

INTERIM REPORT 2009



BEP International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 2326)



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

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

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

Room 609, 6th Floor
Chevalier Commercial Centre
8 Wang Hoi Road
Kowloon Bay, Kowloon
Hong Kong

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
28 Queen's Road East
Hong Kong

COMPANY HOMEPAGE

<http://www.bep.com.hk>

STOCK CODE

2326

Management Discussion and Analysis

Business Review

During the six months ended 30 September 2009, the turnover of the Group was HK\$6,857,000 contributed wholly by its continuing operation of manufacturing and sale of electrical and electronic consumer products. The turnover for the comparable period was nil as the manufacturing operation which was owned by Bailingda Industrial (Shenzhen) Company Limited ("BEP (China)") and generated a turnover of HK\$73,335,000 in the previous period was regarded as discontinued. The loss for the period from continuing operation was HK\$3,113,000, decreased significantly when compared to the loss of HK\$5,372,000 recorded in the corresponding period last year. Basic loss per share for continuing operation was HK0.06 cent, compared to a loss per share of HK0.11 cent in the previous period. The improvement in the Group's results was primarily attributable to the tightened control on operating costs, profit contributed by the continuing operation of the Group and the gain on winding up of a subsidiary, BEP Management Services Limited ("BEPMS").

For the period under review, the Group has been principally engaged in the manufacture and sale of electrical and electronic consumer products business. Following the cessation of operation of the Group's manufacturing facilities owned by BEP (China) in October 2008, the Group has restructured its business by leasing certain production facilities of a manufacturing company in the PRC to continue its manufacturing operation. Appropriate measures have been taken by the management covering sourcing of parts and materials, production, sales and delivery of goods in order to support this new mode of manufacturing operation. The results so far are encouraging with that quality of products are well received by customers whilst a healthy profit margin can be maintained by the Group. In addition to active marketing of the Group's existing product lines of electrical and electronic consumer products, the management is also in negotiation with potential customers for the development and sales of new products that are of higher profit margin and strong prospective demand. The management expects that there will be encouraging growth of the Group's business for the remainder of the financial year.

Financial Review

Liquidity and Financial Resources

At 30 September 2009, the Group had current assets of HK\$11,453,000 (31 March 2009: HK\$3,694,000) and liquid assets being bank balances of HK\$5,672,000 (31 March 2009: HK\$167,000). The Group's current ratio, calculated based on current assets of HK\$11,453,000 over current liabilities of HK\$7,155,000, was at a strong ratio of 1.60 (31 March 2009: 0.38). The significant improvement in the Group's current ratio was mainly a result of the funding provided by the Company's immediate holding company, Long Channel Investments Limited ("Long Channel").

The Group's gearing ratio, calculated on the basis of total liabilities of HK\$7,269,000 (excluding amount due to immediate holding company) divided by total assets of HK\$ 11,993,000 was at a moderate ratio of 0.61 (31 March 2009: 3.60, excluding amount due to former ultimate holding company). The Group's operation is presently mainly financed by the funding provided by Long Channel.

During the review period, the Group has implemented a prudent financial management policy. In addition to internally generated cash flows, the Group also has support from its controlling shareholder to provide funding in meeting operational needs. The Board expects that the growth of the manufacture and sale of electrical and electronic consumer product business will gradually improve the liquidity and financial position of the Group in the coming year.

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.

Financial Review (Continued)

Charge on Group's Assets

As at 30 September 2009, a motor vehicle of carrying amount of HK\$222,000 was charged to secure a finance lease obligation.

Capital Commitment

As at 30 September 2009, the Group had a capital commitment in respect of the acquisition of a mould of HK\$317,000.

Contingent Liabilities

As at 30 September 2009, the Group had no contingent liabilities. Litigation and winding up matters of various deconsolidated subsidiaries of the Group are referred to in the following section.

Litigation and Winding Up of Subsidiaries Deconsolidated

BEP (China)

Since the approval of the Company's 2009 Annual Report, BEP (China) received new claims from a number of suppliers of a total amount of RMB3,135,000 (equivalent to HK\$3,558,000) and aggregate claims received so far amounted to RMB17,637,000 (equivalent to HK\$20,013,000). BEP (China) is no longer regarded as a subsidiary of the Group as in the opinion of the Company's directors, control over BEP (China) has been lost.

