee (the "Remuneration Committee") and the audit committee (the "Audit Committee") of the Company. Further details of these committees are set out in this report.

During the year, the Board has reserved for its decisions all major matters of the Group including:

1. renewal of the term of employment of directors;

2. discussion on and approval of the financial results of the Group and the recommendation of any dividend;

3. approval of the disclosable transaction in relation to acquisition of properties;

4. approval of the appointment and resignation of directors;

5. proposal on the major transaction in relation to the acquisition of a securities company;

6. approval on the issuance and allotment of rights shares;

7. approval on the opening and change signatories of bank accounts;

8. matters as required by laws and ordinance.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company has adopted A.2.1 of the Code by appointing Ms. Lin Min and Mr. Yip Kar Hang, Raymond as the Chairman and CEO respectively. The division of responsibilities between the Chairman and CEO is clearly established and set out in writing. The Chairman leads the Board in the determination of its strategy and in achievement of its objectives and is responsible organising the business of the Board, ensuring its effectiveness and setting its agenda. The CEO has direct charge of the Group on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors are appointed for a specific term subject to retirement by rotation and re-election as required by the bye-law of the Company (the "Bye-Law").

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee with specific written terms of reference which deals clearly with its authority and duties. The principal duties of the Remuneration Committee include:

1. to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management;

2. to determine the specific remuneration packages of all executive Directors and senior management and make recommendations to the Board of the remuneration of non-executive Directors;

3. to review and approve performance-based remuneration from time to time;

4. to review and approve the compensation payable to executive Directors and senior management and compensation arrangements relating to dismissal or removal of Directors for misconduct; and

5. to ensure that no Director or any of his associates is involved in deciding his own remuneration.

Currently, the members of the Remuneration Committee are Mr. Cheung Kwok Keung (Chairman), Mr. Chan Chi On, Derek and Mr. Lam Kam Tong. During the year, the Remuneration Committee held two meetings. The attendance of individual members was set out in the following table.

Name		Meetings attended/ Eligible to attend
Mr. Cheung Kwok Keung		2/2
Mr. Chan Chi On, Derek	(appointed on 7 January 2011)	0/0
Mr. Lam Kam Tong	(appointed on 3 November 2010)	1/1
Mr. Chan Ho Sun, Sunny	(resigned on 3 November 2010)	0/0
Mr. Lau On Kwok	(resigned on 7 January 2011)	1/1

NOMINATION OF DIRECTORS

The Company does not have a nomination committee as the role and function of such a committee are performed by the Board. The Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors. The Board reviewed its own structure, size and composition regularly to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company.

According to the Bye-Laws, any Directors so appointed by the Board shall hold office, in the case of filling a casual vacancy, only until the next following general meeting of the Company or, in the case of an addition to their number, until the next following annual general meeting of the Company, who shall then be eligible for re-election at such annual general meeting.

Corporate Governance Report

AUDITORS' REMUNERATION

For the year ended 30 April 2011, Deloitte Touche Tohmatsu, the external auditors provided the following services to the Group:

Services rendered	HK$'000
Audit services	450
Interim review	110
Taxation services	171
Other advisory services	530

AUDIT COMMITTEE

The Company has established the Audit Committee with specific written terms of reference which deals clearly with its authority and duties. The principal duties of the Audit Committee include:

1. to make recommendations to the Board on the appointment, reappointment and removal of the external auditors, and review and monitor their independence and objectivity as well as the effectiveness of the audit process;

2. to approve the remuneration and terms of engagement of external auditors, maintain appropriate relationship between the Group and the external auditors and develop policy on the engagement of the external auditors to supply non-audit services;

3. to ensure the integrity of the interim and annual consolidated financial statements and any significant financial reporting judgments contained in them; and review the external auditors' work, including management letter and management's response; and

4. to review the Company's internal control and risk management systems.

Currently, the members of the Audit Committee are Mr. Cheung Kwok Keung *(Chairman)*, Mr. Chan Chi On, Derek, and Mr. Lam Kam Tong. During the year, the Audit Committee held two meetings and the attendance of individual members was set out in the following table.

Name		**Meetings attended/ Eligible to attend**
Mr. Cheung Kwok Keung *(Chairman)*		2/2
Mr. Chan Chi On, Derek	(appointed on 7 January 2011)	0/0
Mr. Lam Kam Tong	(appointed on 3 November 2010)	1/1
Mr. Chan Ho Sun, Sunny	(resigned on 3 November 2010)	1/1
Mr. Lau On Kwok	(resigned on 7 January 2011)	2/2

During the year, the Board had no disagreement with the Audit Committee's view on the selection, appointment, resignation or dismissal of the external auditors.

Corporate Governance Report

INTERNAL CONTROLS

A sound and effective internal control system is important for the Group to safeguard investments of the shareholders and assets of the Group. The Board, through the Audit Committee, has reviewed the effectiveness of the Group's internal control system covering all material controls, including financial, operational and compliance controls and risk management functions of the Group.

RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The statement of the auditors of the Company, Messrs. Deloitte Touche Tohmatsu, about their reporting responsibilities on the consolidated financial statements of the Group is set out in the independent auditor's report on page 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 Group's ability to continue as a going concern as at 30 April 2011. Accordingly, the Directors have prepared the consolidated financial statements on a going concern basis.

INVESTOR RELATIONS AND SHAREHOLDERS' RIGHTS

The Board is committed to providing clear and full performance information of the Group to shareholders through the publication of interim and annual reports. In additional to dispatching circulars, notices, financial reports to shareholders, addition information is also available to shareholders from the Group's website. Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice is given. The chairman and Directors are available to answer question on the Group's businesses at the meeting.

Shareholders have statutory rights to call for special general meetings and put forward agenda items for considerations by shareholders. Pursuant to rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, all the resolutions put to vote at the annual general meeting will be taken by way of poll. The chairman of the annual general meeting will explain the detailed procedure for conducting a poll at the commencement of the annual general meeting.

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 report and audited financial statements of the Group for the year ended 30 April 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 32 to the audited financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 30 April 2011 and the state of affairs of the Group at that date are set out in the audited financial statements on page 20 to 58.

The Directors did not recommend the payment of any dividend for the year ended 30 April 2011.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and restated as appropriate, is set out on page 59. This summary does not form part of the audited financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The five largest customers of the Group accounted for approximately 100% of the Group's total turnover and the largest customer accounted for approximately 38% of the Group's total turnover.

The five largest suppliers of the Group accounted for approximately 100% of the Group's total purchases for the year and the largest suppliers accounted for approximately 38% of the Group's total purchases.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 23 to the consolidated financial statements.

SHARE OPTION SCHEME

Details of the Company's share option scheme are set out in note 26 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 14 and 16 to the audited financial statements. Further details of the Group's investment properties are set out on page 60.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

Directors' Report

DISTRIBUTABLE RESERVES OF THE COMPANY

At 30 April 2011, the Company did not have any distributable reserves.

