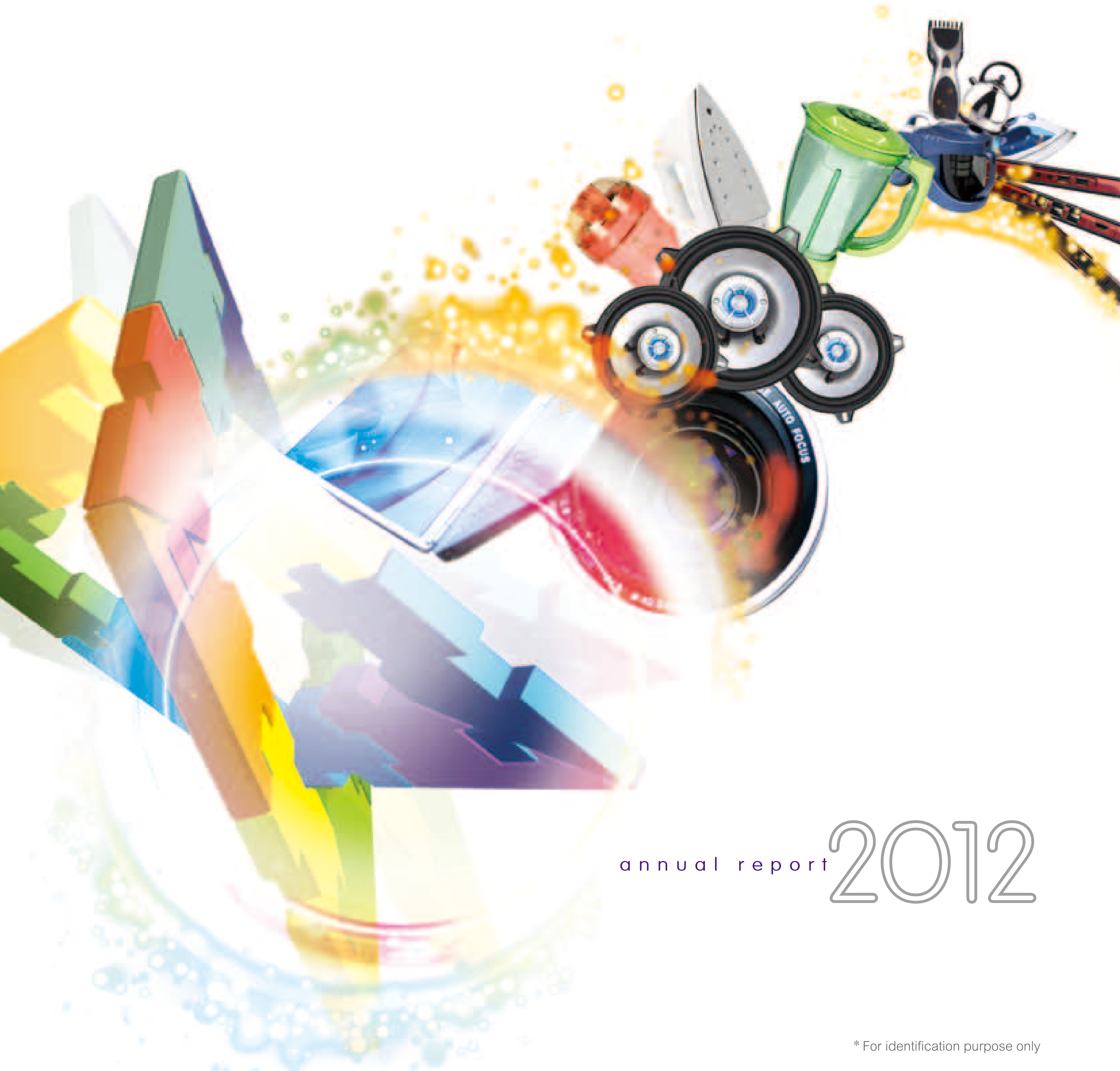
# BEP International Holdings Limited

百 靈 達 國 際 控 股 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2326)




annual report 2012

* For identification purpose only

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# Abbreviations

In this annual report, the following abbreviations have the following meanings unless otherwise specified:

| | |
|---|---|
| "Board" | the Board of Directors of the Company |
| "Company" | BEP International Holdings Limited |
| "Directors" | the directors of the Company from time to time |
| "Group" | the Company and its subsidiaries |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "PRC" | the People's Republic of China |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "HK$" and "cents" | Hong Kong dollars and cents |
| "%" | per cent. |

# CORPORATE INFORMATION



## BOARD OF DIRECTORS

### Executive Directors

Mr. Suen Cho Hung, Paul *(Chairman)*
Mr. Sue Ka Lok *(Chief Executive Officer)*
Mr. Li Hiu Ming
Mr. Poon Hor On

### Independent Non-executive Directors

Mr. Chan Kwong Fat, George
Mr. Siu Hi Lam, Alick
Mr. To Yan Ming, Edmond

## AUDIT COMMITTEE

Mr. To Yan Ming, Edmond *(Chairman)*
Mr. Chan Kwong Fat, George
Mr. Siu Hi Lam, Alick

## REMUNERATION COMMITTEE

Mr. Siu Hi Lam, Alick *(Chairman)*
Mr. Chan Kwong Fat, George
Mr. To Yan Ming, Edmond
Mr. Sue Ka Lok

## NOMINATION COMMITTEE

Mr. Chan Kwong Fat, George *(Chairman)*
Mr. Siu Hi Lam, Alick
Mr. To Yan Ming, Edmond
Mr. Sue Ka Lok

## COMPANY SECRETARY

Ms. Hui Yee Ling

## AUDITOR

Deloitte Touche Tohmatsu

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

## PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN HONG KONG

Suite 1005, 10th Floor
Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong

## PRINCIPAL BANKERS

Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM11
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## COMPANY HOMEPAGE

http://www.bepgroup.com.hk
http://www.tricor.com.hk/webservice/02326

## STOCK CODE

2326

# CHAIRMAN'S STATEMENT

With all the devoted efforts of the management in seeking for resumption of trading of the Company's shares, I am pleased to report that the trading of the Company's shares on the Stock Exchange has resumed since 18 May 2012 after over three years of prolonged suspension. I am also delighted to report that the Group continued to perform well and achieve profitable results for the year ended 31 March 2012.

## BUSINESS REVIEW

For the year under review, the Group reported a profit attributable to owners of the Company of HK$10,301,000, significantly increased by 77% when comparing to HK$5,833,000 in last year. During the year, all of the Group's business segments, namely, the sale of home electrical appliances, electronic products and related plastic injection components; distribution and sale of electronic consumer products; and sourcing and sale of computer and related products continued to register encouraging business progress by posting an aggregate turnover of HK$257,507,000, representing a 45% jump compared to HK$177,929,000 in the previous year. The Group's increased turnover also drove up gross profit to HK$25,936,000, which grew by 53% comparing to HK$16,940,000 in last year. The earnings per share for the year attributable to owners of the Company were HK0.74 cent, increased by 76% comparing to last year earnings per share of HK0.42 cent (restated).

With dedicated efforts of the management in developing the businesses of the Group, all three business segments registered encouraging increases in revenue and profitability. In particular, very impressive results were delivered by the Group's sourcing and sale of computer and related products operation by posting revenue of HK$107,150,000 and segment profit of HK$10,828,000, representing sharp increases of 95% and 97% respectively over their comparables of HK$54,864,000 and HK$5,492,000 in last year. During the year, the Group's computer sourcing and sale operation continued to focus on the sale of notebook and netbook computers and has added the very popular tablet computers to its products list. Computer product distributors in Southeast Asian countries continued to be key customers of the operation for the reasons that the Group's products are very price competitive in these markets. The Group's operation of sale of home electrical appliances, electronic products and related plastic injection components, which offers a wide range of electrical and electronic consumer products, also demonstrated a respective 15% and 30% growth from their last year comparables of HK$82,557,000 and HK$7,878,000 by reporting revenue of HK$94,562,000 and segment profit of HK$10,254,000. The products offers by this operation are very competitive in terms of quality and pricing and are well received by many of its customers. The Group's distribution and sale of electronic consumer products operation, which continued to focus on the distribution sales of premium Japanese brand imaging products including digital cameras, lenses and accessories, reported revenue of HK$55,795,000 and segment profit of HK$3,196,000, which also showing a respective 38% and 39% growth over their comparables of HK$40,508,000 and HK$2,305,000 in the previous year. Overall speaking, all three business segments of the Group performed well during the year which contributed to the significant increases of the Group's turnover and profitability.

## PROSPECTS

In May 2012, the Company successfully completed an open offer of new shares and raised net proceeds of approximately HK$114 million, coupled with the effect of the capitalization of loan from the immediate holding company, the financial position of the Group has been substantially strengthened and restored to a net assets position. The new capital raised has also vested with the Group ample financial resources to develop its existing businesses and to capture attractive investment opportunities when they arise.

During the past three years, the Group's businesses have progressively developed into a well balanced and competitive business mix comprises three business segments. This transformation also leads the Group to become a electrical and electronic consumer products group offering a wide range of products with target markets in Southeast Asia and the PRC. In view of the encouraging results the Group has achieved for the year under review, I am optimistic about the Group's results for the year ending 31 March 2013. Nevertheless, the slowdown of GDP growth of the PRC economy, the slow recovery of the US economy and the continuation of the sovereign debts crises in Europe may all pose negative impact to the Group's performance and hinder the development and growth

of the Group. Against this backdrop, the management is presently taking a cautious and prudent approach in managing the businesses of the Group and evaluating new business opportunities to ensure a stable prospect to shareholders.

## APPRECIATION

The year under review was a very successful year of the Group. I would like to take this opportunity to thank all our shareholders, business partners, customers and bankers for their continuous support to the Group, and to my fellow directors, the Group's management team and staff for their hard work and contributions for the past year.

**Suen Cho Hung, Paul**
*Chairman*

Hong Kong, 20 June 2012

# MANAGEMENT DISCUSSION AND ANALYSIS

## OPERATIONS REVIEW

The Group continued to achieve profitable results and perform well for the year ended 31 March 2012. The Group reported a turnover of HK$257,507,000, which showed a significant increase of 45% compared with HK$177,929,000 in the previous year, and gross profit of HK$25,936,000, which jumped by 53% compared to HK$16,940,000 in last year. The strong growth of the Group's turnover and gross profit were the results of encouraging business progress achieved by all of the Group's business segments, namely, the sale of home electrical appliances, electronic products and related plastic injection components; the distribution and sale of electronic consumer products; and the sourcing and sale of computer and related products. The significant increases in the Group's turnover and gross profit gave a strong boost to the Group's net profit. For the year under review, the Group posted a profit for the year amounting to HK$11,056,000, increased by 78% compared to HK$6,227,000 recorded in last year, whereas the profit attributable to owners of the Company for the year, after netting off non-controlling interests, amounting to HK$10,301,000 which also increased by 77% comparing to HK$5,833,000 in last year. The Company's earnings per share were HK0.74 cent, compared to HK0.42 cent (restated) in last year. The finance costs for the year of HK$2,414,000 represented the imputed interest on the amount advanced from the immediate holding company, yet part of that amount of HK$2,165,000 required no cash payout but only represented a notional interest calculated in accordance with the Group's accounting policy principally by assuming market interest rate was charged by the immediate holding company for the advance made. If the effect of such notional interest was excluded from the Group's results, the Group would have reported a profit attributable to owners of the Company of HK$12,466,000. For comparison purpose, if the same notional interest of HK$2,177,000 was excluded from the previous year's results, the Group would have recorded a profit attributable to owners of the Company of HK$8,010,000.

