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BEP INTERNATIONAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 2326)

DISCLOSEABLE TRANSACTION ACQUISITION OF 100% EQUITY INTERESTS IN YAOSHENG ELECTRIC (H.K.) CO., LIMITED

Financial Adviser



BRIDGE PARTNERS

BRIDGE PARTNERS CAPITAL LIMITED

A letter from the board of directors of the Company is set out on pages 4 to 10 of this circular.

15 December 2008

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Acquisition”	the acquisition of the 100% equity interests in Yaosheng Electric by BEP Enterprises
“Agreement”	the sale and purchase agreement dated 14 November 2008 entered into between the Vendors, BEP Enterprises and the Guarantor in respect of the Acquisition
“Announcement”	the announcement of the Company dated 24 November 2008 in relation to the Acquisition
“BEP Enterprises” or “Purchaser”	BEP Enterprises Limited, a wholly-owned subsidiary of the Company
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m and 12:00 noon and not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business
“Company”	BEP International Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Stock Exchange
“Completion”	the completion of the Agreement
“Consideration”	the consideration for the Sale Shares pursuant to the Agreement
“Consideration Shares”	500 million new Shares to be allotted and issued to the Vendors or their nominees at the Issue Price pursuant to the Agreement
“Director(s)”	director(s) of the Company
“Enlarged Group”	the Group immediately after Completion

DEFINITIONS

“Group”	The Company and its subsidiaries
“Guarantor”	Mr. Luo Zhi Jian (being one of the Vendors to the Agreement)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Issue Price”	HK\$0.08 per Share, being the issue price of the Consideration Shares pursuant to the Agreement
“Last Trading Day”	17 October 2008, being the last trading day of the Shares immediately before the suspension of trading in the Shares with effect from 9:30 a.m. on 20 October 2008
“Latest Practicable Date”	10 December 2008, being the latest practicable date before the printing of this circular for ascertaining certain information
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“ODM”	original design manufacturing under which the manufacturer owns the design of the products which are sold under the customer’s brand name
“OEM”	original equipment manufacturing under which the products are manufactured in whole or in part in accordance with a customer’s specifications and are marketed under the customer’s own brand name
“PRC”	the People’s Republic of China
“Profit Guarantee”	the unconditionally and irrevocably guarantee by the Guarantor to the Purchaser that the net profit of Yaosheng Electric shall not be less than HK\$1.33 million for each of the 6 months after the Completion pursuant to the Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	all the issued shares of Yaosheng Electric, representing 100% equity interests in Yaosheng Electric as at the date of the Agreement

DEFINITIONS

“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.0005 each in the issued share capital of the Company
“Shareholder(s)”	the holder of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	United States dollar, the lawful currency of the United States of America
“Vendor 1”	Mr. Luo Zhi Jian
“Vendor 2”	Mr. Zeng Feng
“Vendors”	Vendor 1 and Vendor 2
“Yaosheng Electric”	Yaosheng Electric (H.K.) Co., Limited
“%”	per cent.

LETTER FROM THE BOARD



BEP INTERNATIONAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 2326)

Executive Directors:

Mr. Zhang Xi (*Chairman*)

Mr. Chen Yang

Mr. Cai Duanhong

Ms. Zhang Yu

Registered Office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Independent non-executive Directors:

Mr. Hong Po Kui, Martin

Mr. Yam Tak Fai, Ronald

Mr. Wong Man Hin, Raymond

*Head office and principal place
of business in Hong Kong:*

Room 609, 6/F,

Chevalier Commercial Centre

8 Wang Hoi Road

Kowloon Bay, Hong Kong

15 December 2008

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
ACQUISITION OF 100% EQUITY INTERESTS
IN YAOSHENG ELECTRIC (H.K.) CO., LIMITED**

INTRODUCTION

The Company made an announcement on 24 November 2008 to announce that BEP Enterprises, a wholly-owned subsidiary of the Company, the Vendors and the Guarantor entered into the Agreement on 14 November 2008 to acquire from the Vendors the Sale Shares (representing 100% equity interests in Yaosheng Electric) pursuant to the terms and conditions of the Agreement. The consideration for the Sale Shares amounted to HK\$40 million and shall be satisfied by the allotment and issue of a total of 500,000,000 new Shares at the issue price of HK\$0.08 per Share. Under the Agreement, the Guarantor unconditionally and irrevocably guaranteed to the Purchaser that the net profit of Yaosheng Electric shall not be less than HK\$1.33 million for each of the 6 months after the Completion.