DIRECTORS AND DIRECTOR'S SERVICE CONTRACTS

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

Executive Directors:

Ms. Lin Min
Mr. Yip Kar Hang, Raymond

Independent non-executive Directors:

Mr. Chan Chi On, Derek	(appointed on 7 January 2011)
Mr. Cheung Kwok Keung	
Mr. Lam Kam Tong	(appointed on 3 November 2010)
Mr. Chan Ho Sun, Sunny	(resigned on 3 November 2010)
Mr. Lau On Kwok	(resigned on 7 January 2011)

In accordance with Article 86(2) of the Company's Bye-laws, Mr. Chan Chi On, Derek, and Mr. Lam Kam Tong who were appointed as Directors by the Board to fill the casual vacancies, will hold office until the forthcoming annual general meeting and being eligible, offers themselves for re-election.

In accordance with Article 87(1) of the Company's Bye-laws, Mr. Cheung Kwok Keung will retire at the forthcoming annual general meeting and being eligible, offers himself for re-election.

The Directors being proposed for re-election at the forthcoming annual general meeting do not have a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of a compensation (other than statutory compensation).

The non-executive Directors have been appointed for a specific term subject to retirement by rotation as required by the Bye-laws.

DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE

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

DIRECTORS' INTERESTS

At 30 April 2011, the interests and short positions of the Directors and chief executive of the Company in the shares capital and underlying shares and convertible notes of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long position – ordinary shares of HK$0.10 each of the Company

Name of Director	Capacity	Number of shares held	Percentage of the issued share capital of the Company
Ms. Lin Min *(Note)*	Interest of spouse	735,154,800	62.39%

Note:

These shares are held by Front Riches Investments Limited ("Front Riches") which is wholly owned by Mr. Hu Yishi, the spouse of Ms. Lin Min.

Long position – share options

Name of Directors	Capacity	Number of options held	Number of underlying shares
Ms. Lin Min	Beneficial owner	3,080,700	3,080,700
Mr. Yip Kar Hang, Raymond	Beneficial owner	7,872,900	7,872,900
Mr. Cheung Kwok Keung	Beneficial owner	684,600	684,600

Long position – convertible notes

Name of Director	Capacity	Description of equity derivatives	Number of underlying shares
Ms. Lin Min *(Note a)*	Interest of spouse	5 year 5% convertible notes *(Note b)*	156,000,000
		2% coupon convertible notes *(Note c)*	277,610,000

Notes:

(a) The convertible notes are held by Front Riches which is wholly owned by Mr. Hu Yishi, the spouse of Ms. Lin Min.

(b) The 5 years 5% convertible notes with an outstanding principal amount of HK$15,600,000 as at 30 April 2011 issued by the company on 17 July 2007 and due on 17 July 2012 were convertible into shares of the Company at a conversion price of HK$0.10 (after rights issue adjustment) per share.

(c) The Company issued the 2% coupon convertible notes at principal amounts of HK$5,152,000 and HK$39,265,600 due on 17 November 2012 and 29 April 2010 with maturity dates of 17 November 2012 and 29 April 2013 respectively. The 2% coupon convertible notes with an outstanding principal amount of HK$44,417,600 as at 30 April 2011 were convertible into shares of the Company at a conversion price of HK$0.16 (after rights issue adjustment) per share.

DIRECTORS' INTERESTS *(Continued)*

Long position – convertible notes *(Continued)*

Save as disclosed above, as at 30 April 2011, none of the Directors or chief executive had registered an interest or short position in the shares, underlying shares or convertible notes of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the convertible notes discussed above and the share option scheme of the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 April 2011, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that, other than interest disclosed above in respect of certain Directors and chief executive, the following shareholders had notified the Company of their relevant interests in the shares, underlying shares and convertible notes of the Company.

Long position – ordinary shares of HK$0.10 each of the Company

Name of shareholder	Capacity	Number of shares held	Percentage of the issued share capital of the Company
Front Riches *(Note a)*	Beneficial owner	735,154,800	62.39%

Long position – convertible notes

Name of shareholder	Capacity	Description of equity derivatives	Number of underlying shares
Front Riches *(Note a)*	Beneficial owner	5 year 5% convertible notes *(Note b)*	156,000,000
		2% coupon convertible notes *(Note c)*	277,610,000

Notes:

(a) Front Riches is a corporation controlled by Mr. Hu Yishi, whose spouse, Ms. Lin Min, is an executive Director.

(b) The 5 years 5% convertible notes with an outstanding principal amount of HK$15,600,000 as at 30 April 2011 issued by the company on 17 July 2007 and due on 17 July 2012 were convertible into shares of the Company at a conversion price of HK$0.10 (after rights issue adjustment) per share.

(c) The Company issued the 2% coupon convertible notes at principal amounts of HK$5,152,000 and HK$39,265,600 due on 17 November 2012 and 29 April 2010 with maturity dates of 17 November 2012 and 29 April 2013 respectively. The 2% coupon convertible notes with an outstanding principal amount of HK$44,417,600 as at 30 April 2011 were convertible into shares of the Company at a conversion price of HK$0.16 (after rights issue adjustment) per share.

SUBSTANTIAL SHAREHOLDERS' INTERESTS *(Continued)*

Long position – convertible notes *(Continued)*

Other than the interests disclosed above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no other person as having a notifiable interest or short position in the shares, underlying shares and convertible notes of the Company as at 30 April 2011.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY'S LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company's corporate governance report is set out in pages 8 to 12 of this report.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees. Details of the scheme are set out in note 26 to the consolidated financial statements.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing Securities on The Stock Exchange of Hong Kong Limited. The Company considers all of the independent non-executive Directors are independent.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's by-laws or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 30 April 2011.

CHARITABLE CONTRIBUTIONS

During the year, the Group did not make any charitable contributions.

AUDIT COMMITTEE

The Company has the Audit Committee which was established in accordance with Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audited results for the year ended 30 April 2011 have been reviewed by the Audit Committee and agreed by the external auditors.

The Audit Committee comprises three members, namely, Mr. Chan Chi On, Derek, Mr. Cheung Kwok Keung and Mr. Lam Kam Tong. All of them are independent non-executive Directors.

REMUNERATION COMMITTEE

The Remuneration Committee has been set up with written term of reference in accordance with the requirements of the Listing Rules. The Remuneration Committee comprises three independent non-executive Directors, namely, Mr. Chan Chi On, Derek, Mr. Cheung Kwok Keung and Mr. Lam Kam Tong.

