



BEP International Holdings Limited

(Incorporated in Bermuda with limited liability) (Stock Code: 2326)

Interim Report **08/09**

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Corporate Information

Directors

Executive Directors

Mr. Zhang Xi (*Chairman*)

Mr. Chen Yang

Mr. Cai Duanhong

Ms. Zhang Yu

Independent non-executive Directors

Mr. Hong Po Kui, Martin

Mr. Wong Man Hin, Raymond

Mr. Yam Tak Fai, Ronald

Audit Committee

Mr. Yam Tak Fai, Ronald (*Chairman*)

Mr. Wong Man Hin, Raymond

Mr. Hong Po Kui, Martin

Remuneration Committee

Mr. Hong Po Kui, Martin (*Chairman*)

Mr. Wong Man Hin, Raymond

Mr. Yam Tak Fai, Ronald

Mr. Zhang Xi

Company Secretary

Ms. Hui Yee Ling

(Appointed on 6 October 2008)

Mr. Lee Kwok Wan

(Resigned on 6 October 2008)

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Hamilton HM11

Bermuda

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Principal Share Registrars and Transfer Office

The Bank of Bermuda Limited

Bank of Bermuda Building

6 Front Street

Hamilton HM11

Bermuda

Hong Kong Branch Share Registrars and Transfer Office

Tricor Secretaries Limited

26/F, Tesbury Centre

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Company Homepage

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Stock Code

2326

Management Discussion and Analysis

Financial Results and Dividend

During the six months ended 30 September 2008, turnover of the Group was approximately HK\$73.3 million (six month ended 30 September 2007: HK\$193.2 million), representing a decrease of 62.0% as compared to the corresponding period in 2007. The Group recorded a net loss of approximately HK\$55.1 million during the reporting period (six months ended 30 September 2007: net loss of approximately HK\$16.2 million) which was mainly resulted from the deconsolidation of the PRC Subsidiary.

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2008 (for the six months ended 30 September 2007: nil).

Business Review

As mentioned in the annual report for the year ended 31 March 2008, the Group has been continuously suffering from the surge in raw material prices and labour costs and the significant appreciation of Renminbi. In order to alleviate the difficult trading environment, the Group has successfully concluded basket agreements regarding price increment and improved payment terms with certain core customers and has also implemented effective cost control measures.

The unexpected financial tsunami in the third quarter of this year has seriously affected the gross profit margins and operating costs of our PRC factory. In view of the fact that the landlord rejected to reach consensus with the PRC subsidiary in respect of the renewal of premises and the expectation that the financial tsunami could further intensify, the Group has decided to cease the production of its factory in Mainland China to neutralize the impact of future uncertainties on the Company.

The Group has relentlessly pursued to control its cost; the rapid deterioration of external economic environment makes the Group realized that insistence on the inherent simple operational system would seriously harm the interest of our shareholders. Transformation from low value-added manufacturing operations to higher value-added brand name products trading operations is a feasible way to rejuvenate the Group.

The Group will continue its principal business in trading of home electrical appliances and expand its product mix, by means of merger and acquisition or cooperation to broaden its business scope as well as income sources.

Apart from continuing our long term business cooperation in the United States and Europe, the Group will develop new market segments and strive to expand its export of household electrical appliances to overseas customers in the Middle East and Southeast Asia.

Management Discussion and Analysis

Liquidity and Financial Resources

For the six months ended 30 September 2008, the Group has implemented a prudent financial management policy. As at 30 September 2008, the Group has cash and bank balances amounted to HK\$2.5 million (as at 31 March 2008: HK\$5.9 million). In addition to internally generated cash flows, the Group also have supported from its major shareholder to provide funding to meet the operation needs. The Board is in the expectation that the completion of acquisition of Yaosheng Electric (HK) Company Limited will improve the liquidity and financial position of the Group.

The gearing of the Group calculated by dividing total liabilities by total assets value increased to 4.89 (as at 31 March 2008: 0.78).