Financial Review (Continued)

Litigation and Winding Up of Subsidiaries Deconsolidated (Continued)

BEPMS

On 22 September 2009, a subsidiary of the Company, BEPMS was put under voluntary winding up as it was in an insolvency position. BEPMS is no longer regarded as a subsidiary of the Group as in the opinion of the Company's directors, control over BEPMS has been lost. As BEPMS is in the process of voluntary winding up and that its liabilities exceeded its assets, a gain on winding up of a subsidiary of HK\$2,142,000 was recorded in the review period.

Further details of the litigation and winding up matters of subsidiaries deconsolidated are disclosed in notes 1 and 18 to the condensed consolidated financial statements.

Employees and Remuneration Policy

As at 30 September 2009, the Group had a total of 16 employees and directors. For the review period, staff costs including directors' emoluments for the Group's continuing operation amounted to HK\$1,177,000 (30 September 2009: HK\$2,556,000). The Group remunerates its employees based on their performance, experience and prevailing market terms and that bonuses, promotion and salary increments are assessed on a performance-related basis. Other employee benefits include insurance and medical cover, training programmes and mandatory provident fund scheme.

Business Prospects

The Group will continue to look for opportunities to promote its business and to strengthen its financial position. The directors of the Company are also considering various strategic initiatives in broadening the Group's business scope and sources of income by diversifying into other business through investments or business ventures. Looking ahead, the management will continue to work towards creating long-term value and a stable prospect to shareholders.

Independent Review Report on Interim Financial Information

Deloitte.

德勤

TO THE SHAREHOLDERS OF BEP INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Introduction

We were engaged to review the interim financial information set out on pages 10 to 34, which comprises the condensed consolidated statement of financial position of BEP International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 September 2009 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

Except as explained in the “Basis for disclaimer of conclusion” paragraphs, we conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for disclaimer of conclusion

During the year ended 31 March 2009, a wholly owned subsidiary of the Group, Bailingda Industrial (Shenzhen) Company Limited (“BEP (China)”) was deconsolidated as set out in note 1 to the condensed consolidated financial statements. After the directors of the Company resolved to cease the operations of BEP (China), the premises of BEP (China) and the assets and accounting books and records inside were sealed by 深圳寶安區人民法院 (“Baoan People’s Court”). The directors of the Company therefore deconsolidated BEP (China) as from 26 October 2008 as they consider 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 of BEP (China) were sealed by the Baoan People’s Court. 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 the assets and liabilities from the condensed consolidated financial statements.

Any adjustments that might have been found to be necessary in respect of the above would have a significant effect on the state of the Group’s affairs as at 30 September 2009 and 31 March 2009 and on its loss for the six months ended 30 September 2009. This caused us to disclaim our audit opinion on the financial statements in respect of the year ended 31 March 2009.



Disclaimer of conclusion

Because of the significance of the matters described in the above paragraphs, we are unable to and do not express any conclusion as to whether the condensed consolidated financial information for the six months ended 30 September 2009 is prepared, in all material respects, in accordance with HKAS 34.

We draw attention to the fact that the comparative condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months ended 30 September 2008 and the relevant explanatory notes disclosed in the interim financial information have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

10 December 2009

Condensed Consolidated Income Statement

For the six months ended 30 September 2009

	Notes	Six months ended	
		30.9.2009 HK\$'000 (unaudited)	30.9.2008 HK\$'000 (unaudited and restated)
Continuing operation			
Turnover		6,857	–
Cost of sales		(6,320)	–
Gross profit		537	–
Other income		85	90
Administrative expenses		(5,027)	(4,981)
Gain on winding up of a subsidiary	16	2,142	–
Finance costs	4	(850)	(481)
Loss before taxation	5	(3,113)	(5,372)
Taxation	6	–	–
Loss for the period from continuing operation		(3,113)	(5,372)
Discontinued operation			
Loss for the period from discontinued operation	9	–	(835)
Loss for the period		(3,113)	(6,207)
Attributable to:			
Owners of the Company		(3,145)	(6,207)
Minority interests		32	–
		(3,113)	(6,207)
Loss per share – Basic	8		
From continuing and discontinued operations		(0.06) cent	(0.13) cent
From continuing operation		(0.06) cent	(0.11) cent

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2009

	Six months ended	
	30.9.2009 HK\$'000 (unaudited)	30.9.2008 HK\$'000 (unaudited and restated)
Loss for the period	(3,113)	(6,207)
Other comprehensive income for the period:		
Exchange differences arising on translation of foreign operations	–	1,752
Total comprehensive income for the period	(3,113)	(4,455)
Attributable to:		
Owners of the Company	(3,145)	(4,455)
Minority interests	32	–
	(3,113)	(4,455)