AUDITORS

The audited consolidated financial statements for the year ended 30 April 2011 were audited by Messrs. Deloitte Touche Tohmatsu. A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board
Lin Min
Chairman

27July 2011

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF SHENG YUAN HOLDINGS LIMITED
盛源控股有限公司
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Sheng Yuan Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 20 to 58, which comprise the consolidated statement of financial position as at 30 April 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 of the Company, as well as evaluating the overall presentation of the consolidated 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 Group as at 30 April 2011 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 July 2011

Consolidated Statement of Comprehensive Income

For the year ended 30 April 2011

	Notes	2011 HK$'000	2010 HK$'000
Revenue	6	**52,226**	7,782
Cost of sales		**(50,984)**	(7,600)
Gross profit		**1,242**	182
Other income	8	**30**	–
Administrative expenses		**(9,032)**	(15,309)
Finance costs	9	**(5,310)**	(4,232)
Loss before taxation		**(13,070)**	(19,359)
Taxation	10	**–**	–
Loss and total comprehensive expense for the year attributable to owners of the Company	11	**(13,070)**	(19,359)
Loss per share	13		(Restated)
Basic and diluted		**HK$(0.01)**	HK$(0.03)

Consolidated Statement of Financial Position

At 30 April 2011

	Notes	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	14	4,675	280
Prepaid lease payments	15	–	–
Investment properties	16	11,306	–
Trading right	17	2,822	–
Statutory deposits	18	205	–
		19,008	280
Current assets			
Trade and other receivables and prepayments	19	11,257	296
Bank balances (trust and segregated accounts)	20	338	–
Bank balances (general accounts) and cash	20	144,439	43,813
		156,034	44,109
Current liabilities			
Trade and other payables and accruals	21	5,316	5,530
Obligations under finance leases – due within one year	22	37	–
		5,353	5,530
Net current assets		150,681	38,579
Total assets less current liabilities		169,689	38,859
Capital and reserves			
Share capital	23	117,840	84,172
Share premium and reserves		(614)	(94,006)
Total equity (net deficits)		117,226	(9,834)
Non-current liabilities			
Obligations under finance leases – due after one year	22	128	–
Convertible notes	25	52,335	48,693
		52,463	48,693
		169,689	38,859

The consolidated financial statements on pages 20 to 58 were approved and authorised for issue by the Board of Directors on 27 July 2011 and are signed on its behalf by:

Lin Min
Director

Yip Kar Hang, Raymond
Director

Consolidated Statement of Changes in Equity

For the year ended 30 April 2011

	Attributable to owners of the Company								
	Share capital HK$'000	Share premium HK$'000	Shareholder's contribution HK$'000	Share option reserve HK$'000	Currency translation reserve HK$'000	Capital redemption reserve HK$'000	Convertible notes reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 May 2009	54,172	33,616	7,834	–	–	477	9,766	(147,176)	(41,311)
Loss and total comprehensive expense for the year	–	–	–	–	–	–	–	(19,359)	(19,359)
Shares issued upon conversion of convertible notes *(note 25)*	30,000	8,872	–	–	–	–	(6,813)	–	32,059
Recognition of equity component of convertible notes issue *(note 25)*	–	–	–	–	–	–	10,033	–	10,033
Equity settled share based payment	–	–	–	8,744	–	–	–	–	8,744
At 30 April 2010	84,172	42,488	7,834	8,744	–	477	12,986	(166,535)	(9,834)
Loss and total comprehensive expense for the year	–	–	–	–	–	–	–	(13,070)	(13,070)
Issue of shares upon rights issue	33,668	107,740	–	–	–	–	–	–	141,408
Transaction costs attributable to issue of shares upon rights issue	–	(1,969)	–	–	–	–	–	–	(1,969)
Exchange differences arising on translation	–	–	–	–	691	–	–	–	691
At 30 April 2011	117,840	148,259	7,834	8,744	691	477	12,986	(179,605)	117,226

Consolidated Statement of Cash Flows

For the year ended 30 April 2011

	Note	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
Loss before taxation		**(13,070)**	(19,359)
Adjustments for:			
Interest expense		**5,310**	4,232
Interest income		**(11)**	–
Depreciation of property, plant and equipment		**146**	198
Amortisation of prepaid lease payment		**89**	–
Share options expense		**–**	8,744
Operating cash flows before movements in working capital		**(7,536)**	(6,185)
(Increase) decrease in trade and other receivables and prepayments		**(9,449)**	14,254
Increase in bank balances (trust and segregated accounts)		**81**	–
Decrease in trade and other payables and accruals		**(2,039)**	(11,336)
Cash used in operations		**(18,943)**	(3,267)
Interest received		**11**	–
Interest paid		**(1,668)**	–
NET CASH USED IN OPERATING ACTIVITIES		**(20,600)**	(3,267)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(2,107)**	(294)
Addition of prepaid lease payment		**(8,978)**	–
Acquisition of a subsidiary	24	**(7,473)**	–
CASH USED IN INVESTING ACTIVITIES		**(18,558)**	(294)
FINANCING ACTIVITIES			
Convertible notes issued		**–**	44,418
Proceed from shares issued		**141,408**	–
Shares issue expenses		**(1,969)**	–
NET CASH FROM FINANCING ACTIVITIES		**139,439**	44,418
NET INCREASE IN CASH AND CASH EQUIVALENTS		**100,281**	40,857
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**43,813**	2,956
Effect of foreign exchange rate changes		**345**	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**144,439**	43,813
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances (general accounts) and cash		**144,439**	43,813

Notes to the Consolidated Financial Statements

For the year ended 30 April 2011

1. GENERAL

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"). Its parent and ultimate holding company was Front Riches Investments Limited ("Front Riches"), a company incorporated in the British Virgin Islands. 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 Suites 4301-5, 43/F, Tower 1, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

The Company is an investment holding company. During the year, the Company acquired a wholly owned subsidiary Sheng Yuan Securities Limited (formerly known as "Kai Yuan Securities Limited") ("SYSL") as disclosed in note 24. SYSL is mainly engaged in the securities brokerage and financial services. In addition, the Group is newly engaged in trading of telecommunication equipment. Its other subsidiaries are principally engaged in trading of electrical products and copper concentrate. Particulars of the principal subsidiaries of the Company are set out in note 32.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised Standards, Interpretations and Amendments issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (as revised in 2008)	Business combinations
HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 32 (Amendments)	Classification of rights issues
HKAS 39 (Amendments)	Eligible hedged items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners
HK – INT 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause

Except as described below, the application of the new and revised Standards, Interpretations and Amendments in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

HKFRS 3 (as revised in 2008) Business Combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 May 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

In the current year, the application of HKFRS 3 (as revised in 2008) has affected the acquisition of a subsidiary SYSL as disclosed in note 24. The relevant acquisition-related costs of HK$1,275,000 had been expensed when incurred and included in administrative expenses.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

The Group has not early applied the following new and revised Standards, Interpretations and Amendments that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[3]
HKFRS 9	Financial instruments[4]
HKFRS 10	Consolidated financial statements[4]
HKFRS 11	Joint arrangements[4]
HKFRS 12	Disclosure of interests in other entities[4]
HKFRS 13	Fair value measurement[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[5]
HKAS 24 (as revised in 2009)	Related party disclosures[6]
HKAS 27 (as revised in 2011)	Separate financial statements[4]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[4]
HK(IFRIC) – INT 14 (Amendments)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments[2]

[1] Amendments that are effective for accounting periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
[2] Effective for accounting periods beginning on or after 1 July 2010.
[3] Effective for accounting periods beginning on or after 1 July 2011.
[4] Effective for accounting periods beginning on or after 1 January 2013.
[5] Effective for accounting periods beginning on or after 1 January 2012.
[6] Effective for accounting periods beginning on or after 1 January 2011.