For the year under review, the Group's operation in the sale of home electrical appliances, electronic products and related plastic injection components reported revenue of HK$94,562,000 and segment profit of HK$10,254,000, which increased by 15% and 30% respectively over their comparables of HK$82,557,000 and HK$7,878,000 in the previous year. The encouraging performance achieved by the operation demonstrated its market competitiveness which mainly stemmed on the wide range of quality plastic electrical and electronic products at competitive pricings that the operation can offer. On 30 April 2012, the Group completed the acquisition of a production plant which has been the subcontracting production plant of the operation since August 2009. Further details of the transaction are stated in the paragraph below headed "Very Substantial Acquisition".

The Group's operation in the distribution and sale of electronic consumer products continued to perform well. For the year ended 31 March 2012, the operation posted revenue of HK$55,795,000 and segment profit of HK$3,196,000, which increased by 38% and 39% respectively over their comparables of HK$40,508,000 and HK$2,305,000 in last year. During the review year, the operation continued to focus on the distribution sales of premium Japanese brand imaging products including digital cameras, lenses and accessories in the southern and eastern region of the PRC. The management is optimistic about the growth potential of consumer spending market in the PRC and has devoted resources in developing business targeting the PRC mass consumption market of electrical appliances. Having realized that consumers in the PRC are becoming more health conscious as a result of the general rise of living standard, the Group has launched its own brand name health care home electrical appliances series including water electrolysis machines and massagers in order to explore this fast growing market segment.

The Group's operation in the sourcing and sale of computer and related products delivered very impressive results for the review year. The operation achieved revenue of HK$107,150,000 and segment profit of HK$10,828,000 for the year, which showed sharp increases of 95% and 97% respectively over their last year comparables of HK$54,864,000 and HK$5,492,000. The operation continued to focus on the sale of netbook and notebook computers as well as the related accessories and has added the very popular tablet computers to its product list. Computer product distributors in Southeast Asian countries continued to be key customers of the operation for the reasons that the Group's products are very price competitive in these markets. The Group will continue to explore business opportunities in these markets and devote resources to enhance its sales force and product development capability in order to expand its customer base as well as its product range.

## FINANCIAL REVIEW

### Liquidity, Financial Resources and Capital Structure

At 31 March 2012, the Group had current assets of HK$99,191,000 (2011: HK$78,271,000) comprising bank balances of HK$13,677,000 (2011: HK$10,843,000). The Group's current ratio, calculated based on current assets of HK$99,191,000 over current liabilities of HK$65,826,000 (excluding amount due to immediate holding company) (2011: HK$59,031,000) was at a strong ratio of 1.51 (2011: 1.33).

As at 31 March 2012, the Group's gearing ratio, calculated on the basis of total liabilities of HK$65,903,000 (excluding amount due to immediate holding company) (2011: HK$59,131,000, excluding amount due to immediate holding company) divided by total assets of HK$100,836,000 (2011: HK$80,268,000) was at a moderate ratio of 0.65 (2011: 0.74). At 31 March 2012, the total carrying amount of advances made by the immediate holding company, Long Channel Investments Limited ("Long Channel"), to the Group amounted to HK$37,815,000 (principal amount of HK$36,919,000). Out of the total advances, an advance of the carrying amount of HK$12,168,000 (principal amount of HK$12,170,000) due to Long Channel was interest free, with the remaining balance being interest bearing at 1% per annum. The amount due to Long Channel was unsecured. According to a loan capitalization agreement entered into between Long Channel and the Company on 27 February 2012 (further details of which were stated in the Company's announcement dated 27 February 2012 and the Company's circular dated 22 March 2012), the advance due to Long Channel (including interests accrued up to 31 May 2011) were fully repaid on 16 May 2012 by way of capitalization via issuing new shares of the Company.

During the year under review, the Group continued to implement a prudent financial management policy. In addition to internally generated cash flows, the Group had support from its controlling shareholder to provide funding in meeting operational needs. The management expects that the growth of the Group's businesses, the capitalization of advances from Long Channel, and the open offer conducted by the Group in May 2012 raising net proceeds of approximately HK$114 million (further details of which were stated in the Company's circular dated 22 March 2012 and the Company's prospectus dated 24 April 2012) will substantially improve the liquidity and financial position of the Group.

### Foreign Currency Management

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in Hong Kong dollars, Renminbi and US dollars. The Group maintains a prudent strategy in its foreign currency risk management, to a large extent, foreign exchange risks are minimized via balancing the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. In light of the above, it is considered that the Group's exposure to foreign exchange risks is not significant and no hedging measure has been undertaken by the Group.

### Capital Commitment

At 31 March 2012, the Group had no material capital commitment (2011: HK$234,000 in respect of the acquisition of moulds for computer cases).

### Contingent Liabilities

As at 31 March 2012, the Group had no material contingent liabilities.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2012, the Group had a total of 33 employees and directors. Total staff costs for the year, including directors' remuneration, was HK$4,220,000 (2011: HK$3,237,000). Remuneration packages for employees and directors are structured by reference to market terms and individual competence, performance and experience. Benefits plans maintained by the Group include provident fund scheme, medical insurance, share option scheme and discretionary bonuses.

## VERY SUBSTANTIAL ACQUISITION

On 14 October 2010, a subsidiary of the Company entered into a sale and purchase agreement with the vendors of May Wilson Holding Limited ("MWH") to acquire their 92% equity interest in MWH for a consideration of HK$6,000,000. The transaction constituted a very substantial acquisition of the Company and was approved by shareholders in the special general meeting of the Company held on 15 December 2010. The completion of the acquisition is further subject to the Company having obtained the in-principle approval from the Stock Exchange for the resumption of trading of the Company's shares on the Stock Exchange. On 10 February 2012, the Company obtained such in-principle approval and the acquisition was completed on 30 April 2012.

The main reason for the acquisition is to vertically integrate the operation of the production plant owned by MWH (a subcontracting production plant of the Group) for creating further financial synergies with the Group's existing operation. It is expected that upon completion of the acquisition, the profitability as well as the manufacturing capability of this operation will be substantially enhanced, as the profit margin now earning by the subcontracting production plant will be captured and included in the Group's results, and the benefits created through economies of scale, streamlining of operation processes and a more efficient supply chain management will also be vested in the Group. Further details of the acquisition were stated in the Company's announcement dated 15 October 2010 and the Company's circular dated 29 November 2010.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Suen Cho Hung, Paul,** *Chairman*
Aged 51, joined the Company as an Executive Director in July 2009 and was appointed the Chairman of the Company in August 2009. Mr. Suen is also a director of several subsidiaries of the Company. Mr. Suen holds a Master of Business Administration degree from the University of South Australia. Mr. Suen has extensive experience in managing metal, mineral and raw materials, electrical and electronic consumer products, energy and property business ventures as well as in strategic planning and corporate management of business enterprises in Hong Kong and the PRC. Mr. Suen is a controlling shareholder of the Company as disclosed in the section headed "Interests and short positions of shareholders discloseable under the SFO" in the Report of the Directors. Mr. Suen is also an executive director and the chairman of Beijing Yu Sheng Tang Pharmaceutical Group Limited (stock code: 1141) ("Beijing Yu Sheng Tang"), and has been appointed an executive director and the chairman of Sunlink International Holdings Limited (stock code: 2336) ("Sunlink International") since 23 February 2012 and 1 March 2012 respectively. Both of the above companies are listed in Hong Kong.

**Mr. Sue Ka Lok,** *Chief Executive Officer and member of the Remuneration Committee and the Nomination Committee*
Aged 47, joined the Company as an Executive Director in July 2009 and was appointed the Chief Executive Officer of the Company in August 2009. Mr. Sue is also a director of several subsidiaries of the Company. Mr. Sue holds a Bachelor of Economics degree from the University of Sydney in Australia and a Master of Science in Finance degree from the City University of Hong Kong. Mr. Sue is a fellow member of the Hong Kong Institute of Certified Public Accountants, a certified practising accountant of the CPA Australia, a fellow member of both the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators and a member of the Hong Kong Securities Institute. Mr. Sue has extensive experience in corporate management, finance, accounting and company secretarial practice. Mr. Sue is also an executive director and the chief executive officer of Beijing Yu Sheng Tang, a non-executive director and the chairman of China Tycoon Beverage Holdings Limited (stock code: 209), and has been appointed an executive director and the chief executive officer of Sunlink International since 23 February 2012 and 1 March 2012 respectively. All of the above companies are listed in Hong Kong.

**Mr. Li Hiu Ming**
Aged 61, joined the Company as an Executive Director in May 2009 and is also a director of several subsidiaries of the Company. Mr. Li has over 20 years of experience in manufacturing and trading of electronic equipment and managing investment ventures in the PRC and Hong Kong. Mr. Li holds a doctoral degree of philosophy from the School of Philosophy of Wuhan University in the PRC.

**Mr. Poon Hor On**
Aged 70, joined the Company as an Executive Director in May 2009 and is also a director of several subsidiaries of the Company. Mr. Poon has over 30 years of experience in plastic and printing industries and managing business enterprises in Hong Kong and the PRC. Mr. Poon was educated in Guangdong Industry Technical College (廣東輕工職業技術學院) in the PRC.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chan Kwong Fat, George,** *Chairman of the Nomination Committee and member of the Audit Committee and the Remuneration Committee*
Aged 52, joined the Company as an Independent Non-executive Director in June 2009. Mr. Chan is the executive director of a consultancy company engaging in providing financial investment consultancy services. Mr. Chan has worked in the finance and commercial field for more than 22 years. He had been the principal corporate planner of Airport Authority Hong Kong and was responsible for corporate planning in the areas of commercial and financial strategies. Mr. Chan obtained his Bachelor degree in Social Sciences from the University of Hong Kong in 1982, Master degree in Business Administration from The Chinese University of Hong Kong in 1987 and Master degree in Accounting from Curtin University of Technology, Australia. Mr. Chan is also a member of the CPA Australia.

**Mr. Siu Hi Lam, Alick,** *Chairman of the Remuneration Committee and member of the Audit Committee and the Nomination Committee*
Aged 57, joined the Company as an Independent Non-executive Director in June 2009. Mr. Siu is the managing director of Fortune Take International Limited, a company engaging in providing business consultancy services. Mr. Siu has worked in the finance and banking field for more than 25 years. He had been the senior vice president of AIG Finance (Hong Kong) Limited and the vice president of Bank of America, responsible for business development and credit risk management. Mr. Siu obtained a Master degree in Business Administration from the University of Hull in 1995. Mr. Siu is also an independent non-executive director of Sage International Group Limited (stock code: 8082) and was an independent non-executive director of China Investment Fund Company Limited (stock code: 612) until 1 February 2012. Both of the above companies are listed in Hong Kong.

**Mr. To Yan Ming, Edmond,** *Chairman of the Audit Committee and member of the Remuneration Committee and the Nomination Committee*
Aged 40, joined the Company as an Independent Non-executive Director in June 2009. Mr. To is a practising accountant and presently the director of Zhonglei (HK) CPA Company Limited, Edmond To CPA Limited and R.C.W. (HK) CPA Limited. He is a member of both the CPA Australia and Hong Kong Institute of Certified Public Accountants. He worked for the international accounting firm, Deloitte Touche Tohmatsu and has over 12 years of experience in auditing, accounting, floatation and taxation matters. Mr. To holds a Bachelor degree in Commerce in Accounting from Curtin University of Technology in Western Australia. Mr. To is also an independent non-executive director of China Vanguard Group Limited (stock code: 8156), Wai Chun Group Holdings Limited (stock code: 1013) and Theme International Holdings Limited (stock code: 990). Mr. To has been appointed an independent non-executive director of Bao Yuan Holdings Limited (stock code: 692) since 24 April 2012. All of the above companies are listed in Hong Kong.

## SENIOR MANAGEMENT

**Ms. Hui Yee Ling,** *Company Secretary and Financial Controller*
Aged 47, joined the Company in October 2008. Ms. Hui is the Financial Controller and the Company Secretary of the Company. Ms. Hui obtained a Master in Business Administration degree from Hong Kong Polytechnic University in 1995. She has over 20 years of experience in the accounting and management fields. She had worked for the international accounting firm KPMG and has extensive experience in auditing, accounting and corporate management. She is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

The Directors are pleased to present their annual report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2012.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the sale of home electrical appliances, electronic products and related plastic injection components, distribution and sale of electronic consumer products and sourcing and sale of computer and related products.