Condensed Consolidated Statement of Financial Position

At 30 September 2009

	Notes	At 30.9.2009 HK\$'000 (unaudited)	At 31.3.2009 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	11	222	289
Deposit paid for property, plant and equipment		318	–
		540	289
Current assets			
Inventories		364	–
Trade and other receivables	12	5,417	3,527
Bank balances and cash		5,672	167
		11,453	3,694
Current liabilities			
Trade and other payables	13	6,911	7,302
Amount due to a subsidiary under liquidation		133	2,222
Obligation under a finance lease		111	111
		7,155	9,635
Net current assets (liabilities)		4,298	(5,941)
Total assets less current liabilities		4,838	(5,652)

Condensed Consolidated Statement of Financial Position (continued)

At 30 September 2009

	Notes	At 30.9.2009 HK\$'000 (unaudited)	At 31.3.2009 HK\$'000 (audited)
Non-current liabilities			
Amount due to former ultimate holding company	14	–	11,651
Amount due to immediate holding company	14	26,975	–
Other loan	14	–	4,535
Obligation under a finance lease		92	155
Deferred tax liabilities		22	22
		27,089	16,363
Net liabilities		(22,251)	(22,015)
Capital and reserves			
Share capital	15	2,426	2,426
Reserves		(24,709)	(24,441)
Equity attributable to owners of the Company		(22,283)	(22,015)
Minority interests		32	–
Deficiency of shareholders' equity		(22,251)	(22,015)

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2009

	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000 (Note 1)	Capital reserve HK\$'000 (Note 2)	Translation reserve HK\$'000 (restated)	Accumulated losses HK\$'000 (restated)	Attributable to owners of the Company HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 April 2008	2,426	24,292	(1,522)	331	12,414	(12,213)	25,728	-	25,728
Exchange difference arising on translation of foreign operations	-	-	-	-	1,752	-	1,752	-	1,752
Loss for the period	-	-	-	-	-	(6,207)	(6,207)	-	(6,207)
Total comprehensive income for the period	-	-	-	-	1,752	(6,207)	(4,455)	-	(4,455)
Fair value adjustment on amount due to former ultimate holding company	-	-	-	1,387	-	-	1,387	-	1,387
At 30 September 2008	2,426	24,292	(1,522)	1,718	14,166	(18,420)	22,660	-	22,660
At 1 April 2009	2,426	24,292	(1,522)	1,341	-	(48,552)	(22,015)	-	(22,015)
Loss for the period and total comprehensive income for the period	-	-	-	-	-	(3,145)	(3,145)	32	(3,113)
Waiver of amount due to former ultimate holding company	-	-	-	1,240	-	-	1,240	-	1,240
Fair value adjustment on amount due to immediate holding company	-	-	-	1,637	-	-	1,637	-	1,637
Subtotal	-	-	-	2,877	-	-	2,877	-	2,877
At 30 September 2009	2,426	24,292	(1,522)	4,218	-	(51,697)	(22,283)	32	(22,251)

Notes:

- On 6 January 2003, the Company became the holding company of the companies now comprising the Group pursuant to a group reorganisation scheme (the "Group Reorganisation") at the time of listing of the Company's shares on The Stock Exchange of Hong Kong Limited. The merger reserve of the Group represents the difference between the nominal value of the shares of Better Electrical Products Company Limited acquired pursuant to the Group Reorganisation over the nominal value of the Company's shares issued in exchange there for.
- Capital reserve represents the fair value adjustment on the amounts due to former ultimate holding company and immediate holding company, and waiver of amount due to former ultimate holding company.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2009

	Six months ended	
	30.9.2009 HK\$'000 (unaudited)	30.9.2008 HK\$'000 (unaudited and restated)
Net cash used in operating activities	(6,686)	(8,282)
Investing activities		
Interest received	–	103
Purchase of property, plant and equipment	(9)	(300)
Proceeds from disposal of property, plant and equipment	4	–
Deposit paid for property, plant and equipment	(318)	–
Net cash used in investing activities	(323)	(197)
Financing activities		
Advance from former ultimate holding company	1,240	7,100
Advance from immediate holding company	11,348	–
Other borrowing raised	–	4,554
Net repayment of bank borrowings	–	(4,432)
Finance cost paid	(11)	(541)
Repayment of finance lease	(63)	(56)
Net cash from financing activities	12,514	6,625
Net increase (decrease) in cash and cash equivalents	5,505	(1,854)
Cash and cash equivalents at 1 April	167	5,855
Effect of foreign exchange rate changes	–	8
Cash and cash equivalents at 30 September, represented by bank balances and cash	5,672	4,009

Notes to The Condensed Consolidated Financial Statements

For the six months ended 30 September 2009

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 (the “HKICPA”).