The directors of the Company anticipate that the application of these new and revised Standards, Interpretations and Amendment will have no material impact on the consolidated financial statements by reference to an analysis of the financial instruments of the Group as at 30 April 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 Share-based Payment at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Sale of goods are recognised when goods are delivered and title has passed.

Commission and brokerage income are recognised when the services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to accumulated losses.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure or at fair value. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

For a leasehold land which are classified as operating lease, whilst the building element is classified as finance lease, interest in the leasehold land is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis to the extent the allocation of the lease payments can be made reliably except for those that are classified and accounted for as investment properties under the fair value model. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the currency translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Trading right

Trading right with indefinite useful life is carried at cost (or deemed cost) less any accumulated impairment losses (see accounting policy in respect of impairment loss on tangible and intangible asset below).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including statutory deposits, trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer and counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 45 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Convertible notes with conversion option

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the convertible notes and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity (convertible notes reserve).

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Convertible notes with conversion option (Continued)

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The equity component, representing the option to convert the liability component into ordinary shares of the Company, will remain in convertible notes reserve until the embedded option is exercised (in which case the balance stated in convertible notes reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in convertible notes reserve will be transferred to the accumulated losses. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

Other financial liabilities

Other financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated losses.

4. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the obligations under finance leases and convertible notes disclosed in notes 22 and 25 respectively, and the equity attributable to owners of the Company, comprising issued share capital, share premium and reserves.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associates with capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the issuance of new shares and the addition of new borrowings.

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2011 **HK$'000**	2010 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**155,783**	43,991
Financial liabilities		
Amortised cost	**57,127**	52,647

5. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies

The Group's major financial instruments include statutory deposits, trade and other receivables, bank balances and cash, trade and other payables, obligations under finance leases and convertible notes. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and 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.

Currency risk

The Group had foreign currency sales and purchases, denominated in currencies other than the Group's functional currency which exposed itself to foreign currency risk. Approximately 38% and 38% (2010: 49% and 49%) of the Group's sales and purchases were denominated in currencies other than the functional currency of the respective group entities. In addition, certain trade receivables and trade payables were denominated in currencies other than the functional currency of the respective group entities. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

As at 30 April 2011, the carrying amounts of the Group's foreign currency denominated monetary assets of approximately HK$12,350,000 (2010: nil) and monetary liabilities of approximately HK$174,000 (2010: nil) at the end of the reporting period were in Renminbi ("RMB"). The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table details the Group's sensitivity to a 10% (2010: 10%) increase and decrease in HK$ against RMB and all other variables were held constant. 10% (2010: 10%) is the sensitivity rate used by management in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts its translation at the end of the reporting period for a 10% (2010: 10%) change in foreign currency rates. A positive number below indicates a decrease in loss for the year where RMB strengthen 10% (2010: 10%) against HK$. For a 10% (2010: 10%) weakening of RMB against HK$ there would be an equal and opposite impact on the result for the year.

	RMB Impact	
	2011	2010
	HK$'000	HK$'000
Decrease in loss for the year	**1,218**	–

5. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to obligations under finance leases and convertible notes. The Group is also exposed to cash flow interest rate risk in relation to variable-rate financial assets of bank balances. The Group has not used any interest rate swaps to mitigate its exposure associated with fluctuations relating to interest cash flows.

The Group currently does not have interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank balances, the analysis is prepared assuming the amount of outstanding balances at the end of the reporting period was outstanding for whole year. A 50 (2010: 50) basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 (2010: 50) basis points higher and all other variables were held constant, the Group's loss for the year ended 30 April 2011 would decrease by HK$722,000 (2010: HK$219,000). For a decrease in 50 (2010: 50) basis points, there would be an equal and opposite impact on the loss for the year.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 30 April 2011 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The management closely monitors the subsequent settlement of the debts and does not grant long credit period to customers. In addition, the Group reviews the recoverable amount of each individual trade receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 30 April 2011, the Group had concentration of credit risk as 86% of the total trade receivables was due from the Group's largest customer. As at 30 April 2010, all the trade receivables have been settled at the end of the reporting period.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

5. FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate % per annum	Less than 6 months HK$'000	6 months to 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amounts at 30.4.2011 HK$'000
2011							
Trade and other payables	–	4,627	–	–	–	4,627	4,627
Obligations under finance leases	0.7%	19	19	38	92	168	165
Convertible notes	3.5%	780	888	65,288	–	66,956	52,335
		5,426	907	65,326	92	71,751	57,127

	Weighted average interest rate % per annum	Less than 6 months HK$'000	6 months to 1 year HK$'000	1-2 years HK$'000	2-5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amounts at 30.4.2010 HK$'000
2010							
Trade and other payables	–	3,954	–	–	–	3,954	3,954
Convertible notes	3.5%	780	888	1,668	65,288	68,624	48,693
		4,734	888	1,668	65,288	72,578	52,647

Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. REVENUE

	2011 HK$'000	2010 HK$'000
Trading of electrical products	32,450	1,815
Trading of copper concentrate	–	5,967
Trading of telecommunication equipment	19,774	–
Commission and brokerage	2	–
	52,226	7,782

7. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of services delivered or provided.

During the period, the Group is newly engaged in the trading of telecommunication equipment and securities brokerage and financial services and these are new operating segments in current year. The Group is therefore organised into three operating segments for the current year – (a) trading of electrical products and copper concentrate, (b) trading of telecommunication equipment and (c) securities brokerage and financial services. In prior year, the Group only engaged in the trading of electrical products and copper concentrate. Information regarding the above segments is reported below.

Segment revenue and results

The following is an analysis of the Group's revenue and results by segment:

	Trading of electrical products and copper concentrate		Trading of telecommunication equipment		Securities brokerage and financial services		Total	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
REVENUE								
External sales	32,450	7,782	19,774	–	2	–	52,226	7,782
RESULTS								
Segment results	(130)	(278)	(312)	–	(54)	–	(496)	(278)
Other income							30	–
Share options expense							–	(8,744)
Corporate expenses							(7,294)	(6,105)
Finance costs							(5,310)	(4,232)
Loss before taxation							(13,070)	(19,359)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the financial results by segment without allocation of other income, share options expense, corporate expenses and finance costs. This is the measure reported to the Board of Directors for the purposes of resource allocation and performance assessment.

7. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by segment:

	Trading of electrical products and copper concentrate		Trading of telecommunication equipment		Securities brokerage and financial services		Total	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
ASSETS								
Segment assets	**–**	46	**6,682**	–	**8,877**	–	**15,559**	46
Investment properties							**11,306**	–
Bank balances (general accounts) and cash							**144,439**	43,813
Other assets							**3,738**	530
Consolidated total assets							**175,042**	44,389
LIABILITIES								
Segment liabilities	**–**	265	**174**	–	**1,422**	–	**1,596**	265
Convertible notes							**52,335**	48,693
Other liabilities							**3,885**	5,265
Consolidated total liabilities							**57,816**	54,223

For the purposes of monitoring segment performances and allocating resources between segments:

- All assets are allocated to operating segments other than investment properties, bank balances and cash for group administrative purpose and other assets including other receivables and prepayments and property, plant and equipment of head office.
- All liabilities are allocated to operating segments other than obligations under finance leases, convertible notes, other liabilities including other payables and accruals in relation to corporate administration costs.