## RESULTS

The results of the Group for the year ended 31 March 2012 are set out in the consolidated income statement on page 33.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2012 (2011: nil).

## FIVE-YEAR FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on page 76 of this annual report. This summary does not form part of the audited consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 12 to the consolidated financial statements.

## SHARE CAPITAL

There was no movement in the share capital of the Company during the year. Details of share capital of the Company are set out in note 19 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES OF THE COMPANY

Under The Companies Act 1981 of Bermuda, contributed surplus is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realizable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

As at 31 March 2012, the Company's deficits were HK$56,153,000 consisting of contributed deficit of HK$1,522,000 less accumulated losses of HK$54,631,000. No reserves are available for distribution to shareholders.

## DIRECTORS

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

**Executive Directors:**
Mr. Suen Cho Hung, Paul
Mr. Sue Ka Lok
Mr. Li Hiu Ming
Mr. Poon Hor On

**Independent Non-executive Directors:**
Mr. Chan Kwong Fat, George
Mr. Siu Hi Lam, Alick
Mr. To Yan Ming, Edmond

In accordance with bye-law 87 of the Company's Bye-laws, Mr. Suen Cho Hung, Paul, Mr. Li Hiu Ming, Mr. Poon Hor On and Mr. Chan Kwong Fat, George will retire by rotation at the forthcoming annual general meeting ("AGM"). Mr. Poon Hor On will not offer himself for re-election and will therefore retire at the AGM whereas Mr. Suen Cho Hung, Paul, Mr. Li Hiu Ming and Mr. Chan Kwong Fat, George, being eligible, will offer themselves for re-election at the AGM.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in note 8 to the consolidated financial statements.

## DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Connected Transactions" in this directors' report and in note 26 to the consolidated financial statements, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director or the controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2012, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

**Long position in the ordinary shares of the Company**

| Name of director | Capacity | Number of issued ordinary shares held | Percentage of the issued share capital of the Company |
|---|---|---|---|
| Mr. Suen Cho Hung, Paul ("Mr. Suen") | Interest of a controlled corporation | 2,704,752,000 *(Note)* | 55.75% |

*Note:*

These shares were beneficially owned by Long Channel Investments Limited ("Long Channel") and Loyal Giant Holdings Limited ("Loyal Giant") as to 2,703,000,000 shares and 1,752,000 shares, respectively. Long Channel was a wholly owned subsidiary of Loyal Giant which in turn was wholly owned by Mr. Suen, an Executive Director and the Chairman of the Company. Accordingly, Mr. Suen and Loyal Giant were deemed to be interested in 2,704,752,000 shares under the SFO.

Mr. Suen was also deemed to be interested in 195,907,214 Consolidated Shares (as defined below) pursuant to a loan capitalization agreement ("Capitalization Agreement") entered into between the Company and Long Channel on 27 February 2012. According to the Capitalization Agreement, 195,907,214 Consolidated Shares would be issued to Long Channel at the price of HK$0.192 per Consolidated Share as repayment of loans totalling approximately HK$37,614,185.17 (including interests accrued up to 31 May 2011) due to Long Channel by the Company. Details of the Capitalization Agreement were set out in the Company's announcement dated 27 February 2012 and the Company's circular dated 22 March 2012. The Capitalization Agreement was completed on 16 May 2012 and 195,907,214 Consolidated Shares were allotted and issued to Long Channel on 16 May 2012.

On 27 February 2012, the Company announced its proposal to implement the share consolidation (the "Share Consolidation") on the basis that every issued and unissued four shares of HK$0.0005 in the share capital of the Company would be consolidated into one consolidated share of HK$0.002 each (the "Consolidated Shares"). The ordinary resolution approving the Share Consolidation was passed by the shareholders of the Company at the special general meeting held on 12 April 2012 and the Share Consolidation became effective on 13 April 2012.

Save as disclosed above, as at 31 March 2012, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 6 January 2003 for a period of ten years commencing from the date of listing of the Company's shares on the Stock Exchange on 3 March 2003. The purpose of the Scheme is to provide employees of the Group with the opportunity to acquire proprietary interests in the Company and to encourage employees to work towards enhancing the value of the Company and its shares for the benefit of the Company and the shareholders as a whole.

Under the Scheme, the Board shall be entitled to make an offer of grant of options to any employee of the Group, including any executive directors of the Group in its discretion.

The total number of shares available for issue upon exercise of options not yet been granted under the Scheme is 107,000,000 shares (adjusted for the effect of the Share Consolidation which became effective on 13 April 2012), representing 5.31% of the issued share capital of the Company as at the date of this annual report.

The total number of shares issued and to be issued upon exercise of options granted and to be granted to each grantee (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of further grant must not exceed 1% of the Company's shares in issue. Any further grant of options in excess of the above limit must be subject to shareholders' approval.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company (the "Limit") must not, in aggregate, exceed 10% of the Company's shares in issue on 3 March 2003 (the commencement date of dealing of the Company's shares on the Stock Exchange). The Company may renew the Limit at any time subject to prior shareholders' approval. However, the Limit as renewed must not exceed 10% of the Company's shares in issue as at the date of the shareholders' approval.

## SHARE OPTION SCHEME (CONTINUED)

The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the Company's shares in issue from time to time.

An option may be exercised at any time during the period to be determined and notified by the Board to each grantee at the time of making the offer but in any event such period may not be more than ten years from the date of grant of the option.

There is no general requirement on the minimum period for which an option must be held before it can be exercised under the Scheme. At the time of granting an option, however, the Board may, on a case by case basis, make such grant subject to such conditions, restrictions or limitation in relation to the minimum period for which the option must be held as the Board may in its absolute discretion determine.

An offer of the grant of an option shall remain open for acceptance for a period of 28 days from the date of offer. HK$1.00 is payable by the grantee on acceptance of the offer.

The subscription price of the options shall be determined by the Board at its absolute discretion but shall be no less than the highest of: (i) the closing price of the Company's shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; (ii) the average closing price of the Company's shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares on the date of grant.

The Scheme shall be valid and effective for a period of ten years commencing on 3 March 2003.

No share options were granted or exercised during the years ended 31 March 2011 and 2012 and no share options were outstanding as at 31 March 2011 and 2012.

## ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Share Option Scheme" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisitions of shares in, or debentures of, the Company or any other body corporate.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 March 2012, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

**Long positions in the ordinary shares of the Company**

| Name of shareholder | Capacity | Number of issued ordinary shares held | Percentage of the issued share capital of the Company |
|---|---|---|---|
| Mr. Suen Cho Hung, Paul | Interest of controlled corporation | 2,704,752,000 *(Note 1)* | 55.75% |
| Loyal Giant | Beneficial owner | 1,752,000 | 0.04% |
| | Interest of controlled corporation | 2,703,000,000 *(Note 1)* | 55.71% |
| Long Channel | Beneficial owner | 2,703,000,000 *(Note 1)* | 55.71% |
| Mr. Chan Chun Hung, James | Interest of controlled corporation | 750,000,000 *(Note 2)* | 15.46% |
| Elite Agent Limited ("Elite") | Beneficial owner | 750,000,000 *(Note 2)* | 15.46% |
| Mr. Yeung Sau Shing, Albert | Founder of a discretionary trust | 268,406,000 *(Note 3)* | 14.75% *(Note 4)* |
| Ms. Luk Siu Man, Semon | Family interest | 268,406,000 *(Note 3)* | 14.75% *(Note 4)* |
| STC International Limited | Trustee | 268,406,000 *(Note 3)* | 14.75% *(Note 4)* |
| Million Way Holdings Limited | Interest of controlled corporation | 268,406,000 *(Note 3)* | 14.75% *(Note 4)* |
| Emperor Capital Group Limited | Interest of controlled corporation | 268,406,000 *(Note 3)* | 14.75% *(Note 4)* |

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (CONTINUED)

*Notes:*

1. These shares were beneficially owned by Long Channel as to 2,703,000,000 shares and Loyal Giant as to 1,752,000 shares. Long Channel was a wholly owned subsidiary of Loyal Giant which in turn was wholly owned by Mr. Suen. Accordingly, Mr. Suen and Loyal Giant were deemed to be interested in 2,704,752,000 shares under the SFO.

   Long Channel, Loyal Giant and Mr. Suen were also interested in 195,907,214 Consolidated Shares pursuant to the Capitalization Agreement.

2. These shares were beneficially owned by Elite, a company incorporated in the British Virgin Islands and was wholly owned by Mr. Chan Chun Hung, James.

3. This represented the Consolidated Shares for which Emperor Securities Limited ("Emperor Securities") agreed to underwrite pursuant to the underwriting agreement entered into between the Company and Emperor Securities on 19 March 2012 in relation to the open offer of 606,500,000 offer shares ("Open Offer"). Emperor Securities was an indirect wholly owned subsidiary of Emperor Capital Group Limited, which was owned as to 60.55% by Win Move Group Limited. Win Move Group Limited was a wholly owned subsidiary of Million Way Holdings Limited, which was a subsidiary of STC International Limited, the trustee of The Albert Yeung Discretionary Trust of which Mr. Yeung Sau Shing, Albert is the founder. Ms. Luk Siu Man, Semon is the spouse of Mr. Yeung Sau Shing, Albert.

   Details of the underwriting agreement and the Open Offer were set out in the Company's announcements dated 27 February 2012 and 20 March 2012, the Company's circular dated 22 March 2012 and the Company's prospectus dated 24 April 2012.

4. The issued share capital of the Company for the purpose of calculating the percentages refers to the issued share capital of the Company as enlarged by the Consolidated Shares which would be issued under the Open Offer.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 31 March 2012 as required pursuant to section 336 of the SFO.

## CONNECTED TRANSACTIONS

On 27 February 2012, the Company and Long Channel, the controlling shareholder of the Company which was wholly and ultimately owned by Mr. Suen, entered into the Capitalization Agreement whereby 195,907,214 Consolidated Shares of the Company would be issued to Long Channel at the price of HK$0.192 per Consolidated Share as repayment of loans totalling approximately HK$37,614,185.17 (including interests accrued up to 31 May 2011) due to Long Channel by the Company. The Capitalization Agreement was subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Capitalization Agreement was approved by independent shareholders of the Company on 12 April 2012 and was completed on 16 May 2012.

Save as disclosed above, the related party transactions as disclosed in note 26 to the consolidated financial statements did not constitute discloseable connected transactions as defined under the Listing Rules.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

## MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for 24% and 55% respectively of the Group's total turnover for the year.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for 27% and 77% respectively of the Group's total purchases for the year.

None of the Directors, their associates, or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest customers and suppliers.

## EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is based on their competence, performance and experience. Other employee benefits included provident fund scheme, medical insurance, share option scheme as well as discretionary bonus.

The emoluments of the directors are reviewed by the Remuneration Committee of the Company, having regard to the Company's operating results, individual performance and comparable market information. No director or any of his associates, and executive is involved in dealing with his own remuneration.

## CORPORATE GOVERNANCE

The audited consolidated financial statements of the Company for the year ended 31 March 2012 had been reviewed by the Audit Committee of the Company before they were duly approved by the Board under the recommendation of the Audit Committee.

The Company has received the annual confirmation of independence from each of the Independent Non-executive Directors as required under Rule 3.13 of the Listing Rules. The Company considered all Independent Non-executive Directors to be independent.

Particulars of the Company's corporate governance practices are set out on pages 25 to 29 of this annual report.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float throughout the year ended 31 March 2012.

## EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 29 to the consolidated financial statements.

## AUDITOR

The consolidated financial statements for the year ended 31 March 2012 have been audited by Messrs. Deloitte Touche Tohmatsu.