As the applicable percentage ratios in respect of the Acquisition exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under the Listing Rules. The purpose of this circular is to provide Shareholders with further information relating to the transaction contemplated under the Agreement.

LETTER FROM THE BOARD

THE AGREEMENT

Date

14 November 2008

Parties

Vendors: Mr. Luo Zhi Jian (Vendor 1) and Mr. Zeng Feng (Vendor 2)

Purchaser: BEP Enterprises Limited, a wholly-owned subsidiary of the Company

Guarantor: Mr. Luo Zhi Jian

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors and their respective ultimate beneficial owners are third parties independent of the Company and connected persons (as defined under the Listing Rules) of the Company. Through the introduction by an independent agent, the Company got acquainted with the Vendors and the Company confirmed that there was no prior business relationship with the Vendors.

Assets to be acquired

The Purchaser agreed to acquire and the Vendors agreed to sell the Sale Shares (representing 100% equity interests in Yaosheng Electric) free from rights of mortgage, charge, pledge, pre-emption, option, lien, and any other third party right, equity or security interest or other encumbrances. Before the Acquisition, Yaosheng Electric was owned as to 80% by Vendor 1 and 20% by Vendor 2. Upon Completion, Vendor 1 and Vendor 2 will resign their directorship in Yaosheng Electric. The Company will appoint a representative to act as the director of Yaosheng Electric and oversee the daily operation of Yaosheng Electric after Completion.

Conditions precedent to the Agreement

Completion is subject to the satisfaction of the following conditions:

- (i) a due diligence review to be carried out on Yaosheng Electric to the reasonable satisfaction of the Purchaser;
- (ii) the resumption of trading in the Shares; and
- (iii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal, in the Consideration Shares.

If any of the above conditions is not satisfied on or before 31 December 2008 (or such other time or date as agreed by both parties), the Agreement shall lapse and no party to the Agreement shall have any claim against or liability to other parties. As at the Latest Practicable Date, none of the conditions has been fulfilled.

LETTER FROM THE BOARD

Completion

Completion of the Agreement shall take place within 7 Business Days after fulfilment of all conditions precedent (or such later date as may be agreed in writing between the parties to the Agreement). The long stop date for the Agreement will be on 31 December 2008 (or such other date as may be agreed between the Company and the Vendors).

Profit Guarantee

The Guarantor unconditionally and irrevocably guarantees to the Purchaser that the net profit of Yaosheng Electric shall not be less than HK\$1.33 million for each of the 6 months after the Completion. The Profit Guarantee will be calculated on monthly basis according to the generally accepted accounting principle in Hong Kong. The Company will appoint an independent professional accountant to review the profit for the guarantee period. Subject to the Profit Guarantee being fully fulfilled as stipulated above, the Company will allot and issue the remaining 200 million new Shares to the Vendors or their nominees in full within 14 Business Days upon the Purchaser being satisfied with the Profit Guarantee.

In the event that the Profit Guarantee is not fulfilled, the Purchaser shall have the right to claim against the outstanding amount of Profit Guarantee on a dollar-for-dollar basis (i.e. the difference between the amount of Profit Guarantee and the actual profit/loss incurred by Yaosheng Electric during the guarantee period) from the Guarantor and the remaining 200 million new Shares will not be issued to the Vendors or their nominees.

Consideration

The consideration for the Sale Shares amounts to HK\$40 million and to be satisfied in the following manner:

1. HK\$24 million is to be satisfied by the issue of 300 million new Shares to the Vendors or their nominees upon Completion.
2. The remaining HK\$16 million is to be satisfied by the issue of 200 million new Shares to the Vendors or their nominees within 14 Business Days upon the fulfilment of the above Profit Guarantee. The 200 million new Shares will not be issued on a pro-rata basis but will only be issued to the Vendors or their nominees in full if the Profit Guarantee is fully satisfied.

The Consideration is determined after arm's length negotiations between the Purchaser and the Vendors by taking into consideration of, among others, the business and financial performance of Yaosheng Electric, the overseas distribution network in the home electrical appliances and the Profit Guarantee. There will be no change in control of the Company after the allotment and issue of the Consideration Shares to the Vendors or their nominees. Details of the Profit Guarantee is set out in the paragraph headed "Profit Guarantee" above.