7. SEGMENT INFORMATION *(Continued)*

Other segment information

Amount included in the measure of segment results or segment assets:

	Trading of electrical products and copper concentrate HK$'000	Trading of telecommunication equipment HK$'000	Securities brokerage and financial services HK$'000	Unallocated HK$'000	Consolidated HK$'000
For the year ended 30 April 2011					
Additions to property, plant and equipment	–	2,107*	–	–	2,107
Additions to prepaid lease payments	–	8,978*	–	–	8,978
Depreciation of property, plant and equipment	46	23	7	70	146
Amortisation of prepaid lease payments	–	89	–	–	89
For the year ended 30 April 2010					
Additions to property, plant and equipment	–	–	–	294	294
Depreciation of property, plant and equipment	138	–	–	60	198

* These additions were transferred to investment properties during the year ended 30 April 2011 and ceased to be segment assets of the trading of telecommunication equipment.

Geographical information

The Group's operations are located in Hong Kong and the PRC.

The Group's revenue from external customers by geographical location of customers irrespective of the origin of the goods, and information about its non-current assets by geographical location of the assets are detailed below.

	Revenue from external customers		Non-current assets	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Hong Kong	**32,453**	7,782	**7,484**	280
PRC	**19,773**	–	**11,319**	–
	52,226	7,782	**18,803**	280

Note: Non-current assets excluded statutory deposits.

7. SEGMENT INFORMATION *(Continued)*

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2011 HK$'000	2010 HK$'000
Customer A[1]	**20,013**	–
Customer B[1]	**–**	5,967
Customer C[1]	**12,437**	–
Customer D[1]	**–**	1,815
Customer E[2]	**19,446**	–

1 Revenue from trading of electrical products and copper concentrate. The corresponding revenue in the year 2010 for customer A and customer C did not contribute over 10% of total sales of the Group.

2 Revenue from trading of telecommunication equipment.

8. OTHER INCOME

	2011 HK$'000	2010 HK$'000
Interest income on bank deposits	**11**	–
Rental income	**18**	–
Other	**1**	–
	30	–

9. FINANCE COSTS

Amounts of finance costs represent the effective interest expense on convertible notes.

10. TAXATION

No provision for Hong Kong Profits Tax has been made for the year ended 30 April 2011 and 2010 as the Group has no assessable profit for both years. Hong Kong Profits Tax is calculated at 16.5% for both years.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of PRC subsidiary is 25%.

The taxation for the year can be reconciled to the loss before taxation per the consolidated statement of comprehensive income as follows:

	2011 HK$'000	2010 HK$'000
Loss before taxation	**(13,070)**	(19,359)
Taxation at the Hong Kong Profits Tax rate of 16.5%	**(2,157)**	(3,194)
Tax effect of income not taxable for tax purpose	**(2)**	–
Tax effect of expenses not deductible for tax purpose	**1,878**	3,168
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(24)**	–
Tax effect of tax losses not recognised	**305**	26
Taxation for the year	**–**	–

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK$4,891,000 (2010: HK$3,043,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the uncertainty of future profit stream. The unrecognised tax losses of approximately HK$440,000 (2010: nil) will expire before 2014. Other losses may be carried forward indefinitely.

11. LOSS AND TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR

	2011 HK$'000	2010 HK$'000
Loss and total comprehensive expense for the year has been arrived at after charging:		
Auditor's remuneration	**461**	400
Depreciation of property, plant and equipment	**146**	198
Amortisation of prepaid lease payments	**89**	–
Operating lease payments in respect of rented properties	**916**	551
Staff costs (including directors' remuneration):		
Salaries and allowances and benefits	**3,319**	1,826
Retirement benefit scheme contributions	**54**	18
Share options expense	**–**	8,744
	3,373	10,588

12. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

For the year ended 30 April 2011

	Notes	Directors' fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Share options expense HK$'000	Total 2011 HK$'000
Executive directors						
Lin Min		200	–	–	–	200
Yip Kar Hang, Raymond		200	–	–	–	200
Independent non-executive directors						
Chan Chi On, Derek	*(i)*	63	–	–	–	63
Cheung Kwok Keung		200	–	–	–	200
Lam Kam Tong	*(ii)*	99	–	–	–	99
Chan Ho Sun, Sunny	*(iii)*	101	–	–	–	101
Lau On Kwok	*(iv)*	137	–	–	–	137
Total emoluments		1,000	–	–	–	1,000

For the year ended 30 April 2010

	Notes	Directors' fees HK$'000	Salaries and other benefits HK$'000	Retirement benefit scheme contributions HK$'000	Share options expense HK$'000	Total 2010 HK$'000
Executive directors						
Lin Min		193	–	–	1,830	2,023
Yip Kar Hang, Raymond		193	–	–	4,677	4,870
Ko Chun Shun, Johnson	*(v)*	–	–	–	–	–
Wong Siu Kang	*(v)*	–	–	–	–	–
Independent non-executive directors						
Chan Ho Sun, Sunny	*(iii)*	165	–	–	407	572
Cheung Kwok Keung		193	–	–	407	600
Lau On Kwok	*(iv)*	193	–	–	407	600
Lau Wai Kit	*(vi)*	28	–	–	–	28
Tang Ho Sum	*(v)*	–	–	–	–	–
Yuen Kin	*(v)*	–	–	–	–	–
Liu Tsun Kie	*(v)*	–	–	–	–	–
Total emoluments		965	–	–	7,728	8,693

12. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS *(Continued)*

Directors' emoluments *(Continued)*

Notes:

(i) Director appointed on 7 January 2011

(ii) Director appointed on 3 November 2010

(iii) Director appointed on 3 July 2009 and resigned on 3 November 2010

(iv) Director appointed on 14 May 2009 and resigned on 7 January 2011

(v) Directors resigned on 4 June 2009

(vi) Director appointed on 14 May 2009 and resigned on 3 July 2009

During both years, no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any remuneration during the year.

Employees' emoluments

Of the five highest paid individuals of the Group, one (2010: three) is director, details of the emoluments are set out in above. The emoluments of the remaining four highest paid individuals (2010: two) were as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other benefits	**1,754**	503
Retirement benefit scheme contributions	**29**	11
Share options expense	**–**	1,016
	1,783	1,530

The aggregate emoluments of each of these four (2010: two) highest paid individuals were less than HK$1,000,000.

During the year, no emoluments were paid by the Group to the above-mentioned individuals as an inducement to join the Group or as compensation for loss of office.

13. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2011 **HK$'000**	2010 HK$'000
Loss for the purposes of basic and diluted loss per share	**(13,070)**	(19,359)

	Number of shares	
	2011	2010 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**931,289,053**	708,236,444

The computation of diluted loss per share does not assume the conversion of the convertible notes and exercise of share options since the conversion would result in a decrease in loss per share.