A resolution will be proposed at the forthcoming AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

**Sue Ka Lok**
*Chief Executive Officer*

Hong Kong, 20 June 2012

The Board is committed to upholding good corporate governance. The Board considers effective corporate governance is essential to protect shareholders' interests and enhance stakeholders' value.

During the year, the Board continued to implement appropriate corporate governance practices to ensure transparency, accountability and effective internal control. The Board had applied the principles and complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Listing Rules.

## THE BOARD

The Board is responsible for the overall management, leadership and control of the Group. The Board's primary responsibilities are to formulate long-term corporate strategies, to establish policies and plans, to oversee the management of the Group, to evaluate the performance of the Group, to assess the achievement of targets set by the Board periodically and to review and approve annual and interim results and other significant financial and operational matters. The Board is directly accountable to the shareholders of the Company. The responsibility of day-to-day management and operations of the Group are delegated to senior management of the Company.

As at the date of this report, the Board comprises seven directors including four executive directors, namely Mr. Suen Cho Hung, Paul ("Mr. Suen") (Chairman), Mr. Sue Ka Lok ("Mr. Sue") (Chief Executive Officer), Mr. Li Hiu Ming and Mr. Poon Hor On and three independent non-executive directors, namely Mr. Chan Kwong Fat, George, Mr. Siu Hi Lam, Alick and Mr. To Yan Ming, Edmond. The biographical details of the Directors are set out in the "Biographical Details of Directors and Senior Management" on pages 12 to 14 of this annual report.

Save that both Mr. Suen and Mr. Sue are executive directors of both Beijing Yu Sheng Tang Pharmaceutical Group Limited (of which Mr. Suen is a substantial shareholder) and Sunlink International Holdings Limited (of which Mr. Suen is the controlling shareholder), and Mr. Sue is the non-executive director and the chairman of China Tycoon Beverage Holdings Limited of which Mr. Suen is a controlling shareholder, there is no financial, business, family or other material/relevant relationship between the Chairman and the Chief Executive Officer and among members of the Board.

The Independent Non-executive Directors bring a broad range of financial, regulatory and commercial experience and skills to the Board, which contribute to the effective strategic management of the Group.

The Company has received the annual confirmation of independence from each of the Independent Non-executive Directors as required under Rule 3.13 of the Listing Rules. The Company considers all Independent Non-executive Directors to be independent under the guidelines set out in the Listing Rules.

## THE BOARD (CONTINUED)

During the year under review, four regular board meetings were held and the attendance of individual director is set out as follows:

| Name of Director | Attendance/ Number of Board Meetings |
|---|---|
| **Executive Directors** | |
| Mr. Suen Cho Hung, Paul | 2/4 |
| Mr. Sue Ka Lok | 4/4 |
| Mr. Li Hiu Ming | 4/4 |
| Mr. Poon Hor On | 4/4 |
| **Independent Non-executive Directors** | |
| Mr. Chan Kwong Fat, George | 4/4 |
| Mr. Siu Hi Lam, Alick | 4/4 |
| Mr. To Yan Ming, Edmond | 4/4 |

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Currently the Chairman and the Chief Executive Officer of the Company is Mr. Suen Cho Hung, Paul and Mr. Sue Ka Lok respectively. Their roles are separated such that the Chairman is responsible for managing and providing leadership to the Board and the Chief Executive Officer is responsible for managing the day-to-day operations of the Group.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the Independent Non-executive Directors of the Company is appointed for a term of twelve-month period which automatically renews for successive twelve-month periods unless terminated by either party in writing prior to the expiry of the term. All the independent non-executive directors are also subject to retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the Company's Bye-laws.

## BOARD COMMITTEES

The Board has established three committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, with specific written terms of reference as set out in the CG Code.

### Audit Committee

The Audit Committee is mainly responsible for assisting the Board in applying financial reporting and internal control principles and in maintaining an appropriate relationship with the Company's auditor. The Audit Committee is also delegated the corporate governance function of the Board to monitor, procure and manage corporate governance compliance within the Group.

As at the date of this report, the Audit Committee comprises all the three Independent Non-executive Directors, namely Mr. To Yan Ming, Edmond, Mr. Chan Kwong Fat, George and Mr. Siu Hi Lam, Alick. The Chairman of the Audit Committee is Mr. To Yan Ming, Edmond. During the year ended 31 March 2012, three meetings of the Audit Committee were held and the attendance of individual committee member at the meetings is set out as follows:

| Name of member | Attendance/ Number of Audit Committee Meetings |
|---|---|
| Mr. To Yan Ming, Edmond | 3/3 |
| Mr. Chan Kwong Fat, George | 3/3 |
| Mr. Siu Hi Lam, Alick | 3/3 |

The work performed by the Audit Committee during the year include:

- reviewed and discussed the audited financial statements of the Group for the year ended 31 March 2011 with recommendations to the Board for approval;
- reviewed and discussed the unaudited financial statements of the Group for the six months ended 30 September 2011 with recommendations to the Board for approval;
- reviewed and discussed with the management and auditor of the Company the accounting policies and practices which may affect the Group and the scope of the audit;
- reviewed the effectiveness of the internal control system of the Group; and
- reviewed and made recommendations to the Board on the re-appointment of the Company's auditor and reviewed and approved the remuneration and the terms of engagement of the Company's auditor.

## BOARD COMMITTEES (CONTINUED)

### Remuneration Committee

The principle responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management; to determine the specific remuneration packages for all executive directors and senior management as well as making recommendations to the Board on remuneration of non-executive directors.

As at the date of this report, the Remuneration Committee comprises four members, including three independent non-executive directors, namely Mr. Siu Hi Lam, Alick (Chairman), Mr. Chan Kwong Fat, George and Mr. To Yan Ming, Edmond, and one executive director, namely Mr. Sue Ka Lok.

The Remuneration Committee met once during the year to review the remuneration packages for the directors. The attendance of individual committee member at the meeting is set out as follows:

| Name of member | Attendance/ Number of Remuneration Committee Meetings |
|---|---|
| Mr. Siu Hi Lam, Alick | 1/1 |
| Mr. Chan Kwong Fat, George | 1/1 |
| Mr. To Yan Ming, Edmond | 1/1 |
| Mr. Sue Ka Lok | 1/1 |

### Nomination Committee

The Nomination Committee was established on 30 March 2012 with specific written terms of reference as set out in the CG Code. As at the date of this report, the Nomination Committee comprises four members, including three independent non-executive directors, namely Mr. Chan Kwong Fat, George (Chairman), Mr. Siu Hi Lam, Alick and Mr. To Yan Ming, Edmond, and one executive director, namely Mr. Sue Ka Lok.

The Nomination Committee is mainly responsible for making recommendations to the Board on the appointment of directors, evaluation of board composition, assessment of the independence of independent non-executive directors and the management of board succession.

As the Nomination Committee was formed in March 2012, no nomination committee meeting was held during the year ended 31 March 2012.

## INTERNAL CONTROL

The Board is responsible for maintaining an effective internal control system of the Group to safeguard the interests of the Company's shareholders and assets.

During the year under review, the Board had conducted a review of the effectiveness of the internal control system of the Group covering financial, operational and compliance controls and risk management functions.

## DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 March 2012.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Specific enquiries have been made to all the Directors and they have confirmed their compliance with the required standards set out in the Model Code during the year ended 31 March 2012.

## AUDITOR AND AUDITOR'S REMUNERATION

The statement of the auditor of the Company about their responsibilities on the Company's financial statements for the year ended 31 March 2012 is set out in the section headed "Independent Auditor's Report" on pages 30 to 32 of this annual report.

The following fees were paid or payable to the Company's auditor during the year:

| | *HK$'000* |
|---|---|
| Fees for audit services | 768 |
| Fees for non-audit services | 231 |

# INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

**TO THE SHAREHOLDERS OF BEP INTERNATIONAL HOLDINGS LIMITED**
*(incorporated in Bermuda with limited liability)*

We audited the consolidated financial statements of BEP International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 75, which comprise the consolidated statement of financial position as at 31 March 2012, and the consolidated income statement, 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 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, 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 unmodified opinion on the financial position and our qualified audit opinion on the financial performance and cash flows.

**Basis for Qualified Opinion on the Profit and Cash Flows**

As set out in note 2 (b) to the consolidated financial statements, notwithstanding that the Group held 100% equity interests in Bailingda Industrial (Shenzhen) Company Limited ("BEP (China)") for the period from 26 October 2008 to 30 July 2010, the directors of the Company deconsolidated BEP (China) since 26 October 2008 as they considered that the Group no longer had the power to govern the financial and operating policies of BEP (China), and accordingly control over BEP (China) was lost when the premises and assets of BEP (China) were sealed by 深圳寶安區人民法院 (the "Baoan People's Court") since 26 October 2008. However, we have been unable to inspect the court orders issued by the Baoan People's Court, and accordingly we have been unable to obtain sufficient reliable evidence to satisfy ourselves as to whether it is appropriate to deconsolidate BEP (China) from 26 October 2008 to 30 July 2010.

The Group recorded a loss on deconsolidation of BEP (China) of HK$49,677,000 based on its unaudited statement of financial position as at 30 September 2008 and unaudited income statement for the period from 1 April 2008 to 30 September 2008, which were the latest management accounts available to the directors of the Company. The loss of BEP (China) prior to deconsolidation included in the consolidated income statement for the year ended 31 March 2009 amounted to HK$28,357,000. These losses had a corresponding impact on the Group's accumulated losses as at 1 April 2010. However, as a result of the circumstances described above, the directors of the Company were unable to provide us with the complete set of accounting books and records of BEP (China). We were therefore unable to carry out audit procedures to obtain sufficient reliable audit evidence to satisfy ourselves as to whether the accumulated losses as at 1 April 2010 are free from material misstatements.

On 30 July 2010, the directors of the Company resolved to dispose of the entire equity interests in the holding company of BEP (China), Better Electrical Products Company Limited, to a company controlled by the ultimate controlling shareholder of the Company for a consideration of HK$1 and recorded a gain on disposal of subsidiaries of HK$1 for the year ended 31 March 2011. However, as a result of the circumstances described above, we were unable to satisfy ourselves as to whether the gain on disposal, as well as the related disclosures set out in the notes to the consolidated financial statements for the year ended 31 March 2011 are free from material misstatements.

Any adjustments that might have been found to be necessary in respect of the above matters would have a significant effect on the Group's accumulated losses as at 1 April 2010 and on its profit for the year ended 31 March 2011. Our audit opinion on the consolidated financial statements for the year ended 31 March 2011 was modified accordingly. Our opinion on the current year's consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.

**Qualified Opinion on the Profit and Cash Flows**

In our opinion, except for the possible effects on the corresponding figures of the matters described in the Basis for Qualified Opinion on the Profit and Cash Flows paragraphs, the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows give a true and fair view of the Group's profit and cash flows for the year ended 31 March 2012 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.