LETTER FROM THE BOARD

The Issue Price

The Consideration Shares will be issued at the issue price of HK\$0.08 per Consideration Share. The Issue Price is determined with reference to the closing price of the Shares as shown below which represents:

- (i) the same price as the closing price of HK\$0.08 per Share on the Last Trading Day;
- (ii) a discount of approximately 9.1% to the average closing price of approximately HK\$0.088 per Share for the last 5 trading days up to and including the Last Trading Day; and
- (iii) a discount of approximately 12.1% to the average closing price of approximately HK\$0.091 per Share for the last 10 trading days up to and including the Last Trading Day.

The Consideration Shares

The Consideration Shares represent:

- (i) approximately 10.31% of the existing issued share capital of the Company; and
- (ii) approximately 9.34% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects among themselves and with all the Shares in issue on the date of allotment and issue of the Consideration Shares. The Consideration Shares will be issued under the general mandate granted to the Directors to allot and deal with up to 970,400,000 Shares, being 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the annual general meeting of the Company held on 27 August 2008. There is no restriction for the subsequent sale of the Consideration Shares by the Vendors or their nominees.

The Company has not conducted any equity-related fund raising exercise for the past 12 months immediately preceding the date of the Announcement. Application has been made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

LETTER FROM THE BOARD

CHANGE IN SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) upon Completion and the allotment and issue of 300 million new Shares; and (iii) upon the Profit Guarantee being fully satisfied and the allotment and issue of 200 million new Shares are set out below:

	As at the Latest Practicable Date		Upon Completion and the allotment and issue of 300 million new Shares		Upon the Profit Guarantee being fully satisfied and the allotment and issue of 200 million new Shares	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Big Jump Investments Limited (Note)	3,453,000,000	71.17	3,453,000,000	67.02	3,453,000,000	64.52
<i>Public Shareholders</i>						
Vendor 1	-	-	240,000,000	4.66	400,000,000	7.47
Vendor 2	-	-	60,000,000	1.16	100,000,000	1.87
Other Shareholders	1,399,000,000	28.83	1,399,000,000	27.16	1,399,000,000	26.14
Total	4,852,000,000	100.00	5,152,000,000	100.00	5,352,000,000	100.00

Note: Big Jump Investments Limited is beneficially wholly-owned by Mr. Zhang Xi, the executive Director.

INFORMATION ON YAOSHENG ELECTRIC

Yaosheng Electric is a company incorporated in Hong Kong with limited liability and is beneficially owned as to 80% by Vendor 1 and 20% by Vendor 2. The principal business activity of Yaosheng Electric is the trading of home electrical appliances, including the OEM and ODM air conditioner fans, electric fans, electric heating clothes dryers, electric warmers, washing machines etc.. Yaosheng Electric exports household electrical appliances to overseas customers from various countries, including the United States of America, United Kingdom, Middle East and other Southeast Asian countries, and has secured a reliable sourcing channel in China to supply the electrical appliances for its trading business.

Based on Yaosheng Electric's audited financial accounts prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, Yaosheng Electric recorded profits before and after taxation of approximately HK\$1,141,083 and HK\$967,918 respectively for the year ended 31 March 2008. The corresponding figures for the year ended 31 March 2007 were approximately HK\$59,504 and HK\$50,274 respectively. As at 31 March 2008, Yaosheng Electric's audited net assets value was HK\$1.02 million.

LETTER FROM THE BOARD

REASONS AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in design, manufacture and sale of home electrical appliances. Based on the Group's audited consolidated financial statements, the Group recorded a loss after taxation of HK\$35,956,000 for the year ended 31 March 2008 and a profit after taxation of HK\$13,483,000 for the year ended 31 March 2007.

As mentioned in the announcement of the Company dated 17 October 2008, in view of the recent financial turmoil and difficulties to obtain bank financing and other sources of financing, the Company decided to cease the manufacturing operation of home electrical appliances from October 2008. Subsequent to the cease of manufacturing operation of the Company, the Group is facing the diminishing profit and has been aiming to develop, focus and diversify its business operation to trading business, including but not limited to home electrical appliances. At the same time, the Group is also looking for suitable investment opportunities in order to broaden its income source in this sector.

Upon Completion, Yaosheng Electric will be an indirect wholly-owned subsidiary of the Company and the Company can fully consolidate its results to better reflect its financial and assets position. The Directors consider that the Acquisition can strengthen the Group's earning base and enhance the existing customer base of the Group. The Directors are of the view that the Acquisition is in the interests of the Company and the Shareholders as a whole.