The weighted average number of ordinary shares adopted in the calculation of the basic and diluted loss per share for the years of 2011 and 2010 have been adjusted to reflect the impact of the rights issue during the year ended 30 April 2011.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Buildings HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
COST				
At 1 May 2009	413	–	–	413
Additions	36	–	258	294
At 30 April 2010	449	–	258	707
Additions	–	2,092	15	2,107
Acquired on acquisition of a subsidiary *(note 24)*	1,494	–	3,011	4,505
Reclassified to investment properties	–	(2,092)	–	(2,092)
At 30 April 2011	1,943	–	3,284	5,227
DEPRECIATION AND IMPAIRMENT				
At 1 May 2009	229	–	–	229
Provided for the year	154	–	44	198
At 30 April 2010	383	–	44	427
Provided for the year	68	21	57	146
Reclassified to investment properties	–	(21)	–	(21)
At 30 April 2011	451	–	101	552
CARRYING VALUES				
At 30 April 2011	1,492	–	3,183	4,675
At 30 April 2010	66	–	214	280

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvements	Over the term of relevant lease
Buildings	2.4%
Furniture, fixtures and equipment	20%

The net book value of furniture, fixtures and equipment of HK$3,183,000 includes an amount of HK$134,000 (2010: nil) in respect of assets held under finance leases.

15. PREPAID LEASE PAYMENTS

	HK$'000
COST	
At 1 May 2009 and 30 April 2010	–
Additions	8,978
Reclassified to investment properties	(8,978)
At 30 April 2011	–
AMORTISATION	
At 1 May 2009 and 30 April 2010	–
Charge for the year	89
Reclassified to investment properties	(89)
At 30 April 2011	–
CARRYING VALUES	
At 30 April 2011 and 2010	–

The Group's prepaid lease payments represented the leasehold land in PRC.

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1 May 2009 and 30 April 2010	–
Transfer from prepaid lease payments	8,889
Transfer from property, plant and equipment	2,071
Exchange realignment	346
At 30 April 2011	11,306

During the year, the Group purchase the new office units originally for own use. In view of the size of office units is not enough for Group's operation, the management of the Group had rented out the office units to third parties. Therefore, the relevant prepaid lease payments and property, plant and equipment had transferred to investment properties during the year.

The fair value of the Group's investment properties at 30 April 2011 have been arrived at on the basis of a valuation carried out on that date by an independent firm of surveyors, Avista Valuation Advisory Limited, who have among their staff members of The Hong Kong Institute of Surveyors. The valuation was determined on the basis of discounted cash flow projections based on estimates of future rental income from properties using market rentals and yields as inputs.

The above investment properties are located outside Hong Kong and held under medium-term lease.

17. TRADING RIGHT

Amount represents the right to trade on or through the Stock Exchange. As the trading right has indefinite live, the amount is carried at cost less any subsequent accumulated impairment loss, if any.

18. STATUTORY DEPOSITS

Amounts represent the statutory deposits placed in the Stock Exchange.

19. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2011 HK$'000	2010 HK$'000
Trade receivables from trading businesses	6,668	–
Trade receivables arising from the business of securities brokerage		
– Cash clients	1,014	–
– Hong Kong Securities Clearing Company Limited	62	–
Other receivables and prepayments	3,513	296
	11,257	296

The following is an aged analysis of trade receivables at the end of the reporting period:

	2011 HK$'000	2010 HK$'000
0 – 45 days	7,645	–
46 to 180 days	99	–
	7,744	–

As at 30 April 2011, trade and other receivables and prepayments of approximately HK$7,428,000 (2010: nil) were denominated in RMB, the currency other than the functional currency of the respective group entities.

The Group allows an average credit period of 45 days to its trading customers from trading businesses. Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$99,000 (2010: nil) as at 30 April 2011, which are past due at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these trade receivables is 48 days (2010: nil) as at 30 April 2011.

In the opinion of the directors, the Group has maintained good relationship with existing customers who have a strong financial position. The directors consider that such relationship enables the Group to limit its credit risk exposure. Before accepting any new customers, the Group will assess the potential customers' credit quality by reference to the experience of the management and defines credit limit by customers. Such credit limit is reviewed by the management periodically.

The settlement terms of trade receivables arising from the business of securities brokerage are usually one to two days after the trade date. The directors will follow up the trade receivables that had over the settlement terms.

20. BANK BALANCES AND CASH

Bank balances (trust and segregated accounts)

From the Group's securities brokerage business, it receives and holds money deposited by clients in the course of the conduct of the regulated activities. These clients' monies are maintained in one or more segregated bank accounts and bear prevailing market deposit rates at 0.01% (2010: nil) per annum. The Group has recognised the corresponding trade payable to respective clients. However, the Group does not have a currently enforceable right to offset those payables with the deposits placed.

Bank balances (general accounts) and cash

The amounts included short-term deposits with an original maturity of three months or less. Bank deposits received interest at prevailing market interest rates at 0.01% (2010: 0.01% to 0.6%) per annum. For the year ended 30 April 2011, bank balances (general accounts) and cash of approximately HK$5,189,000 (2010: nil) were denominated in RMB, the currency other than the functional currency of the respective group entities.

21. TRADE AND OTHER PAYABLES AND ACCRUALS

	2011 **HK$'000**	2010 HK$'000
Trade payables from trading businesses	**96**	–
Trade payables arising from the business of securities brokerage and financial services – cash clients	**1,363**	–
Other payables and accruals	**3,857**	5,530
	5,316	5,530

Trade payables from trading businesses were aged within 0-180 days at 30 April 2011.

The settlement term of trade payable arising from the business of securities brokerage and financial services is usually two days after the trade date and aged within 30 days.

For the year ended 30 April 2011, trade and other payables and accruals of approximately HK$174,000 (2010: nil) were denominated in RMB, the currency other than the functional currency of the respective group entities.

22. OBLIGATIONS UNDER FINANCE LEASES

	2011 **HK$'000**	2010 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**37**	–
Non-current liabilities	**128**	–
	165	–

22. OBLIGATIONS UNDER FINANCE LEASES *(Continued)*

The Group has entered into finance leases for certain of its office equipment with lease term of 5 years for the year ended 30 April 2011. Interest rates underlying all obligations under finance leases were fixed at 0.7% per annum. No arrangements had been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases				
Within one year	**38**	–	**37**	–
In more than one year but not more than two years	**38**	–	**37**	–
In more than two years but not more than five years	**92**	–	**91**	–
	168	–	**165**	–
Less: Future finance charges	**(3)**	–	**N/A**	N/A
Present value of lease obligations	**165**	–	**165**	–
Less: Amount due for settlement within one year (shown under current liabilities)			**(37)**	–
Amount due for settlement after one year			**128**	–

The Group's obligations under finance leases were secured by the lessor's charge over the leased assets.