**Opinion on the Financial Position**

In our opinion, the consolidated statement of financial position gives a true and fair view of the state of the Group's affairs as at 31 March 2012 in accordance with Hong Kong Financial Reporting Standards and has been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**
*Certified Public Accountants*

Hong Kong, 20 June 2012

# CONSOLIDATED INCOME STATEMENT



For the year ended 31 March 2012

| | Notes | 2012<br>HK$'000 | 2011<br>HK$'000 |
|---|---|---|---|
| Turnover | 5 | **257,507** | 177,929 |
| Cost of sales | | **(231,571)** | (160,989) |
| Gross profit | | **25,936** | 16,940 |
| Other income | | **642** | 1,038 |
| Selling and distribution costs | | **(1,658)** | (1,265) |
| Administrative expenses | | **(8,458)** | (6,605) |
| Finance costs | 6 | **(2,414)** | (2,418) |
| Profit before taxation | 7 | **14,048** | 7,690 |
| Taxation | 9 | **(2,992)** | (1,463) |
| **Profit for the year** | | **11,056** | 6,227 |
| Attributable to: | | | |
| Owners of the Company | | **10,301** | 5,833 |
| Non-controlling interests | | **755** | 394 |
| | | **11,056** | 6,227 |
| | | ***HK cent*** | *HK cent*<br>(Restated) |
| **Earnings per share** – Basic | 11 | **0.74** | 0.42 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2012

| | 2012<br>*HK$'000* | 2011<br>*HK$'000* |
|---|---|---|
| **Profit for the year** | **11,056** | 6,227 |
| Other comprehensive income for the year: | | |
| Exchange differences arising on translation of foreign operations | **299** | 232 |
| **Total comprehensive income for the year** | **11,355** | 6,459 |
| Total comprehensive income for the year attributable to: | | |
| Owners of the Company | **10,600** | 6,065 |
| Non-controlling interests | **755** | 394 |
| | **11,355** | 6,459 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION



At 31 March 2012

| | Notes | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | **1,145** | 1,263 |
| Deposits paid for acquisition of subsidiaries | | **500** | 500 |
| Deposits paid for property, plant and equipment | | **–** | 234 |
| | | **1,645** | 1,997 |
| **Current assets** | | | |
| Inventories | 13 | **399** | 378 |
| Trade and other receivables | 14 | **85,115** | 67,050 |
| Bank balances and cash | 15 | **13,677** | 10,843 |
| | | **99,191** | 78,271 |
| **Current liabilities** | | | |
| Trade and other payables | 16 | **63,138** | 57,957 |
| Amount due to immediate holding company | 17 | **37,815** | – |
| Tax payable | | **2,688** | 1,074 |
| | | **103,641** | 59,031 |
| **Net current (liabilities) assets** | | **(4,450)** | 19,240 |
| **Total assets less current liabilities** | | **(2,805)** | 21,237 |
| **Non-current liabilities** | | | |
| Amount due to immediate holding company | 17 | **–** | 35,374 |
| Deferred tax liabilities | 18 | **77** | 100 |
| | | **77** | 35,474 |
| Net liabilities | | **(2,882)** | (14,237) |
| **Capital and reserves** | | | |
| Share capital | 19 | **2,426** | 2,426 |
| Reserves | | **(6,478)** | (17,078) |
| Capital deficiency attributable to owners of the Company | | **(4,052)** | (14,652) |
| Non-controlling interests | | **1,170** | 415 |
| Deficiency of shareholders' equity | | **(2,882)** | (14,237) |

The consolidated financial statements on pages 33 to 75 were approved and authorised for issue by the Board on 20 June 2012 and are signed on its behalf by:

| | |
|---|---|
| **Suen Cho Hung, Paul** | **Sue Ka Lok** |
| *DIRECTOR* | *DIRECTOR* |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2012

| | Share capital HK$'000 | Share premium HK$'000 | Merger reserve HK$'000 (Note 1) | Capital reserve HK$'000 (Note 2) | Translation reserve HK$'000 | Accumulated losses HK$'000 | Attributable to owners of the Company HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|---|---|
| At 1 April 2010 | 2,426 | 24,292 | (1,522) | 6,211 | 12 | (54,098) | (22,679) | 21 | (22,658) |
| Exchange differences arising on translation of foreign operations | – | – | – | – | 232 | – | 232 | – | 232 |
| Profit for the year | – | – | – | – | – | 5,833 | 5,833 | 394 | 6,227 |
| Total comprehensive income for the year | – | – | – | – | 232 | 5,833 | 6,065 | 394 | 6,459 |
| Fair value adjustment on amount due to immediate holding company at initial recognition | – | – | – | 126 | – | – | 126 | – | 126 |
| Deemed capital contribution from immediate holding company on the date of extension of repayment | – | – | – | 1,836 | – | – | 1,836 | – | 1,836 |
| At 31 March 2011 | 2,426 | 24,292 | (1,522) | 8,173 | 244 | (48,265) | (14,652) | 415 | (14,237) |
| Exchange differences arising on translation of foreign operations | – | – | – | – | 299 | – | 299 | – | 299 |
| Profit for the year | – | – | – | – | – | 10,301 | 10,301 | 755 | 11,056 |
| Total comprehensive income for the year | – | – | – | – | 299 | 10,301 | 10,600 | 755 | 11,355 |
| At 31 March 2012 | 2,426 | 24,292 | (1,522) | 8,173 | 543 | (37,964) | (4,052) | 1,170 | (2,882) |

*Notes:*

1. On 6 January 2003, the Company became the holding company of the companies then comprising the Group pursuant to a group reorganization scheme (the "Group Reorganization") at the time of listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The merger reserve of the Group represents the difference between the nominal value of the shares of a former subsidiary of the Company acquired pursuant to the Group Reorganization and the nominal value of the Company's shares issued in exchange therefor.

2. Capital reserve represents the fair value adjustment on the amounts due to former ultimate holding company and immediate holding company at initial recognition, deemed capital contribution from immediate holding company on the date of extension of repayment and waiver of amount due to former ultimate holding company.

# CONSOLIDATED STATEMENT OF CASH FLOWS



For the year ended 31 March 2012

| | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|
| **Operating activities** | | |
| Profit before taxation | **14,048** | 7,690 |
| Adjustments for: | | |
| Interest income | **(6)** | (3) |
| Interest expenses | **2,414** | 2,418 |
| Depreciation of property, plant and equipment | **592** | 458 |
| Operating cash flows before movement in working capital | **17,048** | 10,563 |
| (Increase) decrease in inventories | **(11)** | 70 |
| Increase in trade and other receivables | **(17,842)** | (46,418) |
| Increase in trade and other payables | **5,156** | 39,506 |
| **Cash generated from operating activities** | **4,351** | 3,721 |
| Hong Kong Profits Tax paid | **(857)** | – |
| PRC Enterprise Income Tax paid | **(551)** | (441) |
| **Net cash from operating activities** | **2,943** | 3,280 |
| **Investing activities** | | |
| Interest received | **6** | 3 |
| Purchase of property, plant and equipment | **(240)** | (347) |
| Deposits paid for acquisition of subsidiaries | **–** | (500) |
| Deposits paid for property, plant and equipment | **–** | (234) |
| **Net cash used in investing activities** | **(234)** | (1,078) |
| **Financing activity** | | |
| Advance from immediate holding company | **–** | 2,500 |
| **Net increase in cash and cash equivalents** | **2,709** | 4,702 |
| Cash and cash equivalents at beginning of the year | **10,843** | 6,102 |
| Effect of foreign exchange rate changes | **125** | 39 |
| **Cash and cash equivalents at end of the year, representing bank balances and cash** | **13,677** | 10,843 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2012

## 1. GENERAL

The Company is an exempted company incorporated in Bermuda with limited liability and its shares are listed on the Stock Exchange. Its parent and ultimate parent are Long Channel Investments Limited ("Long Channel") and Loyal Giant Holdings Limited, private companies incorporated in the British Virgin Islands ("BVI") with limited liability, respectively. The ultimate controlling shareholder is Mr. Suen Cho Hung, Paul. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

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

The Company is an investment holding company. Its subsidiaries are principally engaged in the sale of home electrical appliances, electronic products and related plastic injection components, distribution and sale of electronic consumer products and sourcing and sale of computer and related products.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### (a) Going concern basis

In preparing the consolidated financial statements of the Group, the directors of the Company have given careful consideration to the future liquidity of the Group in the light of the fact that the Group's current liabilities exceeded its current assets by HK$4,450,000 and its total liabilities exceeded its total assets by HK$2,882,000 as at 31 March 2012. Subsequent to 31 March 2012, the directors of the Company have taken the actions of open offer (see Note 29(b)) and loan capitalization of amount due to immediate holding company (see Note 29(c)) to improve the liquidity position of the Group. Based on those actions, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis.

### (b) Subsidiary deconsolidated

Notwithstanding that the Group held 100% equity interests in Bailingda Industrial (Shenzhen) Company Limited ("BEP (China)") for the period from 26 October 2008 to 30 July 2010, BEP (China) was no longer regarded as a subsidiary of the Group as the directors of the Company are of the opinion that the Group no longer had the power to govern the financial and operating policies of BEP (China), and accordingly control over BEP (China) was lost when the premises and assets of BEP (China) were sealed by 深圳寶安區人民法院 (the "Baoan People's Court") since 26 October 2008.

With reference to an announcement issued by the Company on 17 October 2008, BEP (China) had continued to incur operating losses and the directors of the Company considered that it was in the interest of the Group to cease operations of BEP (China) from 20 October 2008.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

### (b) Subsidiary deconsolidated (continued)

Soon after the release of the announcement, the media reported widely on the cessation of operations of BEP (China). The premises and assets of BEP (China) were sealed by the Baoan People's Court with orders issued on 26 October 2008 and 24 November 2008 respectively. Neither the Group nor any of its employees had received the above orders from the Baoan People's Court.

In this respect, the directors of the Company decided to appoint a lawyer in the People's Republic of China (the "PRC") to handle the matters related thereto. According to the legal advice of this PRC lawyer, the court order issued on 26 October 2008 was to seal the premises in order to restrict entrance except for authorized government officers. The court order issued on 24 November 2008 was to seal the assets inside the premises after investigation by the government officers.

Since the premises of BEP (China) had been sealed by the Baoan People's Court, the directors of the Company were unable to access its complete set of underlying books and records together with the supporting documents.

The directors of the Company are of the opinion that the Group no longer had the power to govern the financial and operating policies of BEP (China), and accordingly the Group no longer controlled BEP (China) notwithstanding that the Group held a 100% equity interests in BEP (China). It was no longer regarded as a subsidiary of the Group since the premises and assets of BEP (China) had been sealed by the Baoan People's Court since 26 October 2008. The directors of the Company resolved to deconsolidate BEP (China) on 26 October 2008.

The Group recorded a loss on deconsolidation of BEP (China) of HK$49,677,000 based on its unaudited statement of financial position as at 30 September 2008 and unaudited income statement for the period from 1 April 2008 to 30 September 2008, which were the latest management accounts available to the directors of the Company. The loss of BEP (China) prior to deconsolidation included in the consolidated income statement for the year ended 31 March 2009 amounted to HK$28,357,000.

## 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

### (b) Subsidiary deconsolidated (continued)

On 30 April 2009, the Baoan People's Court arranged an auction of the sealed assets of BEP (China) through 深圳市安達拍賣行有限公司, an auction company in Shenzhen. The auction was concluded at a sum of approximately RMB23,000,000 (equivalent to approximately HK$26,381,000). On 30 November 2009, the Baoan People's Court arranged another auction of the sealed moulds and a motor vehicle of BEP (China) through 深圳市聯合拍賣有限責任公司, an auction company in Shenzhen. The auction was concluded at a sum of approximately RMB904,000 (equivalent to approximately HK$1,037,000). The aggregate amount exceeded the amount paid by the local government to the PRC employees for settlement of salaries and compensations upon termination of employment. Up to 30 July 2010, to the best knowledge of the directors of the Company, BEP (China) received claims from a number of suppliers and employees together with reimbursement to the local government of an aggregate amount of approximately RMB33,629,000 (equivalent to approximately HK$38,572,000). As the aggregate claim amounts exceeded the proceeds from the auctions, the directors of the Company were of the view that the Group would not receive any distribution of proceeds from the auctions or any distribution of assets upon the contemplated winding up of BEP (China).

On 30 July 2010, the directors of the Company resolved to dispose of the entire equity interests in the holding company of BEP (China), Better Electrical Products Company Limited ("BEPCL"), to a company controlled by the ultimate controlling shareholder of the Company for a consideration of HK$1. During the year ended 31 March 2011, the Group recorded a gain on disposal of subsidiaries of HK$1.