The Company also considers that the Purchaser shall have the right to claim against the full amount of Profit Guarantee from the Guarantor in the event that Yaosheng Electric does not generate any profit in the guarantee period. In other words, the Company will own the entire equity stake of Yaosheng Electric and HK\$7.98 million cash by allotment and issue of 300 million new Shares to the Vendors upon Completion. On the other hand, if the Profit Guarantee is fully satisfied, the estimated price earnings multiple will be approximately 5 times based on the net profit of Yaosheng Electric of HK\$1.33 million for each of the six months after the Completion and assuming no extra profit is generated for the rest of the financial year. Taking into account (i) the reliable sourcing channel of Yaosheng Electric in China to supply the electrical appliances for its trading business; (ii) the well established overseas distribution network in the home electrical appliances industry of Yaosheng Electric and (iii) the Consideration being fully satisfied by way of issue of new Shares instead of cash, the Directors consider that the above estimated price earnings multiple is fair and reasonable.

In view of the fact that (i) there may be net liabilities in the Company's books in the coming financial period after cessation of its manufacturing operation of home electrical appliances; (ii) the audited net loss of the Company of approximately HK\$35.96 million for the year ended 31 March 2008; (iii) the Issue Price represents the same price as (without any discount to) the closing price as quoted on the Last Trading Day; and (iv) the Profit Guarantee as described under the paragraph headed "Profit Guarantee" of the section headed "Agreement" above, the Board considers that the terms and conditions of the Agreement are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

After cessation of its manufacturing operation of home electrical appliances and the closure of production factory in China, the Company is trying best endeavour to identify acquisition opportunities in order to increase its source of income. Through the introduction by an independent agent, the Company got acquainted with the Vendors and the Company confirmed that there was no prior business relationship with the Vendors.

FINANCIAL EFFECT OF THE ACQUISITION

Following the Completion, Yaosheng Electric will become an indirect wholly-owned subsidiary of the Company. The financial results, assets and liabilities of Yaosheng Electric will be consolidated in the consolidated financial statements of the Company. The Directors expect that the Acquisition can enhance the Group's earning base. The total assets and total liabilities of the Company will be increased by approximately HK\$1.23 million and approximately HK\$0.2 million (based on the audited financial accounts of Yaosheng Electric) after the Completion and the net assets value of the Company will also be increased (without taking into account of the closure of production factory in China).

The Board is of the view that the issuance of the Consideration Shares provides a financing alternative to the Group without affecting its cash position or introducing a cash flow pressure. The Company is able to retain cash and working capital for its daily operations. In this regard, the Directors consider that it is in the interests of the Company to settle the consideration for the Acquisition by way of issuance of the Consideration Shares despite the dilution effects on the shareholding of the Shareholders.

ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in the Appendix to this circular.

Yours faithfully,
For and on behalf of the Board
BEP International Holdings Limited
Zhang Xi
Chairman

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. SHARE CAPITAL OF THE COMPANY

The authorised and issued share capital of the Company as at the Latest Practicable Date, upon Completion and upon the Profit Guarantee is fully satisfied are set out as follows (assuming no further Shares are issued or repurchased by the Company):

<i>Authorised share capital:</i>		<i>HK\$</i>
200,000,000,000	Shares as at the Latest Practicable Date	100,000,000
<i>Issued and fully-paid or credited as fully paid:</i>		
4,852,000,000	Shares as at the Latest Practicable Date	2,426,000
<i>Shares to be issued or credited as fully paid:</i>		
300,000,000	Upon Completion	150,000
<u>200,000,000</u>	Upon the Profit Guarantee is fully satisfied	<u>100,000</u>
<u>5,352,000,000</u>	Shares	<u>2,676,000</u>

All the Shares in issue and the Consideration Shares when issued will rank *pari passu* in all respects with each other including as regards to dividends and voting rights.

3. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had, or was deemed to have, any interests and short positions in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive of the Company was taken or deemed to have under such provisions of the SFO); or (ii) were required pursuant to

section 352 of the SFO to be entered into the register referred to therein; or (iii) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange:

Long position in the Shares

Name of Director	Capacity	Number of Shares	Approximate percentage of the issued share capital of the Company
Zhang Xi	Interest of a controlled corporation	3,453,000,000	71.17%

Note: Mr. Zhang Xi, the executive Director, is the beneficial owner of Big Jump Investments Limited.