Outlook

In the coming year, the Group will focus on the transformation of operation model of its core business by diversifying product mix, strengthening of cost control as well as the enhancing of external cooperation. Meanwhile, the Group will actively explore and develop domestic and new overseas markets while continue to review its financial position and operations. Strategically, the Group will broaden its business scope and sources of income in order to cope with the possible further deterioration of operating environment caused by the financial tsunami. Therefore, apart from the various business opportunities such as the trading of electronic components, the Group will also continue to strengthen its home electrical appliances trading business or diversify into other business through investment or reorganization which it deems to be appropriate, including the guarantee profit contributions of the newly acquired small household electrical appliances trading business and the consolidation of customer market, in order to generate stable and reliable returns for our shareholders.

Management Discussion and Analysis

Directors' Interests in Securities

Saved as disclosed below in "substantial shareholders' interests", as at 30 September 2008, none of the Directors or chief executive of the Company or any of their associates had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO with (i) had to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives were taken or deemed to have under such provisions of the SFO) or (ii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

Substantial Shareholders' Interests

As at 30 September 2008, the register of the substantial shareholders maintained under Section 336 of the SFO shows that the Company had been notified of the following shareholder's interests, being 5% or more of the issued share capital of the Company:

Long positions in interests in the shares of the Company

Name of shareholder	Interest in the ordinary shares	Number of Ordinary Shares	Percentage interest in the Company issued share capital
Big Jump Investments Limited ("BJIL") (Note)	Direct interest	3,453,000,000	71.17%
Mr. Zhang Xi	Deemed interest	3,453,000,000	71.17%

Note: BJIL, a company incorporated in British Virgin Islands, is wholly and beneficially owned by Mr. Zhang Xi. Mr. Zhang Xi is, therefore, by virtue of the SFO, deemed to be interested in the Company's share in which BJIL is interested.

Saved as disclosed above, as at 30 September 2008, so far as was known to the Directors, no person (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 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 other member of the Group.

Management Discussion and Analysis

Audit Committee

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed, internal control and financial reporting matters including the review of the unaudited interim financial statements for the six months period ended 30 September 2008.

Corporate Governance

In the opinion of the Board, the Company complied with the provisions of the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2008 except for Code Provision A4.2 which stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. In addition, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Model Code for Securities Transactions by Directors

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"). After having made specific enquiry of all Directors, the Directors have complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions during the reporting period.

Purchase, Sale or Redemption of the Company's Listed Securities

During the period, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Shares.

By order of the Board of
BEP International Holding Limited
Zhang Xi
Chairman

Hong Kong, 17 December 2008

Condensed Consolidated Income Statement

For the six months ended 30 September 2008

	Notes	Six months ended	
		30.9.2008 HK\$'000 (unaudited)	30.9.2007 HK\$'000 (unaudited) (restated)
Turnover	3	73,335	193,203
Cost of sales		(59,175)	(173,575)
Gross profit		14,160	19,628
Other income		419	41
Selling and distribution costs		(4,182)	(3,787)
Administrative expenses		(19,357)	(15,666)
Reversal (provision) for claims for employees' overtime compensations	4	4,269	(15,198)
Loss on deconsolidation of a subsidiary	14	(42,031)	–
Impairment loss recognised in respect of amount due from a deconsolidated subsidiary	14	(6,905)	–
Finance costs	5	(927)	(1,256)
Loss before taxation	6	(54,554)	(16,238)
Taxation	7	(589)	–
Loss for the period		(55,143)	(16,238)
Dividend	8	–	–
Loss per share	9		
– Basic		(1.14) cents	(0.34) cents
– Diluted		N/A	N/A