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

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

| | |
|---|---|
| Amendments to HKFRSs | Improvements to HKFRSs issued in 2010 |
| HKAS 24 (as revised in 2009) | Related party disclosures |
| Amendments to HK(IFRIC) – INT 14 | Prepayments of a minimum funding requirement |
| HK(IFRIC) – INT 19 | Extinguishing financial liabilities with equity instruments |

The application of the new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

| | |
|---|---|
| Amendments to HKFRSs | Annual improvements to HKFRSs 2009-2011 cycle[2] |
| Amendments to HKAS 1 | Presentation of items of other comprehensive income[4] |
| Amendments to HKAS 12 | Deferred tax: Recovery of underlying assets[1] |
| HKAS 19 (as revised in 2011) | Employee benefits[2] |
| HKAS 27 (as revised in 2011) | Separate financial statements[2] |
| HKAS 28 (as revised in 2011) | Investments in associates and joint ventures[2] |
| Amendments to HKAS 32 | Offsetting financial assets and financial liabilities[6] |
| Amendments to HKFRS 7 | Disclosures – Transfers of financial assets[3] |
| Amendments to HKFRS 7 | Disclosures – Offsetting financial assets and financial liabilities[2] |
| Amendments to HKFRS 9 and HKFRS 7 | Mandatory effective date of HKFRS 9 and transition disclosures[5] |
| HKFRS 9 | Financial instruments[5] |
| HKFRS 10 | Consolidated financial statements[2] |
| HKFRS 11 | Joint arrangements[2] |
| HKFRS 12 | Disclosure of interests in other entities[2] |
| HKFRS 13 | Fair value measurement[2] |
| HK(IFRIC) – INT 20 | Stripping costs in the production phase of a surface mine[2] |

1 Effective for annual periods beginning on or after 1 January 2012.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 July 2012.
5 Effective for annual periods beginning on or after 1 January 2015.
6 Effective for annual periods beginning on or after 1 January 2014.

The directors of the Company anticipate that the application of these new and revised HKFRSs will have no material impact on the Group's financial performance and positions.

## 4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for advances granted by immediate holding company which was adjusted to fair value at initial recognition and in accordance with HKFRSs 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 the Hong Kong Companies Ordinance.

### 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, disposed of or deconsolidated due to loss of control of subsidiaries during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal or deconsolidation, as appropriate.

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

### Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expenses of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if the results in the non-controlling interests have a deficit balance.

### Revenue recognition

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

Revenue from sales of goods is recognized when goods are delivered and title has been passed.

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.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Property, plant and equipment**

Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method.

An item of property, plant and equipment is derecognized 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 recognized in profit or loss.

**Financial instruments**

Financial assets and financial liabilities are recognized on 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 (other than financial assets and financial liabilities at fair value through profit or loss) 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 mainly classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized 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 recognized on an effective interest basis for debt instruments.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial instruments (continued)**

*Financial assets (continued)*

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 trade and other receivables and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of the reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of loans and receivables, the estimated future cash flows of loans and receivables have been affected.

The objective evidence of impairment could include significant financial difficulty of the issuer or 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-organization; or the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. The 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 ranging from 30 days to 180 days and observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognized 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.

The carrying amount of loans and receivables is reduced by the impairment loss directly 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 recognized in profit or loss. When trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial instruments (continued)**

*Financial assets (continued)*

Impairment of loans and receivables (continued)

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 loss was recognized, the previously recognized 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 amortized cost would have been had the impairment not been recognized.

*Financial liabilities and equity instruments*

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity instruments in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortized 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 (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis for debt instruments.

Financial liabilities

Financial liabilities, including trade and other payables and amount due to immediate holding company, are subsequently measured at amortized cost, using the effective interest method.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (continued)

*Derecognition*

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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 recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

The Group derecognizes financial liability when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

### Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the first-in, first-out method. Net realizable value represents the estimated selling price less all further costs to completion and costs to be incurred in selling and distribution.

### Impairment

At the end of the reporting period, the Group reviews the carrying amounts of its 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. 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 recognized 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 recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Taxation

Taxation 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 income statement 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 assets and liabilities is recognized on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises 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 recognized 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 are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize 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 profit 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 realized, 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. Current and deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognized in other comprehensive income or directly in equity respectively.

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Leases

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.

Operating lease payments are recognized as an expense on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight line basis.

### 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 sales, 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 capitalization.

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

### 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 re-translated at the rates prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes 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 recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

## 4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Foreign currencies (continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognized in profit or loss.

### Retirement benefit schemes

Payments to state-managed retirement benefit scheme or the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognized as expense when employees have rendered services entitling them to contributions.

## 5. TURNOVER AND SEGMENT INFORMATION

The Group's operating and reportable segments, based on information reported to the chief operating decision marker, chief executive officer of the Group, for the purposes of resources allocation and performance assessment are as follows:

1. Sale of home electrical appliances, electronic products and related plastic injection components;
2. Distribution and sale of electronic consumer products; and
3. Sourcing and sale of computer and related products.

Information regarding the above segments is reported below.

## 5. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

### Segment revenue and results

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

***For the year ended 31 March 2012***

| | Sale of home electrical appliances, electronic products and related plastic injection components HK$'000 | Distribution and sale of electronic consumer products HK$'000 | Sourcing and sale of computer and related products HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Revenue | **94,562** | **55,795** | **107,150** | **257,507** |
| Results | | | | |
| Segment profit | **10,254** | **3,196** | **10,828** | **24,278** |
| Unallocated income | | | | **642** |
| Unallocated expenses | | | | **(10,872)** |
| Profit before taxation | | | | **14,048** |

## 5. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

**Segment revenue and results (continued)**

*For the year ended 31 March 2011*

| | Sale of home electrical appliances, electronic products and related plastic injection components *HK$'000* | Distribution and sale of electronic consumer products *HK$'000* | Sourcing and sale of computer and related products *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| Revenue | 82,557 | 40,508 | 54,864 | 177,929 |
| Results | | | | |
| Segment profit | 7,878 | 2,305 | 5,492 | 15,675 |
| Unallocated income | | | | 1,038 |
| Unallocated expenses | | | | (9,023) |
| Profit before taxation | | | | 7,690 |

*Note:* The accounting policies of operating segments are the same as the Group's accounting policies described in note 4. Segment revenue and segment profit comprises turnover from external customers and gross profit less selling and distribution costs of each segment respectively.

## 5. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

### Segment assets and liabilities

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

***At 31 March 2012***

| | Sale of home electrical appliances, electronic products and related plastic injection components | Distribution and sale of electronic consumer products | Sourcing and sale of computer and related products | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Assets | | | | |
| Segment assets | 39,711 | 9,060 | 37,125 | 85,896 |
| Unallocated assets | | | | 14,940 |
| Consolidated total assets | | | | 100,836 |
| Liabilities | | | | |
| Segment liabilities | 31,095 | 797 | 28,850 | 60,742 |
| Unallocated liabilities | | | | 42,976 |
| Consolidated total liabilities | | | | 103,718 |

## 5. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

### Segment assets and liabilities (continued)

*At 31 March 2011*

| | Sale of home electrical appliances, electronic products and related plastic injection components | Distribution and sale of electronic consumer products | Sourcing and sale of computer and related products | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Assets | | | | |
| Segment assets | 41,504 | 2,504 | 19,974 | 63,982 |
| Unallocated assets | | | | 16,286 |
| Consolidated total assets | | | | 80,268 |
| Liabilities | | | | |
| Segment liabilities | 41,080 | 515 | 13,379 | 54,974 |
| Unallocated liabilities | | | | 39,531 |
| Consolidated total liabilities | | | | 94,505 |

*Note:* Segment assets comprise property, plant and equipment, inventories, trade and sundry debtors and trade deposits paid of each segment, while segment liabilities comprise trade creditors, other payables and trade deposits received of each segment.

## 5. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

### Other segment information

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment profit or segment assets and not allocated to any operating segment:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Addition to non-current assets *(note)* | **474** | 1,391 |
| Depreciation | **592** | 458 |

*Note:* Non-current assets represented property, plant and equipment, deposits paid for property, plant and equipment and deposits paid for acquisition of subsidiaries.

### Revenue from major products

The following is an analysis of the Group's revenue from its major products:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Home electrical appliances, electronic products and related plastic injection components | **94,562** | 82,557 |
| Consumer imaging products | **55,795** | 40,508 |
| Computer and related products and accessories | **107,150** | 54,864 |
| | **257,507** | 177,929 |

### Geographical information

The Group's operations are located in the PRC and Hong Kong. The Group's revenue by geographical location of customers and information about its non-current assets by geographical location of the assets are detailed below:

| | **Revenue** | | **Non-current assets** | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Hong Kong | **178,234** | 104,934 | **1,635** | 1,983 |
| PRC | **66,993** | 64,908 | **10** | 14 |
| Other Asian countries | **10,253** | 6,453 | **–** | – |
| Europe | **2,000** | 1,634 | **–** | – |
| Other | **27** | – | **–** | – |
| | **257,507** | 177,929 | **1,645** | 1,997 |

*Note:* Non-current assets represented property, plant and equipment, deposits paid for property, plant and equipment and deposits paid for acquisition of subsidiaries.

## 5. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

### Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Largest customer[1] | **60,820** | 25,682 |
| Second largest customer[2] | **29,770** | – |
| Third largest customer[2] | **28,378** | – |

*Notes:*

1 Revenue from the above customer is arisen from the business of sourcing and sale of computer and related products (2011: the business of sale of home electrical appliances, electronic products and related plastic injection components).

2 Revenue from above customers is arisen from the business of sale of home electrical appliances, electronic products and related plastic injection components. There is no revenue from other customers contributed over 10% of the total sales of the Group during the year ended 31 March 2011.

## 6. FINANCE COSTS

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest on amount due to immediate holding company | **2,414** | 2,418 |

## 7. PROFIT BEFORE TAXATION

| | 2012 HK$'000 | 2011 HK$'000 |
|---|---|---|
| Profit before taxation has been arrived at after charging (crediting): | | |
| Staff costs | | |
| – directors' remuneration *(note 8)* | **678** | 678 |
| – other staff salaries and wages | **3,435** | 2,474 |
| – retirement benefits scheme contributions (excluding directors) | **107** | 85 |
| | **4,220** | 3,237 |
| Auditor's remuneration | **999** | 858 |
| Depreciation of property, plant and equipment | **592** | 458 |
| Minimum lease payments under operating leases in respect of rented premises | **558** | 532 |
| Interest income | **(6)** | (3) |

## 8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable by the Group to the directors of the Company are as follows:

***For the year ended 31 March 2012***

| | Fees HK$'000 | Salaries and allowances HK$'000 | Retirement benefits scheme contributions HK$'000 | Total emoluments HK$'000 |
|---|---|---|---|---|
| Executive directors: | | | | |
| Mr. Suen Cho Hung, Paul | – | 120 | 6 | 126 |
| Mr. Sue Ka Lok | – | 120 | 6 | 126 |
| Mr. Li Hiu Ming | – | 120 | 6 | 126 |
| Mr. Poon Hor On | – | 120 | – | 120 |
| Independent non-executive directors: | | | | |
| Mr. Chan Kwong Fat, George | 60 | – | – | 60 |
| Mr. Siu Hi Lam, Alick | 60 | – | – | 60 |
| Mr. To Yan Ming, Edmond | 60 | – | – | 60 |
| | 180 | 480 | 18 | 678 |

## 8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

*For the year ended 31 March 2011*

| | Fees | Salaries and allowances | Retirement benefits scheme contributions | Total emoluments |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Executive directors: | | | | |
| Mr. Suen Cho Hung, Paul | – | 120 | 6 | 126 |
| Mr. Sue Ka Lok | – | 120 | 6 | 126 |
| Mr. Li Hiu Ming | – | 120 | 6 | 126 |
| Mr. Poon Hor On | – | 120 | – | 120 |
| Independent non-executive directors: | | | | |
| Mr. Chan Kwong Fat, George | 60 | – | – | 60 |
| Mr. Siu Hi Lam, Alick | 60 | – | – | 60 |
| Mr. To Yan Ming, Edmond | 60 | – | – | 60 |
| | 180 | 480 | 18 | 678 |

No directors waived any emoluments during both years.