23. SHARE CAPITAL

	Number of ordinary shares of HK$0.10 each		Nominal value	
	2011	2010	**2011**	2010
			HK$'000	HK$'000
Authorised:				
At beginning and end of the year	**2,000,000,000**	2,000,000,000	**200,000**	200,000
Issued and fully paid:				
At beginning of the year	**841,716,365**	541,716,365	**84,172**	54,172
Conversion of convertible notes *(note (i))*	**–**	300,000,000	**–**	30,000
Shares issued *(note (ii))*	**336,686,546**	–	**33,668**	–
At end of the year	**1,178,402,911**	841,716,365	**117,840**	84,172

23. SHARE CAPITAL *(Continued)*

Notes:

(i) For the year ended 30 April 2010, a total of 300,000,000 ordinary shares at par value of HK$0.1 each were issued as a result of conversion of the 5% Notes (as defined in note 25) with aggregate principal amount of HK$36,000,000.

(ii) On 24 March 2011, the Company allotted and issued 336,686,546 shares by way of rights issue at a subscription price of HK$0.42 per rights share on the basis of two rights share for every five shares held.

All the issued shares rank pari passu in all respects including all rights as to dividends, voting and return of capital.

24. ACQUISITION OF A SUBSIDIARY

On 28 April 2011, the Group acquired the entire share capital in SYSL from Global Strategy International Limited (the "Acquisition"), with SYSL principally engaged in the securities brokerage and financial services. The fair value of the consideration for the Acquisition was cash consideration of HK$17,700,000. This Acquisition had been accounted for using the acquisition method.

Acquisition-related costs amounting to HK$1,275,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expenses in the consolidated statement of comprehensive income.

Assets acquired and liabilities recognised as at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	4,505
Trading right	2,822
Statutory deposits	205
Trade and other receivables and prepayments	1,512
Bank balances (trust and segregated accounts)	419
Bank balances (general accounts) and cash	10,227
Trade and other payables and accruals	(1,825)
Obligations under finance leases	(165)
	17,700
Total consideration satisfied by cash	17,700

24. ACQUISITION OF A SUBSIDIARY *(Continued)*

	HK$'000
Net cash outflow arising on Acquisition:	
Cash consideration paid	**(17,700)**
Bank balances (general accounts) and cash acquired	**10,227**
	(7,473)

The fair value of trade and other receivables at the acquisition date amounted to HK$1,304,000 which is same as the gross contractual amounts.

The acquired subsidiary contributed net loss of approximately HK$54,000 to the Group's loss for the period between the date of acquisition and the end of the reporting period.

Had the Acquisition been completed on 1 May 2010, total group revenue for the year would have been approximately HK$52,315,000, and loss for the year would have been approximately HK$17,692,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the Acquisition been completed on 1 May 2010, nor is it intended to be a projection of future results.

25. CONVERTIBLE NOTES

The Company issued two convertible notes and details are set out as below:

(a) 5% convertible notes due on 2012 (the "5% Notes")

On 17 July 2007, the Company issued 5% Notes at a par value of HK$51,600,000 and a maturity date of 16 July 2012. The 5% Notes are denominated in Hong Kong dollars. The noteholders have the right to convert their notes 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 a conversion price of HK$0.12 per convertible note (subject to anti-dilution adjustment). If the 5% Notes have not been converted on the maturity date, the Company shall repay to the holder of the 5% Notes for the principal amount of the outstanding convertible notes held by the noteholders.

The effective interest rate of the liability component of the 5% Notes is 9.9% per annum.

The 5% Notes contain two components, liability and equity elements. The equity element is included in "convertible notes reserve".

During the year ended 30 April 2011, the conversion price had been adjusted to HK$0.10 after the rights issue as disclosed in note 23.

(b) 2% convertible notes due on 2012 and 2013 (the "2% Notes")

On 17 November 2009 and 29 April 2010, the Company issued 2% Notes at a par value of HK$5,152,000 and HK$39,265,600 and a maturity date of 17 November 2012 and 29 April 2013 respectively. The 2% Notes are denominated in Hong Kong dollars. The noteholders have the right to convert their notes into the Company's new ordinary shares at any time from the date of issue to the third day prior to the date of maturity at a conversion price of HK$0.184 per convertible notes (subject to anti-dilution adjustment). If the 2% Notes have not been converted on the maturity date, the Company shall repay to the holder of the 2% Notes for the principal amount of the outstanding convertible notes held by the noteholders.

25. CONVERTIBLE NOTES *(Continued)*

(b) 2% convertible notes due on 2012 and 2013 (the "2% Notes") *(Continued)*

The effective interest rates of the liability component of the 2% Notes issued on 17 November 2009 and 29 April 2010 are 12.4% and 11.1% per annum respectively.

The 2% Notes contain two components, liability and equity elements. The equity element is included in "convertible notes reserve".

During the year ended 30 April 2011, the conversion price had been adjusted to HK$0.16 after the rights issue as disclosed in note 23.

The 5% Notes and 2% Notes are held by Front Riches as at 30 April 2010 and 2011.

The movement of the liability component of the convertible notes during the year is set out below:

	5% Notes HK$'000	2% Notes HK$'000	Total HK$'000
At 1 May 2009	44,821	–	44,821
Proceeds from issue of 2% Notes	–	44,418	44,418
Equity component	–	(10,033)	(10,033)
Liability component on initial recognition	–	34,385	34,385
Converted during the year	(32,059)	–	(32,059)
Interest expenses	3,996	236	4,232
Interest paid	(2,633)	(53)	(2,686)
At 30 April 2010	14,125	34,568	48,693
Interest expenses	1,410	3,900	5,310
Interest paid	(780)	(888)	(1,668)
At 30 April 2011	14,755	37,580	52,335

26. SHARE OPTION SCHEME

Under the share option scheme adopted by the Company on 24 September 2004 (the "Option 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. The purpose of the Option 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 Option 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 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 27 August 2010, the Company can grant up to 84,171,636 share options to the Qualified Persons.

26. SHARE OPTIONS SCHEME *(Continued)*

Subscription price in relation to each option pursuant to the Option Scheme shall be not less than the highest 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 Persons; 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 following table discloses details of the option held by employees (including directors) and movements in such holdings during both years.

				Number of options					
Grantee	Date of grant	Exercise price HK$ *(note 1)*	Exercisable period	Outstanding at 1 May 2009	Granted during the year	Outstanding at 30 April 2010	Transfer (out) in *(note 2)*	Adjustment by rights issue *(note 3)*	Outstanding at 30 April 2011
Executive directors:									
Lin Min	25 August 2010	1.587	25 August 2010 to 24 August 2012	–	2,700,000	2,700,000	–	380,700	3,080,700
Yip Kan Hang, Raymond	25 August 2010	1.587	25 August 2010 to 24 August 2012	–	6,900,000	6,900,000	–	972,900	7,872,900
Independent non-executive directors:									
Chan Ho Sun, Sunny	25 August 2010	1.587	25 August 2010 to 24 August 2012	–	600,000	600,000	(600,000)	–	–
Cheung Kwok Keung	25 August 2010	1.587	25 August 2010 to 24 August 2012	–	600,000	600,000	–	84,600	684,600
Lau On Kwok	25 August 2010	1.587	25 August 2010 to 24 August 2012	–	600,000	600,000	(600,000)	–	–
Employee in aggregate	25 August 2010	1.587	25 August 2010 to 24 August 2012	–	1,500,000	1,500,000	1,200,000	380,700	3,080,700
				–	12,900,000	12,900,000	–	1,818,900	14,718,900

Notes:

(1) The exercise price had been adjusted from HK$1.81 to HK$1.587 with the rights issue as disclosed in note 23.