Condensed Consolidated Balance Sheet

As 30 September 2008

	Notes	At 30.9.2008 HK\$'000 (unaudited)	At 31.3.2008 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	428	23,043
Deferred tax assets		–	3,661
		428	26,704
Current assets			
Inventories		–	53,916
Trade and other receivables	11	7,481	32,751
Bank balances and cash		2,487	5,855
		9,968	92,522
Current liabilities			
Trade and other payables	12	35,196	84,020
Obligation under a finance lease		111	111
Other borrowing		4,554	–
Bank borrowings		–	4,432
		39,861	88,563
Net current (liabilities) assets		(29,893)	3,959
Total assets less current liabilities		(29,465)	30,663
Non-current liabilities			
Amount due to ultimate holding company		10,767	4,669
Obligation under a finance lease		210	266
		10,977	4,935
Net (liabilities) assets		(40,442)	25,728
Capital and reserves			
Share capital	13	2,426	2,426
Reserves		(42,868)	23,302
(Deficiency) balance of shareholders' equity		(40,442)	25,728

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2008

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Translation reserve HK\$'000	Accumulated profits (losses) HK\$'000 (restated)	Total HK\$'000
At 1 April 2007	2,400	22,524	(1,522)	–	3,551	23,743	50,696
Exchange difference arising on translation of foreign operations recognised directly in equity	–	–	–	–	543	–	543
Loss for the period	–	–	–	–	–	(16,238)	(16,238)
Total recognised income and expense for the period	–	–	–	–	543	(16,238)	(15,695)
Sub-total	2,400	22,524	(1,522)	–	4,094	7,505	35,001
Issue of shares upon exercise of share options	16	1,088	–	–	–	–	1,104
At 30 September 2007	2,416	23,612	(1,522)	–	4,094	7,505	36,105
At 1 April 2008	2,426	24,292	(1,522)	331	12,414	(12,213)	25,728
Exchange difference arising on translation of foreign operations recognised directly in equity	–	–	–	–	1,752	–	1,752
Release of translation reserve upon deconsolidation of a subsidiary	–	–	–	–	(14,166)	–	(14,166)
Loss for the period	–	–	–	–	–	(55,143)	(55,143)
Total recognised income and expense for the period	–	–	–	–	(12,414)	(55,143)	(67,557)
Sub-total	2,426	24,292	(1,522)	331	–	(67,356)	(41,829)
Fair value adjustment on amount due to ultimate holding company	–	–	–	1,387	–	–	1,387
At 30 September 2008	2,426	24,292	(1,522)	1,718	–	(67,356)	(40,442)

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2008

	Notes	Six months ended	
		30.9.2008 HK\$'000 (unaudited)	30.9.2007 HK\$'000 (unaudited)
Net cash (used in) from operating activities		(8,282)	9,732
Investing activities			
Interest Received		103	–
Net cash outflow from deconsolidation of a subsidiary	14	(1,522)	–
Purchase of property, plant and equipment		(300)	–
Other investing cash flows		–	(4,037)
Net cash (used in) investing activities		(1,719)	(4,037)
Financing activities			
Advance from ultimate holding company		7,100	–
Other borrowing raised		4,554	–
Net repayment of bank borrowings		(4,432)	(8,746)
Finance costs paid		(541)	–
Repayment of finance lease		(56)	(1,256)
Net cash from (used in) financing activities		6,625	(10,002)
Net decrease in cash and cash equivalents		(3,376)	(4,307)
Cash and cash equivalents at 1 April		5,855	9,639
Effect of foreign exchange rate changes		8	40
Cash and cash equivalents at 30 September, represented by bank balances and cash		2,487	5,372

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

1. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

(a) Going concern basis

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group. Notwithstanding that:

- the Group has significant accumulated losses;
- as at 30 September 2008, the Group had net current liabilities and net liabilities; and
- there are litigations against the Group for payments of the alleged indebtednesses amounting to HK\$18,995,000 and interests thereon.

The directors of the Company believe that the Group is able to continue as a going concern and to meet in full its financial obligations as they fall due for the foreseeable future having regard to the following assumptions:

- the attainment of future profits of a subsidiary to be acquired by the Group (details are set out in note 18);
- the Group is able to extend the repayment dates of the amount due to ultimate holding company with principal amount of HK\$12,100,000 as at 30 September 2008; and
- the availability of additional external funding.

According to the above assumptions, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements and, accordingly, the financial statements have been prepared on a going concern basis.