(b) Substantial Shareholders' and other Shareholders' interests

Save as disclosed below, as at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, no other person (not being a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were, directly or indirectly, interested in 10 per cent. (10%) or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Enlarged Group:

Long position in the Shares

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of the issued share capital of the Company (Note 5)
Big Jump Investments Limited (Note 1)	Beneficial owner	3,453,000,000	71.17%

Name of Shareholder	Capacity	Number of Shares	Approximate percentage of the issued share capital of the Company (Note 5)
Elite Agent Limited (Note 2)	Person having a security interest in shares	172,650,000	71.16%
Longtale International Limited (Note 2)	Person having a security interest in shares	172,650,000	71.16%
Vendor 1	Beneficial owner	400,000,000	8.24% (Note 3)
	Nominee for another person	100,000,000	2.06% (Note 4)

Notes:

1. Big Jump Investments Limited is a company beneficially wholly-owned by Mr. Zhang Xi, the executive Director.
2. The number of Shares and the shareholding percentage of Elite Agent Limited and Longtale International Limited were based on the disclosure of interests posted on the website of the Stock Exchange on 8 January 2008.
3. These 400,000,000 new Shares will be allotted and issued to Vendor 1 or his nominees pursuant to the Agreement.
4. These 100,000,000 new Shares will be allotted and issued to Vendor 1 in its capacity as a nominee for Vendor 2. Accordingly, he was deemed to be interested in 100,000,000 new Shares.
5. As at the Latest Practicable Date, the issued share capital of the Company was 4,852,000,000 Shares.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any direct or indirect interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Company.

5. LITIGATIONS

Save as disclosed herein, as at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance was known to the Directors to be pending or threatened against any members of the Enlarged Group.

- i. On 4 December 2007, 14 April 2008 and 30 April 2008, three batches of claims were made to 深圳市寶安區勞動爭議仲裁委員會 (the “Arbitration Committee”) respectively from a number of employees (the “PRC Factory Employees”) of Bailingda Industrial (Shenzhen) Co., Limited (“BEP (China)”), a wholly-owned subsidiary of the Company in the PRC, in respect of the underpayment of overtime compensations to the PRC Factory Employees for the period from 1 September 2005 to 30 June 2007 for a sum, in aggregate, amounted to approximately RMB13,718,000 (equivalent to HK\$15,224,000). The settlement amount of RMB7.42 million in respect of 3 batches of claims was mediated by the People’s Court of Baoan, Shenzhen, the PRC (the “PRC Court”) and agreed by the parties. As at the Latest Practicable Date, the Company has settled approximately RMB1.93 million and the outstanding amount of approximately RMB5.49 million has not been settled.
- ii. On 30 April 2008, a writ of summons and a statement of claim were issued by GE Commercial Finance (Hong Kong) Limited (formerly known as East Asia GE Commercial Finance Limited) (a factoring business company) against BEP (HK) in relation to a claim of HK\$860,328.24, being the outstanding amount owed to a supplier, together with penalty interest and legal costs. The settlement payable to the plaintiff amounted to HK\$620,000 in respect of such claims was agreed by both parties. As at the Latest Practicable Date, all outstanding amount have been fully settled.
- iii. On 24 May 2008, a writ of summons and a statement of claim were issued by Camewould Electrical Limited, a supplier, against BEP (HK) in relation to a claim of USD89,847.96, being the outstanding fee for services provided and certain electrical and electronic goods sold and delivered to BEP (HK), together with judgment interest and legal costs. As at the Latest Practicable Date, the claims have been fully settled.
- iv. On 3 June 2008, BEP (China) received a claim from 中山金輪五金電器製品有限公司 (Zhong Shan Camewheel Industrial Limited*), a supplier, for RMB2,674,116.62, being the outstanding purchase prices of goods sold and delivered to BEP (China). The judgment was made by the PRC Court after mediation on 19 August 2008 and the settlement payable to the plaintiff, together with judgment interest and legal costs, amounted to RMB2,729,079.18 and BEP (China) has paid portion of the settlement amount of RMB454,846.53. On 2 December 2008, an amended writ of summons and a