## 8. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

**Employees**

The five highest paid individuals of the Group included nil (2011: nil) director. The emoluments of the five (2011: five) highest paid employees are as follows:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Salaries and allowances | **1,587** | 1,418 |
| Retirement benefits scheme contributions | **52** | 49 |
| | **1,639** | 1,467 |

Emoluments of these employees were within the following band:

| | **Number of employees** | |
|---|---|---|
| | **2012** | 2011 |
| Nil – HK$1,000,000 | **5** | 5 |

## 9. TAXATION

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| The (charge) credit comprised: | | |
| Current tax: | | |
| Hong Kong Profits Tax | **(2,295)** | (960) |
| PRC Enterprise Income Tax | **(720)** | (523) |
| | **(3,015)** | (1,483) |
| Deferred taxation *(note 18)* | **23** | 20 |
| | **(2,992)** | (1,463) |

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profit for the year.

PRC Enterprise Income Tax is calculated at 25% (2011: 25%) of the assessable profit for the year.

## 9. TAXATION (CONTINUED)

According to a joint circular of the Ministry of Finance and State Administration of Taxation, Cai Shui 2009 No. 1, only the profits earned by foreign-investment enterprise prior to 1 January 2008, when distributed to foreign investors, can be grandfathered and exempted from withholding tax. Whereas, dividend distributed out of the profits generated thereafter, shall be subject to the Enterprise Income Tax at 5% or 10% and withheld by the PRC entities. No deferred tax liability on the undistributed profits earned during the years ended 31 March 2012 and 2011 has been recognized because the Group plans to retain the undistributed profits for daily operation and future development.

Tax charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Profit before taxation | **14,048** | 7,690 |
| Tax charge at the domestic income tax rate of 16.5% (2011: 16.5%) | **(2,318)** | (1,269) |
| Tax effect of expenses that are not deductible for taxation purposes | **(748)** | (396) |
| Tax effect of income that is not taxable for taxation purposes | **–** | 119 |
| Effect of different tax rates | **(242)** | (173) |
| Utilisation of tax losses previously not recognized | **576** | 221 |
| Others | **(260)** | 35 |
| Tax charge for the year | **(2,992)** | (1,463) |

## 10. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2012, nor has any dividend been proposed since the end of the reporting period (2011: nil).

## 11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$10,301,000 (2011: HK$5,833,000) and on the number of 1,399,615,385 (2011(restated): 1,399,615,385) ordinary shares during the year.

The number of ordinary shares for both years for the purposes of calculating basic earnings per share has been adjusted for (i) the share consolidation of every four shares into one share which became effective on 13 April 2012 (see Note 29(a)); and (ii) the completion of open offer on 16 May 2012 (see Note 29(b)). As a consequence, the amount of basic earnings per share for the year ended 31 March 2011 has been restated from HK0.12 cent to HK0.42 cent.

No diluted earnings per share has been presented because there is no outstanding potential ordinary shares as at 31 March 2012 and 2011 and during both years.

## 12. PROPERTY, PLANT AND EQUIPMENT

| | **Moulds** *HK$'000* | **Furniture and fixtures** *HK$'000* | **Office equipment** *HK$'000* | **Computer equipment** *HK$'000* | **Total** *HK$'000* |
|---|---|---|---|---|---|
| **COST** | | | | | |
| At 1 April 2010 | 635 | 457 | 13 | 22 | 1,127 |
| Additions | 620 | 7 | – | 30 | 657 |
| At 31 March 2011 | 1,255 | 464 | 13 | 52 | 1,784 |
| Additions | 467 | – | 1 | 6 | 474 |
| At 31 March 2012 | 1,722 | 464 | 14 | 58 | 2,258 |
| **DEPRECIATION** | | | | | |
| At 1 April 2010 | 43 | 19 | – | 1 | 63 |
| Provided for the year | 331 | 115 | 3 | 9 | 458 |
| At 31 March 2011 | 374 | 134 | 3 | 10 | 521 |
| Provided for the year | 458 | 117 | 3 | 14 | 592 |
| At 31 March 2012 | 832 | 251 | 6 | 24 | 1,113 |
| **CARRYING VALUES** | | | | | |
| **At 31 March 2012** | **890** | **213** | **8** | **34** | **1,145** |
| At 31 March 2011 | 881 | 330 | 10 | 42 | 1,263 |

## 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method at the following rates per annum:

| | |
|---|---|
| Moulds | 30% |
| Furniture and fixtures | 25% |
| Office equipment | 25% |
| Computer equipment | 25% |

## 13. INVENTORIES

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Finished goods | **399** | 378 |

## 14. TRADE AND OTHER RECEIVABLES

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade debtors | **77,358** | 62,561 |
| Trade deposits paid | **4,917** | 1,043 |
| Sundry debtors and prepayments | **2,840** | 3,446 |
| | **85,115** | 67,050 |

The following is an aged analysis of trade debtors presented based on the invoice date at the end of the reporting period.

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 60 days | **48,554** | 32,850 |
| 61 – 120 days | **17,881** | 23,462 |
| 121 – 180 days | **4,929** | 5,362 |
| 181 – 365 days | **5,994** | 887 |
| | **77,358** | 62,561 |

## 14. TRADE AND OTHER RECEIVABLES (CONTINUED)

Trade debts which were settled by letters of credit were due at sight or in accordance with the respective terms of the letters of credit normally ranging from 30 to 90 days. For other trade debts, the Group provided a credit period normally ranging from 30 to 180 days (2011: 30 to 120 days) to its customers. Before accepting any new customers, management will internally assess the credit quality of the potential customer and define appropriate credit limits. The management has assessed the credit quality of trade debtors that are neither past due nor impaired and considered no impairment is necessary in view of their good repayment history and low default rates.

Included in the Group's trade debtors as at 31 March 2012 were debtors with aggregate carrying amount of HK$6,156,000 (2011: HK$3,553,000) which were past due at the end of the reporting period for which the Group had not provided for impairment loss as the Group considered that the default risk was low after assessing the past payment history of the debtors and settlement after the end of the reporting period. The Group did not hold any collateral over these balances.

The following is an aged analysis of trade debtors presented based on the invoice date less granted credit period at the end of the reporting period which are past due but not impaired.

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 60 days | **6,156** | – |
| 61 – 120 days | **–** | 2,665 |
| 121 – 180 days | **–** | 888 |
| | **6,156** | 3,553 |

## 15. BANK BALANCES AND CASH

The bank balances carry prevailing market deposit rate which range from 0.01% to 0.50% (2011: 0.01% to 0.40%) per annum.

## 16. TRADE AND OTHER PAYABLES

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade creditors | **58,106** | 54,166 |
| Trade deposits received | **1,380** | 808 |
| Other payables and accruals | **3,652** | 2,983 |
| | **63,138** | 57,957 |

The following is an aged analysis of trade creditors presented based on the invoice date at the end of the reporting period.

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 – 60 days | **37,700** | 47,282 |
| 61 – 120 days | **13,975** | 3,134 |
| 121 – 180 days | **1,516** | 1,647 |
| 181 – 365 days | **4,915** | 2,103 |
| | **58,106** | 54,166 |

The credit period on purchases of goods is ranged from 60 to 180 days (2011: 60 to 120 days).

## 17. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

During the year ended 31 March 2011, the Company has drawn down under a loan facility granted by Long Channel for a sum of HK$2,500,000 (2012: nil). The loan facility is unsecured, interest bearing at a fixed rate of 1% per annum and repayable on 1 April 2011 or any other date as agreed by Long Channel and the Company in writing.

The fair value of the amount drawdown of HK$2,500,000 at initial recognition, amounting to HK$2,374,000, was determined based on the present value of the estimated future cash flows discounted using an interest rate of 7.0% per annum, which was similar to the latest effective interest rate of bank borrowings. The difference of approximately HK$126,000 between its present value and carrying amount on its inception date was recognized as a fair value adjustment on amount due to immediate holding company in equity.

## 17. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY (CONTINUED)

On 30 September 2010, Long Channel agreed with the Group to extend the repayment dates of the entire outstanding balance to 1 April 2012. The Group recalculated the carrying amount of the balance by computing its present value of estimated future cash flows at original effective interest rate. The difference of approximately HK$1,836,000 between its present value and carrying amount on the date of extension was recognized as a deemed capital contribution from immediate holding company during the year ended 31 March 2011.

At 31 March 2012, the outstanding balance is unsecured and repayable on 1 April 2012 (2011: 1 April 2012). Except for the advance with carrying amount of HK$12,168,000 (2011: HK$11,393,000) (the principal amount of HK$12,170,000 (2011: HK$12,170,000)) which is interest free, the remaining balance is interest bearing at a fixed rate of 1% (2011: 1%) per annum. Subsequent to 31 March 2012, the outstanding balance has been capitalized and repaid (see Note 29(c)).

## 18. DEFERRED TAXATION

The followings are the major deferred tax liabilities recognized and movements thereon during the current and prior years:

| | **Accelerated tax depreciation** *HK$'000* |
|---|---|
| At 1 April 2010 | 120 |
| Credit to profit or loss | (20) |
| At 31 March 2011 | 100 |
| Credit to profit or loss | (23) |
| At 31 March 2012 | 77 |

The Group has not recognized deferred tax asset in respect of tax losses of HK$6,831,000 (2011: HK$10,317,000) due to the unpredictability of future profit streams. All the tax losses can be carried forward indefinitely.

## 19. SHARE CAPITAL

| | Number of shares | Amount |
|---|---|---|
| | | *HK$'000* |
| Authorized: | | |
| Ordinary shares of HK$0.0005 each at 1 April 2010, 31 March 2011 and 31 March 2012 | 200,000,000,000 | 100,000 |
| Issued and fully paid: | | |
| Ordinary shares of HK$0.0005 each at 1 April 2010, 31 March 2011 and 31 March 2012 | 4,852,000,000 | 2,426 |

## 20. SHARE OPTION SCHEME

On 6 January 2003, the shareholders of the Company approved and adopted a share option scheme (the "Scheme") for a period of ten years commencing from the date of listing of the Company's shares on the Stock Exchange on 3 March 2003. The purpose of the Scheme is to provide employees of the Group, including any executive directors of the Company and its subsidiaries, with the opportunity to acquire proprietary interests in the Company and to encourage employees to work towards enhancing the value of the Company and its shares.

Under the Scheme, the Board may, at its discretion, invite any employees of the Group, including any executive directors of the Company and its subsidiaries, to take up options to subscribe for the Company's shares. Consideration of HK$1 is payable on the acceptance of an option. The exercise price of the options may be determined by the Board at its absolute discretion but must not be less than the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares on the date of grant. There is no general requirement on the minimum period for which an option must be held before it can be exercised under the Scheme and an option may be exercised in accordance with the terms of the Scheme at any time during the period to be determined and notified by the Board to each grantee but in any event such period may not be more than ten years after it has been granted.

The total number of shares issued and to be issued upon exercise of options granted and to be granted to each grantee in any 12-month period up to and including the date of further grant must not exceed 1% of the Company's shares in issue. Any further grant of options in excess of the above limit is subject to shareholders' approval in a general meeting. The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be issued under the Scheme and any other share option scheme adopted by the Company must not exceed 30% of the Company's shares in issue from time to time.

No options were granted or exercised during the years ended 31 March 2011 and 2012 and no share options were outstanding as at 31 March 2011 and 2012.

## 21. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to owners through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes amount due to immediate holding company disclosed in note 17 and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

## 22. FINANCIAL INSTRUMENTS

**Categories of financial instruments**

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Financial assets** | | |
| Loans and receivables (including cash and cash equivalents) | **92,035** | 74,404 |
| **Financial liabilities** | | |
| Financial liabilities at amortized cost | **96,235** | 90,481 |

**Financial risk management objectives and policies**

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables and amount due to immediate holding company. 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.