Should the going concern basis not be appropriate, adjustments would have to be made to reduce the value of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify non-current assets as current assets. The effects of these potential adjustments have not been reflected in the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

1. Basis of Preparation (continued)

(b) A subsidiary not consolidated

With reference to an announcement issued by the Company on 17 October 2008, the Company's operating subsidiary in the People's Republic of China, Bailingda Industrial (Shenzhen) Company Limited ("BEP (China)") had continued to incur operating loss that the board of directors of the Company considered that it was in the interest of the Company to cease operation of BEP (China) from 20 October 2008.

Soon after the release of the announcement, the media reported widely on the cessation of operations of BEP (China). The premises of BEP (China) was sealed by 深圳寶安區人民法院 (the "Baoan People's Court") with orders issued on 26 October 2008 and 24 November 2008 respectively. Neither the Company nor any of its employees has received the above orders from court. In this respect, the board of directors of the Company decided to appoint a PRC lawyer 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 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 withheld 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 control of BEP (China) has been lost with effect from 30 September 2008 notwithstanding that the Group hold a 100% equity interest in BEP (China). It is no longer regarded as a subsidiary of the Group since all the assets of BEP (China) have been withheld by the Baoan People's Court and the latest management accounts available are only up to 30 September 2008. The directors of the Company resolved to deconsolidate BEP (China) as at that date.

Accordingly, the results of BEP (China) have been consolidated in the condensed consolidated financial statements of the Group up to the date of cessation to be a subsidiary of the Group, and have been deconsolidated from the condensed consolidated financial statements of the Group with effect from 30 September 2008. The condensed consolidated income statement presented a loss on deconsolidation amounting to HK\$42,031,000 and an impairment loss recognised in respect of amount due from BEP (China) amounting to HK\$6,905,000. Details of the deconsolidation of BEP (China) are stated in note 14.

In view of the current situation, the directors of the Company decided to follow instructions from the local government and has no intention to regain control of BEP (China) at present stage.

In the opinion of the directors of the Company, the Group has no material obligations or commitments in BEP (China) that require either adjustments to or disclosure in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

2. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values at initial recognition.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2008.

In the current interim period, the Group has applied, for the first time, new interpretations issued by the HKICPA, which are effective for the Group's financial year beginning on 1 April 2008.

The adoption of these new interpretations had no material effect on the results or financial position of the Group for the current and prior accounting periods. Accordingly, no prior period adjustment has been required.

The Group has not early applied those new and revised standards, amendments or interpretations that have been issued but are not yet effective. The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new, revised and amended standards and interpretations will have no material impact on the results and the financial position of the Group.

3. Turnover and Segment Information

Turnover represents amounts received and receivable from outside customers from sales of products during the period.

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments be presented as the primary reporting format. In determining the Group's geographical segments, revenue is attributed to the segments based on the location of customers, irrespective of the origin of the goods.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

3. Turnover and Segment Information (continued)

Geographical segments

For the six months ended 30 September 2008 (unaudited)

	Europe HK\$'000	North America HK\$'000	Australia and New Zealand HK\$'000	Asia and Middle East HK\$'000	Others HK\$'000	Total HK\$'000
TURNOVER	42,351	10,351	2,996	14,201	3,436	73,335
RESULTS						
Segment results	5,021	1,696	519	2,208	534	9,978
Interest income						103
Unallocated income						316
Finance costs						(927)
Reversal for claims of employee's overtime compensations						4,269
Loss on deconsolidation of a subsidiary						(42,031)
Impairment loss recognised in respect of amount due from a deconsolidated subsidiary						(6,905)
Unallocated corporate expenses						(19,357)
Loss before taxation						(54,554)
Taxation						(589)
Loss for the period						(55,143)

For the six months ended 30 September 2007 (unaudited and restated)