* For English translation only

- statement of claim were issued by the same plaintiff against BEP (HK) for the outstanding settlement amount of RMB2,230,651.17, together with judgment interest and legal costs. As at the Latest Practicable Date, the outstanding amount have not been settled.
- v. On 27 August 2008, a judgment was made by the PRC Court after mediation in relation to a claim from 深圳市拓益實業有限公司 (Shenzhen Tuo Yi Enterprise Limited*), a supplier, against BEP (China) for the outstanding purchase prices of goods sold and delivered to BEP (China). The settlement payable to the plaintiff amounted to RMB128,350.28.
- vi. On 27 August 2008, a judgment was made by the PRC Court after mediation in relation to a claim from 寶安現代包裝材料有限公司 (Bao An Modern Packing Material Co., Ltd.*), a supplier, against BEP (China) for the outstanding purchase prices of goods sold and delivered to BEP (China). The settlement payable to the plaintiff amounted to HK\$78,372.88.
- vii. On 1 September 2008, Pan Pacific Technology Company Limited, a supplier, commenced legal proceedings against BEP (HK) to claim approximately HK\$6.12 million together with judgment interest and legal costs for price of goods sold and delivered to BEP (HK). A summary judgment was entered against BEP (HK) on 21 November 2008. As at the Latest Practicable Date, the Company has instructed its lawyers to appeal against such judgment and will apply for stay of execution.
- viii. On 10 September 2008, a writ of summons and a statement of claim were issued by 中山金輪五金電器製品有限公司 (Zhong Shan Camewheel Industrial Limited*), a supplier, against BEP (HK) in relation to a claim of RMB152,044.00, being the outstanding fee for service provided and certain electrical and electronic goods sold and delivered to BEP (HK), together with judgment interest and legal costs. A defence was filed on 20 October 2008.
- ix. On 11 September 2008, BEP (China) received a claim from 深圳市寶安區沙井華順模具鋼材經營部 (Huashun Moulds and Steel Material Operation Unit, Shajing County, Baoan District, Shenzhen*), a supplier, against BEP (China) for RMB134,815.08, being the outstanding purchase prices of raw materials and the judgment interest to BEP (China).
- x. On 26 September 2008, BEP (China) received a claim from 江門市泓達金屬電器製品有限公司 (Jiangmen County Hong Da Metal Electric Equipment Co., Limited*), a supplier, against BEP (China) for RMB769,467.92, being the amount due and owing to the plaintiff for the processing service for stainless steel products delivered to BEP (China). The judgment was made by the People's Court of Jiangmen on 21 October 2008 ordering BEP (China) to pay to the plaintiff the amount due and owing and responsible for the legal costs.

* For English translation only

- x. On 30 September 2008, a writ of summons and a statement of claim were issued by Chung Tai Printing (China) Company Limited, a supplier, against BEP (HK) in relation to a claim of HK\$90,170.00, being the outstanding price for goods sold and delivered to BEP (HK), together with judgment interest and legal costs. A defence was filed on 17 November 2008.
- xii. On 13 October 2008, an amended writ of summons and statement of claim were issued by Light Star Intl Printing Limited, a supplier, against BEP (HK) in relation to a claim of HK\$134,317.50, being the amount due and owing to the plaintiff for the price for goods sold and delivered to BEP (HK), together with judgment interest and legal costs. An inter-parte summons and affirmations have been filed by the plaintiff as at the Latest Practicable Date.
- xiii. On 14 October 2008, a writ of summons and a statement of claim were issued by Smart Electric Motor Company Limited, a supplier, against BEP (HK) in relation to a claim of HK\$2,312,893.68, being the outstanding purchase prices of various motor parts sold and delivered to BEP (HK) on divers dates during the period from May 2008 to August 2008, together with judgment interest and legal costs. BEP (HK) filed a defence on 10 November 2008.
- xiv. On 21 October 2008, a writ of summons and a statement of claim were issued by Yau Shing Rubber Factory (operated by Rubber Tech Industrial Limited), a supplier, against BEP (HK) in relation to a claim of HK\$3,936,725.70, being the aggregate balance of the price for goods sold and delivered to BEP (HK) for the period from October 2007 to September 2008, together with judgment interest and legal costs. A summary judgment was entered against BEP (HK) on 5 December 2008. As at the Latest Practicable Date, the Company is pending for the results of the judgment from the courts in Hong Kong.
- xv. On 22 October 2008, a writ of summons and a statement of claim were issued by DEL Components Limited, a supplier, against BEP (HK) in relation to a claim of HK\$362,957.50, being the price of goods sold and delivered to BEP (HK) at divers dates, together with judgment interest and legal costs. BEP (HK) filed a defence on 18 November 2008.
- xvi. On 23 October 2008, a writ of summons and a statement of claim were issued by Manex Enterprises Limited, a supplier, against BEP (HK) in relation to a claim of HK\$399,664.20, being the balance of the price for goods sold and delivered to BEP (HK), together with judgment interest and legal costs. A defence is filed on 18 November 2008.
- xvii. On 28 October 2008, a writ of summons and a statement of claim were issued by Lonco Company Limited, a supplier, against BEP (HK) in relation to a claim of HK\$231,146.40, being the outstanding amount owed by BEP (HK) to the plaintiff, together with judgment interest and legal costs. A defence was filed on 24 November 2008.