## 22. FINANCIAL INSTRUMENTS (CONTINUED)

**Financial risk management objectives and policies (continued)**

*Currency risk*

The Group has foreign currency denominated monetary assets and liabilities, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, mainly represented by trade receivables, bank balances and cash and trade payables, at the end of the reporting period are as follows:

| | **2012** | | 2011 | |
|---|---|---|---|---|
| | **Assets** | **Liabilities** | Assets | Liabilities |
| | ***HK$'000*** | ***HK$'000*** | *HK$'000* | *HK$'000* |
| Renminbi ("RMB") | **18** | **5,170** | – | 4,749 |
| United States dollars ("USD") | **51,570** | **35,724** | 6,152 | 4,891 |

The Group believes its exposure to foreign exchange rate is not significant. At present, the Group does not intend to hedge its exposure to foreign exchange risk profile and will consider appropriate hedging measures in future as may be necessary.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in HKD against the relevant foreign currency other than USD (under the linked exchange rate system, the financial impact on foreign exchange difference between HKD and USD is expected to be immaterial and therefore no sensitivity analysis has been prepared). 5% is the sensitivity rate represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates.

A negative number indicates a decrease in profit for the year when HKD strengthens 5% against the relevant foreign currency. For a 5% weakening of HKD against the relevant currency, there would be an equal but opposite impact on the profit for the year.

## 22. FINANCIAL INSTRUMENTS (CONTINUED)

**Financial risk management objectives and policies (continued)**

*Currency risk (continued)*

Sensitivity analysis (continued)

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| RMB | | |
| Profit for the year | **215** | 198 |

*Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate amount due to immediate holding company (see note 17 for details of amount due to immediate holding company) at the end of the reporting period.

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances (see note 15 for details of these deposits). The management considers the Group's exposure of the short-term bank deposits to interest rate risk is not significant and no sensitivity analysis is presented accordingly.

*Credit risk*

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations at the end of the reporting period in relation to each class of recognized financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In order to minimize 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. Before accepting any new customer, the Group carries out searches on the creditability of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

## 22. FINANCIAL INSTRUMENTS (CONTINUED)

### Financial risk management objectives and policies (continued)

*Credit risk (continued)*

The Group's concentration of credit risk on trade receivables by geographical location was mainly in Hong Kong. The trade debtors located in Hong Kong, which are mainly engaged in the business of sale of home electrical appliances, electronic products and related plastic injection components, accounted for 87% (2011: 73%) of the Group's total trade debtors. The Group also had concentration of credit risk by customers as 45% and 71% (2011: 14% and 29%) of the total debtors were due from the Group's largest customer and the three largest customers respectively. In the opinion of the directors, the three largest customers are well-established customers with good credibility.

*Liquidity risk*

In the management of the 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.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. 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 and includes both interest and principal cash flows.

## 22. FINANCIAL INSTRUMENTS (CONTINUED)

### Financial risk management objectives and policies (continued)

*Liquidity risk (continued)*

Liquidity table

| | Effective interest rate | Less than 1 year | Over 1 year | Total undiscounted cash flows | Total carrying amounts |
|---|---|---|---|---|---|
| | % | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| **At 31 March 2012** | | | | | |
| Trade and other payables | **–** | **58,420** | **–** | **58,420** | **58,420** |
| Amount due to immediate holding company | **7.0** | **37,822** | **–** | **37,822** | **37,815** |
| | | **96,242** | **–** | **96,242** | **96,235** |
| At 31 March 2011 | | | | | |
| Trade and other payables | – | 55,107 | – | 55,107 | 55,107 |
| Amount due to immediate holding company | 7.0 | – | 37,447 | 37,447 | 35,374 |
| | | 55,107 | 37,447 | 92,554 | 90,481 |

### Fair values

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

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

## 23. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases as follows:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **19** | 62 |

Operating lease payments represent rentals payable by the Group for its office premises. Leases are negotiated for an average term of one year (2011: one year) and rentals are fixed over the lease terms.

## 24. CAPITAL COMMITMENTS

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements | **–** | 234 |

## 25. RETIREMENT BENEFITS SCHEME

The Group participates in the MPF Scheme implemented by the Hong Kong government for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustee. The Group contributes 5% of relevant payroll costs with a cap of monthly contribution of HK$1,000 to the MPF Scheme, which contribution is matched by employees.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

## 26. RELATED PARTY TRANSACTIONS

In addition to the related party advances set out in note 17 to the consolidated financial statements, the Group paid rental expense, management fee and air-conditioning charge at a total amount of HK$480,000 (2011: HK$480,000) to a related company in which a director of the Company has significant influence.

On 30 July 2010, the directors of the Company resolved to dispose of the entire equity interests in BEPCL to a company controlled by the ultimate controlling shareholder of the Company for a consideration of HK$1. During the year ended 31 March 2011, the Group recorded a gain on disposal of subsidiaries of HK$1.

### Compensation of key management personnel

Details of the remuneration of key management personnel during the year are set out as below:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Short-term employee benefits | **2,247** | 2,078 |
| Post-employment benefits | **70** | 67 |
| | **2,317** | 2,145 |

## 27. SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2012 and 2011 are as follows:

| Name of subsidiary | Place of incorporation or registration/ operations | Nominal value of issued ordinary share capital | Attributable equity interest to the Group | | Principal activities |
|---|---|---|---|---|---|
| | | | **2012** | 2011 | |
| BEP Corporate Services Limited | Hong Kong | HK$1 | **100%** | 100% | Provision of management services |
| BEP Enterprises Limited *(Note (i))* | Samoa/Hong Kong | US$1 | **100%** | 100% | Investment holding |
| BEP International Trading Limited *(Note (i))* | Samoa/Hong Kong | US$1 | **100%** | 100% | Investment holding |

## 27. SUBSIDIARIES (CONTINUED)

| Name of subsidiary | Place of incorporation or registration/ operations | Nominal value of issued ordinary share capital | Attributable equity interest to the Group | | Principal activities |
|---|---|---|---|---|---|
| | | | **2012** | 2011 | |
| Vinus Telecom Hong Kong Limited (formerly known as Better Business Services Limited) | Hong Kong | HK$1 | **100%** | 100% | Sale of home electrical appliances, electronic products and related plastic injection components |
| May Wilson Investment Co. Ltd. *(Note (i))* | BVI/Hong Kong | US$100 | **92%** | 92% | Investment holding |
| May Wilson Plastics and Electronics (HK) Co. Limited | Hong Kong | HK$1 | **92%** | 92% | Sale of home electrical appliances, electronic products and related plastic injection components |
| Neo Computer International Co. Limited | Hong Kong | HK$1 | **92%** | 92% | Sourcing and sale of computer and related products |
| Smart Luck Trading Limited | Hong Kong | HK$100 | **100%** | 100% | Investment holding |
| Top Splendor International Development Limited *(Note (i))* | BVI/Hong Kong | US$100 | **100%** | 100% | Investment holding |
| Smarty Code Limited *(Note (i))* | BVI/Hong Kong | US$1 | **100%** | 100% | Investment holding |
| Smart Red Limited | BVI/Hong Kong | US$1 | **100%** | 100% | Investment holding |
| 智多貿易（深圳）有限公司 *(Note (ii))* | PRC | HK$5,000,000 | **100%** | 100% | Distribution and sale of electronic consumer products |

## 27. SUBSIDIARIES (CONTINUED)

*Notes:*

(i) These companies are directly held by the Company.

(ii) The company was established in the PRC in the form of wholly foreign-owned enterprise.

None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.

## 28. FINANCIAL INFORMATION OF THE COMPANY

Financial information of the Company as at 31 March 2012 and 2011 is set out below:

| | **2012** | 2011 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Assets | | |
| Investments in subsidiaries | **1** | 1 |
| Amounts due from subsidiaries | **17,354** | 14,366 |
| Other receivables | **498** | 1,283 |
| Bank balances | **21** | 52 |
| | **17,874** | 15,702 |
| Liabilities | | |
| Amount due to immediate holding company | **37,635** | 35,196 |
| Other payables | **1,823** | 1,472 |
| | **39,458** | 36,668 |
| Equity | | |
| Share capital | **2,426** | 2,426 |
| Share premium | **24,292** | 24,292 |
| Accumulated losses | **(54,631)** | (54,013) |
| Other reserves | **6,329** | 6,329 |
| | **(21,584)** | (20,966) |

## 29. EVENTS AFTER THE REPORTING PERIOD

The following events took place subsequent to 31 March 2012:

(a) A shareholders' resolution was passed on 12 April 2012 to approve the consolidation of every four issued and unissued ordinary shares of par value HK$0.0005 each in the share capital of the Company into one ordinary share of par value HK$0.002 each ("New Share"). The New Shares rank pari passu in all respects with each other in accordance with the Memorandum of Association and Bye-laws of the Company. After the completion of share consolidation, the authorized share capital of the Company remains at HK$100,000,000 but comprises 50,000,000,000 New Shares of HK$0.002 each, of which 1,213,000,000 New Shares of HK$0.002 each have been issued.

(b) Completion of the open offer took place on 16 May 2012. The Company raised gross proceeds of HK$116,448,000 by way of an open offer of 606,500,000 offer shares at the subscription price of HK$0.192 per offer share on the basis of one offer share for every two New Shares.

(c) A shareholders' resolution was passed on 12 April 2012 to approve the loan capitalization agreement entered into between Long Channel and the Company dated 27 February 2012 in relation to the subscription for 195,907,214 New Shares of HK$0.002 each in the share capital of the Company at a price of HK$0.192 per New Share by way of capitalizing a sum of approximately HK$37,614,000 (including interests accrued up to 31 May 2011) out of the balance of amount due to immediate holding company as of 31 May 2011. Interests on the balance from 1 June 2011 up to the date of the capitalization were repaid in cash.

(d) On 14 October 2010, the Group entered into a sale and purchase agreement with the vendors to acquire 92% of the issued share capital of May Wilson Holding Limited (together with its subsidiaries, the "MWH Group") for a cash consideration of HK$6,000,000. The principal activities of MWH Group are the manufacturing and trading of plastic products and home electrical appliances. Up to 31 March 2012, deposit of HK$500,000 (2011: HK$500,000) was paid by the Group. Upon the receipt of the in-principle approval from the Stock Exchange for the resumption of trading in the Company's shares on the Stock Exchange, the acquisition was completed and the remaining consideration of HK$5,500,000 was paid on 30 April 2012. As of the date of this report, the Group is still in the process of determining the financial effect of the acquisition.

# FIVE-YEAR FINANCIAL SUMMARY

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | **2012** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | ***HK$'000*** |
| **RESULTS** | | | | | |
| Turnover | 345,331 | 79,806 | 38,685 | 177,929 | **257,507** |
| (Loss) profit before taxation | (41,996) | (36,318) | (5,396) | 7,690 | **14,048** |
| Taxation | 6,040 | (611) | (129) | (1,463) | **(2,992)** |
| (Loss) profit for the year | (35,956) | (36,929) | (5,525) | 6,227 | **11,056** |
| Non-controlling interests | – | – | (21) | (394) | **(755)** |
| (Loss) profit attributable to owners of the Company for the year | (35,956) | (36,929) | (5,546) | 5,833 | **10,301** |

| | At 31 March | | | | |
|---|---|---|---|---|---|
| | 2008 | 2009 | 2010 | 2011 | **2012** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | ***HK$'000*** |
| **ASSETS AND LIABILITIES** | | | | | |
| Total assets | 119,226 | 3,983 | 28,089 | 80,268 | **100,836** |
| Total liabilities | (93,498) | (25,998) | (50,747) | (94,505) | **(103,718)** |
| Non-controlling interests | – | – | (21) | (415) | **(1,170)** |
| | 25,728 | (22,015) | (22,679) | (14,652) | **(4,052)** |
| Equity (capital deficiency) attributable to owners of the Company | 25,728 | (22,015) | (22,679) | (14,652) | **(4,052)** |