	Europe HK\$'000	North America HK\$'000	Australia and New Zealand HK\$'000	Asia and Middle East HK\$'000	Others HK\$'000	Total HK\$'000
TURNOVER	107,293	46,822	12,166	19,215	7,707	193,203
RESULTS						
Segment results	10,823	(383)	1,817	2,558	1,027	15,841
Interest income						39
Unallocated income						2
Finance costs						(1,256)
Provision for claims for employees' overtime compensations						(15,198)
Unallocated corporate expenses						(15,666)
Loss for the period						(16,238)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

4. Reversal (Provision) for Claims for Employees' Overtime Compensations

In preparation of the interim financial report for the six months ended 30 September 2007, the directors of the Company were aware of certain claims from a number of employees of the Group in the People's Republic of China (the "PRC") (the "PRC Factory Employees") in respect of the underpayment of overtime compensations to the PRC Factory Employees for the period from 1 September 2005 to 30 June 2007. Apart from the aforesaid claims, the directors of the Company were also aware that the Group had underpaid overtime compensations to other employees in the PRC before 30 June 2007. According to the legal advice of the Company's PRC lawyers, the Group's PRC employees can claim the underpayment of overtime compensations for a period of not more than two years from the date they make their claims to the Group. The directors of the Company assessed the underpayment of overtime compensations a change in accounting estimate, accordingly, the provision of HK\$15,198,000 was charged to the condensed consolidated income statement for the six months ended 30 September 2007 and the comparative figures of the interim financial report were restated.

During the year ended 31 March 2008, the Group received three formal batches of claims from the PRC Factory Employees. The Group disagreed with the amount of overtime compensations claimed by the PRC Factory Employees and all the three batches of claims were passed to 深圳市寶安區勞動爭議仲裁委員會 (the "Arbitration Committee"). Arbitrations of the three batches of claims were made on 4 December 2007, 14 April 2008 and 30 April 2008, respectively and the arbitrated overtime compensation payable to the PRC Factory Employees, in aggregate, amounted to approximately RMB13,718,000 (equivalent to HK\$15,224,000).

The Group and the PRC Factory Employees were not satisfied with the arbitrated amounts and the three batches of claims were then submitted to the Baoan People's Court. Eventually, the Group and the PRC Factory Employees reached a consent on the settlement amounts of the first and second batches of claims which were judged by the Baoan People's Court in May 2008 and July 2008, respectively. The total agreed settlement amount of claims for employees' overtime compensations for the first and second batches of claims amounted to RMB4,988,000 (equivalent to HK\$5,535,000) which is about 50% of the full amount determined by the Arbitration Committee.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

4. Reversal (Provision) for Claims for Employees' Overtime Compensations (continued)

As at the date of approval of consolidated financial statements for the year ended 31 March 2008, the third batch of claims had not been judged and concluded by the Baoan People's Court. With reference to the outcome of the first and second batches of claims and the legal advice from the Company's PRC lawyers, the directors of the Company expect the Baoan People's Court would conclude the third batch of claims on the same settlement basis as the first and second batches of claims, and the estimated amount of the third batch of claims which would be judged and concluded by the court is RMB2,075,000 (equivalent to HK\$2,303,000). In addition, a provision of RMB4,383,000 (equivalent to HK\$4,864,000) has been made for the year ended 31 March 2008 in respect of potential claims for underpayment of overtime compensations to other employees in the PRC before 30 June 2007. The balance of claims for employees' overtime compensations as at 31 March 2008 was HK\$12,702,000.

During the six months ended 30 September 2008, the third batch of claims has been judged and concluded by the Baoan People's Court. The agreed settlement amount is RMB2,433,000 (equivalent to HK\$2,765,000). As the Group's PRC employees can claim the underpayment of overtime compensations for a period of not more than two years from the date they make their claims to the Group, part of the provision has lapsed during the period. A reversal for claims for employees' overtime compensations of HK\$4,269,000 is credited to the condensed consolidated income statement for the period.