(2) Mr. Chan Ho Sun, Sunny and Mr. Lau On Kwok resigned as directors of the Company on 3 November 2010 and 7 January 2011 respectively. In appreciation of their contribution to the Group, the Board of Directors has agreed that the options held by them should continue to be exercisable until the end of the exercisable period.

(3) The rights issue as disclosed in note 23 constitutes a reorganisation of capital structure pursuant to Clause 10 of the Option Scheme and adjustments have to be made to the subscription prices and the number of shares subject to the Option Scheme.

26. SHARE OPTION SCHEME *(Continued)*

During the year ended 30 April 2010, options were granted on 25 August 2009. The closing price of the Company's shares immediately before 25 August 2009, the date of grant of the options, was HK$1.66. The estimated fair value of the options granted was HK$8,744,000.

The fair value was calculated using the Binominal model. The inputs into the model were as follows:

Grant date share price	HK$1.81
Exercise price	HK$1.81
Expected volatility	65%
Expected life	3 years
Risk-free rate	1.02%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous three years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non transferability, exercise restrictions and behavioural considerations.

The Group recognised the total expense of HK$8,744,000 for the year ended 30 April 2010 in relation to share options granted by the Company.

27. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum payments under non-cancellable operating leases in respect of rented properties which fall due as follows:

	2011 **HK$'000**	2010 HK$'000
Within one year	**5,768**	539
In the second to fifth year inclusive	**8,752**	73
	14,520	612

Leases are negotiated for a term of two years and rentals are fixed for the lease term.

The Group as lessor

Property rental income earned during the year was approximately HK$18,000 (2010: nil). The properties are expected to generate rental yields of 4% on an ongoing basis. All of the properties held have committed tenants for the next two years.

27. OPERATING LEASE COMMITMENTS *(Continued)*

The Group as lessor *(Continued)*

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2011 HK$'000	2010 HK$'000
Within one year	215	–
In the second to fifth year inclusive	144	–
	359	–

28. CAPITAL AND OTHER COMMITMENTS

Capital commitments

	2011 HK$'000	2010 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	1,065	–

Other commitments

At the end of the reporting period, the Group had commitments for future service payments for the security trading server under non-cancellable service agreement which fall due as follows:

	2011 HK$'000	2010 HK$'000
Within one year	534	–
In the second to fifth year inclusive	258	–
	792	–

29. RETIREMENT BENEFITS SCHEME

Since 1 December 2000, the Group has operated pension schemes under the rules and regulations of the Mandatory Provident Fund Schemes Ordinance ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately in an independently managed fund. The Group has followed the minimum statutory contribution requirements of 5% of eligible employees' relevant income with a cap of HK$1,000 per employee per month. The contributions are charged to the consolidated statement of comprehensive income as incurred.

29. RETIREMENT BENEFITS SCHEME *(Continued)*

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

The total cost charged to the consolidated statement of comprehensive income of HK$54,000 (2010: HK$18,000) represents contributions payable to the schemes by the Group at rates specified in the rules of the schemes.

30. MAJOR NON-CASH TRANSACTION

During the year ended 30 April 2010, the holder of convertible notes with principal amount of HK$36,000,000 had converted such notes into 300,000,000 Company's shares. Details had disclosed in note 25. Also, interest expenses of HK$2,686,000 from convertible notes had not been paid to noteholders and were included in trade and other payables and accruals.

31. RELATED PARTY TRANSACTIONS

(a) During the year ended 30 April 2011, the Company recognised interest expenses on convertible notes of HK$5,310,000 (2010: HK$4,232,000) which are held by Front Riches, the ultimate holding company of the Group.

(b) **Compensation of key management personnel**

The remuneration of directors and other members of key management during the year was as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other short-term employee benefits	**1,000**	965
Share options expense	**–**	7,728
	1,000	8,693

The remuneration of directors and key executives is determined having regard to the performance of individuals and market trends.

Notes to the Consolidated Financial Statements

For the year ended 30 April 2011

32. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

The following table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of subsidiary	Country/place of incorporation or registration	Principal place of operation	Nominal value of issued/ registered capital	Proportion of nominal value of issued/registered capital directly held by the Group 2011	2010	Principal activities
Kingwell Management Limited	Hong Kong	Hong Kong	HK$1,000,000	**100%**	100%	Providing of administrative services to the Group
Sheng Yuan Securities Limited *(Note 1)*	Hong Kong	Hong Kong	HK$20,000,000	**100%**	N/A	Securities brokerage and financial services
Silver Pearl International Limited	Hong Kong	Hong Kong	HK$2	**100%**	100%	Trading of copper concentrate and electrical products
Sun Profit (China) Limited *(Note 1)*	Hong Kong	Hong Kong	HK$1	**100%**	N/A	Trading of electrical products
順盈貿易(上海)有限公司 *(Note 2)*	PRC	PRC	US$3,000,000	**100%**	N/A	Trading of telecommunication equipment

Notes:

(1) These subsidiaries were incorporated during the year ended 30 April 2011.

(2) The subsidiary was incorporated during the year ended 30 April 2011 and registered as a wholly-owned foreign enterprise under the PRC law.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

Financial Summary

RESULTS

	Year ended 30 April				
	2007 HK$'000	2008 HK$'000 (restated)	2009 HK$'000	2010 HK$'000	**2011** **HK$'000**
Revenue	26,396	35,395	23,546	7,782	**52,226**
(Loss) profit before taxation	(54,672)	(74,848)	31,226	(19,359)	**(13,070)**
Taxation	–	(5,287)	–	–	**–**
(Loss) profit for the year	(54,672)	(80,135)	31,226	(19,359)	**(13,070)**

ASSETS AND LIABILITIES

	At 30 April				
	2007 HK$'000	2008 HK$'000 (restated)	2009 HK$'000	2010 HK$'000	**2011** **HK$'000**
Total assets	22,186	32,589	17,690	44,389	**175,042**
Total liabilities	(74,647)	(108,487)	(59,001)	(54,223)	**(57,816)**
	(52,461)	(75,898)	(41,311)	(9,834)	**117,226**

Particulars of Investments Properties

PARTICULARS OF INVESTMENTS PROPERTIES

Location	Use	Tenure	Attributable interest of the Group
Unit 609, Jing An China Tower, 1701 Beijing West Road, Shanghai, The PRC	Office	Medium-term lease	100%
Unit 1604, Jing An China Tower, 1701 Beijing West Road, Shanghai, The PRC	Office	Medium-term lease	100%