- xviii. On 7 November 2008, a notice of place and day fixed for hearing was filed in accordance with the Small Claims Tribunal Ordinance by New Well International Metalware Ltd. as claimant against BEP (HK) in relation to a claim of HK\$32,742.20, being the outstanding amount owed by BEP (HK). The claim will be heard at a tribunal on 17 December 2008.
- xix. On 11 November 2008, a notice of place and day fixed for hearing was filed in accordance with the Small Claims Tribunal Ordinance by V-Start Components Co. Ltd. as claimant against BEP (HK) in relation to a claim of HK\$22,000.00, being the price of electrical components sold to BEP (HK). The claim will be heard at a tribunal on 22 December 2008.
- xx. On 2 December 2008, the Company came to the notice that default judgment was made against BEP (HK) in favour of Winbo Industries (H.K.) Limited for the claim together with accrued interests and fixed costs totalling approximately HK\$912,000. As the writ of summons in relation to the claim under such default judgment were not properly served at BEP (HK)'s current registered office and BEP (HK) has never received the same, the Company will apply to set aside the judgment and contest the claim.
- xxi. On 3 December 2008, a writ of summons and a statement of claim were issued by Kwong Lee (Asia) Metal Company Limited, against BEP (HK) in relation to a claim of HK\$154,465.77, being the balance of the total amount due and owing for certain metal of various specifications sold and delivered BEP (HK), together with penalty interest and legal costs.

The outstanding claims received in Hong Kong against BEP (HK) are subject to court proceedings and are being defended. Without admission of liability whatsoever, the Company will endeavour to, where appropriate, reach an amicable settlement in respect those claims.

6. SERVICE CONTRACTS

Each of Mr. Zhang Xi, Mr. Chen Yang, Mr. Cai Duanhong and Ms. Zhang Yu entered into service contracts with the Company. Each of the service contracts of Mr. Zhang Xi, Mr. Chen Yang and Mr. Cai Duanhong was effective on 9 October 2007 and the service contract of Ms. Zhang Yu was effective on 31 March 2008. Each of the service contracts was for a term of 3 years, unless and until such employment is terminated by the Company or by the relevant executive Director by giving at least three calendar month's prior notice in writing. Each of the executive Directors is entitled to a director's fee of HK\$600,000 per annum and may be entitled to discretionary benefits which are conditional.

Each of the independent non-executive Directors, being Mr. Hong Po Kui, Martin, Mr. Yam Tak Fai, Ronald and Mr. Wong Man Hin, Raymond entered into a letter of appointment with the Company for appointment as independent non-executive Director for a term of 3 years commencing on 9 October 2007, unless and until such employment is terminated by the Company or by the relevant independent non-executive Director by giving at least three calendar month's prior notice in writing. Each of the independent non-executive Directors is entitled to a director's fee of HK\$100,000 per annum.

Save as disclosed above, none of the Directors had existing or proposed service contracts with any member of the Enlarged Group, excluding service contracts expiring or terminable by the employer within one year without payment of compensation (other than statutory compensation).

7. MISCELLANEOUS

- (a) The company secretary and qualified accountant of the Company is Miss Hui Yee Ling, who is currently a fellow member of The Association of Chartered Certified Accountants and The Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The head office and the principal place of business of the Company is situated at Room 609, 6/F., Chevalier Commercial Centre, 8 Wang Hoi Road, Kowloon Bay, Hong Kong.
- (c) The Company's Hong Kong branch share registrar and transfer office is Tricor Secretaries Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong.
- (d) The English language text of this circular shall prevail over the Chinese language text.