5. Finance Costs

	Six months ended	
	30.9.2008	30.9.2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Bank charges	359	580
Interest on bank and other borrowings wholly repayable within five years	183	676
Imputed interest on amount due to ultimate holding company	385	–
	927	1,256

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

6. Loss Before Taxation

	Six months ended	
	30.9.2008	30.9.2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
Loss before taxation has been arrived at after charging:		
Cost of inventories expensed	37,834	141,377
Depreciation of property, plant and equipment	3,633	5,162
Impairment loss recognised in respect of trade debtors	1,712	–
Loss on disposal of property, plant and equipment	2,189	–
Staff costs, including directors' emoluments (Note)	17,429	38,364
and after crediting:		
Interest income	103	39

Note: The staff costs for the six months ended 30 September 2008 included reversal for claims for employees' overtime compensations of HK\$4,269,000 (for the six months ended 30 September 2007: a provision of HK\$15,198,000).

7. Taxation

The charge for the period represents deferred tax charge during the period.

Hong Kong Profits Tax is calculated at 16.5% (for the six months ended 30 September 2007: 17.5%) on the estimated assessable profit for the period. No provision for Hong Kong Profits Tax has been made in the financial statements as the companies operating in Hong Kong have no assessable profit for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. No provision for PRC enterprise income tax has been made as the subsidiary operating in the PRC incurred tax losses for both periods.

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30 September 2008.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

8. Dividend

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2008 (for the six months ended 30 September 2007: nil).

9. Loss Per Share

The calculation of basic loss per share is based on the following data:

	Six months ended	
	30.9.2008	30.9.2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited) (restated)
Loss for the purpose of basic loss per share	(55,143)	(16,238)
	Number of shares	
Weighted average number of ordinary shares for the purpose of basic loss per share (Note)	4,852,000,000	4,815,562,840

No diluted loss per share is presented for the six months ended 30 September 2008 as the Company has no outstanding share options during the period.

No diluted loss per share was presented for the six months ended 30 September 2007 as the exercise of share options would decrease the loss per share for that period.

Note: The weighted average number of ordinary shares for the six months ended 30 September 2007 has been adjusted for the subdivision of shares on 17 January 2008. Every issued and unissued share of HK\$0.01 in the capital of the Company was subdivided into 20 shares of HK\$0.0005 each.

10. Property, Plant and Equipment

During the period, the Group spent approximately HK\$300,000 (for the six months ended 30 September 2007: HK\$4,076,000) on acquisition of property, plant and equipment and disposed of property, plant and equipment with carrying value of approximately HK\$2,189,000 (for the six months ended 30 September 2007: nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

11. Trade and Other Receivables

	At 30.9.2008 HK\$'000 (unaudited)	At 31.3.2008 HK\$'000 (audited)
Trade debtors	4,841	22,077
Trade deposits paid	1,191	2,343
Value added tax recoverable	–	5,371
Sundry debtors and prepayments	1,449	2,960
	7,481	32,751

The aged analysis of trade debtors at the balance sheet date is as follows:

	At 30.9.2008 HK\$'000 (unaudited)	At 31.3.2008 HK\$'000 (audited)
0 to 30 days	2,824	17,097
31 to 60 days	2,017	1,351
61 to 180 days	–	275
Over 180 days	–	3,354
	4,841	22,077

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 120 days. For other trade debts, the Group provided a credit period normally ranging from 30 to 90 days to its customers.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

12. Trade and Other Payables

	At 30.9.2008 HK\$'000 (unaudited)	At 31.3.2008 HK\$'000 (audited)
Trade creditors	29,279	63,884
Claims for employee's overtime compensations	–	12,702
Other payables and accruals	5,894	5,424
Trade deposits received	23	2,010
	35,196	84,020

The aged analysis of trade creditors at the balance sheet date is as follows:

	At 30.9.2008 HK\$'000 (unaudited)	At 31.3.2008 HK\$'000 (audited)
0 to 30 days	1,025	18,323
31 to 60 days	817	23,839
61 to 180 days	14,245	18,806
Over 180 days	13,192	2,916
	29,279	63,884

13. Share Capital

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.0005 each		
Authorised		
At 1 April 2008 and 30 September 2008	200,000,000,000	100,000
Issued and fully paid		
At 1 April 2008 and 30 September 2008	4,852,000,000	2,426

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

14. Deconsolidation of a Subsidiary

	Six months ended	
	30.9.2008 HK\$'000 (unaudited)	30.9.2007 HK\$'000 (unaudited)
Net assets disposed of:		
Property, plant and equipment	17,079	–
Deferred tax assets	3,072	–
Inventories	57,997	–
Trade and other receivables	5,295	–
Bank balances and cash	1,522	–
Trade and other payables	(21,863)	–
Amounts due to group companies	(6,905)	–
	56,197	–
Loss on deconsolidation of a subsidiary	(42,031)	–
Translation reserve released upon deconsolidation	(14,166)	–
	–	–
Analysis of net outflow of cash and cash equivalents arising from deconsolidation of a subsidiary		
Bank balances and cash of a deconsolidated subsidiary	(1,522)	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

15. Related Party Transactions

During the period, the Group paid rental expenses of nil (for the six months ended 30 September 2007: HK\$1,873,000) to related companies which are beneficially owned/controlled by certain former directors of the Company.

Compensation of key management personnel

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

	Six months ended	
	30.9.2008 HK\$'000 (unaudited)	30.9.2007 HK\$'000 (unaudited)
Short-term employee benefits	1,207	2,348
Post-employment benefits	17	45
	1,224	2,393

16. Pledge of Assets

During the six months ended 30 September 2007, the Group executed a debenture, which was essentially a pledge of all assets of the Group, in favour of a bank to secure banking facilities of the Group amounting to approximately HK\$15,000,000. Such banking facilities were terminated during the current period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

17. Litigations

(a) BEP (China)

Up to the date of approval of the report, the Group received claims from a number of suppliers of an aggregate amount of RMB3,332,000 (equivalent to HK\$3,787,000) against BEP (China). All claims have either been settled through court mediation or are in the court proceedings. However, as the premises of BEP China have been withheld by the Baoan People's Court, there is a possibility that new claims might be made against the Group for which the Group has no knowledge. With the advices from a legal adviser, the directors of the Company are of the opinion that BEP (China) will be liable for its own debts and liabilities as it is a company established in the PRC with limited liability. The Group has no legal obligation to pay the alleged debts and interest. Accordingly, no provision in respect thereof has been made in the condensed consolidated financial statements.

(b) Better Electrical Products (HK) Company Limited ("BEPHK")

Up to the date of approval of the report, the Group also received claims of an aggregate amount of HK\$15,208,000 against BEPHK, a wholly owned subsidiary of the Company. The claims are in the course of legal proceedings. As at 30 September 2008, BEPHK has recorded HK\$14,418,000 in respect of the respective claims. The difference with the total claimed amount HK\$790,000 in which the discrepancy of HK\$173,000 is related to BEP (China), the discrepancy of HK\$278,000 is in dispute, the discrepancy of HK\$302,000 is related to returned goods, and the discrepancy of HK\$37,000 is related to transportation costs, legal costs and interest. The directors of the Company consider that the discrepancy of HK\$790,000 is immaterial. Accordingly, no provision in respect thereof has been made in the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2008

18. Post Balance Sheet Event

On 14 November 2008, BEP Enterprises Limited (“BEP Enterprises”), a wholly-owned subsidiary of the Company, entered into an agreement with independent third parties (the “Vendors”) to acquire the entire equity interest in Yaosheng Electric at a consideration of HK\$40,000,000 which shall be satisfied by the allotment and issue of a total of 500,000,000 new shares in the Company at HK\$0.08 per share. One of the Vendors unconditionally and irrevocably guarantees to BEP Enterprises that the profit of Yaosheng Electric shall not be less than HK\$1,330,000 for each of the six months after the completion of acquisition. The principal activity of Yaosheng Electric is trading of home electrical appliances. Yaosheng Electric exports household electrical appliances to overseas customers from various countries, and has secured a reliable sourcing channel in PRC to supply the electrical appliances for its trading business.

The acquisition has not been completed as at the date of report.