Going concern basis

At 30 September 2009, the Group had accumulated losses of HK\$51,697,000 and the Group’s consolidated net liabilities amounted to HK\$22,251,000. The Group also had outstanding amount due to immediate holding company of HK\$26,975,000.

The amount due to immediate holding company, Long Channel Investments Limited (“Long Channel”), is repayable in full on 1 April 2011. On 9 July 2009, the Group entered into a facility agreement with Long Channel for a loan facility in an aggregate principal amount up to HK\$20,000,000 to finance the Group’s operations. During the period, loan facility of HK\$11,348,000 has been utilised by the Company. The unutilised loan facility amounted to HK\$8,652,000 at 30 September 2009. The loan facility is unsecured, interest bearing at 1% per annum and repayable after the expiry of 18 months from the date of facility agreement or any other date as agreed by Long Channel or the Group in writing. The directors of the Company are confident that the Group will continue to obtain the ongoing support from Long Channel.

The Group has continued to focus on the manufacture and sale of electrical and electronic consumer products and has expanded its product mix by means of joint venture or cooperation to broaden its business scope as well as income source. The directors of the Company have also considered various business alternatives to resume the Group’s manufacturing operation to complement the Group’s strategic plan in broadening its business scope and sources of income by taking business opportunities to diversify into other business through investments or business ventures.

Based on the factors described above, the directors of the Company are of the opinion that it is appropriate to prepare the condensed consolidated financial statements on the going concern basis.

Notes to The Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2009

1. BASIS OF PREPARATION (continued)

Subsidiaries deconsolidated

Notwithstanding that the Group holds 100% equity interests in Bailingda Industrial (Shenzhen) Company Limited ("BEP (China)"), Better Electrical Products (HK) Company Limited ("BEP (HK)") and BEP Corporate Management Limited ("BEPCM") during the year ended 31 March 2009 and 100% equity interests in BEP Management Services Limited ("BEPMS") during the six months ended 30 September 2009, these companies were no longer regarded as subsidiaries of the Group as the directors of the Company are of the opinion that the control of these companies had been lost during last year/current period.

(a) *BEP (China)*

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.

Soon after the release of the announcement, the media reported widely on the cessation of operations of BEP (China). The premises of BEP (China) were 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 Group nor any of its employees has received the above orders from the Baoan People's Court. In this respect, the directors of the Company decided to appoint a People's Republic of China ("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 authorised 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.

Notes to The Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2009

1. BASIS OF PREPARATION (continued)

Subsidiaries deconsolidated (continued)

(a) *BEP (China) (continued)*

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 holds 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 since 26 October 2008. The directors of the Company resolved to deconsolidate BEP (China) on 26 October 2008. Accordingly, the Company has made a prior period re-presentation and restatement to the comparative condensed consolidated income statement for the six months ended 30 September 2008 and recognised the loss on deconsolidation of BEP (China) of HK\$42,031,000 and the impairment loss in respect of amount due from BEP (China) of HK\$6,905,000 in October 2008.

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 HK\$26,077,000). 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 HK\$1,026,000). 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. However, the directors of the Company have not been updated by the Baoan People's Court for the future usage of the residual amount.

The directors of the Company are of the view that the Group has no control over BEP (China) as from 26 October 2008 and will proceed to put BEP (China) under liquidation when the Group is able to do so.

Notes to The Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2009

1. BASIS OF PREPARATION (continued)

Subsidiaries deconsolidated (continued)

(b) *BEP (HK) and BEPCM*

After cessation of operation of BEP (China) from 20 October 2008, the trading business of electrical home appliance was affected and BEP (HK) and BEPCM continued to incur losses. In March 2009, the directors of the Company considered that the losses of BEP (HK) and BEPCM were not bearable and they were in insolvency position, accordingly the directors of the Company appointed BDO Financial Services Limited to handle the liquidation of BEP (HK) and BEPCM.

Extraordinary general meetings of BEP (HK) and BEPCM were convened on 13 March 2009 in which it had been demonstrated to the satisfaction that these companies could not, by reason of their liabilities, continue their businesses and it was resolved to wind up BEP (HK) and BEPCM by way of a voluntary winding up under Section 241 of the Hong Kong Companies Ordinance. On 27 March 2009, the notice of creditors' meetings was published on The Government of the Hong Kong Special Administrative Region Gazette. In this respect, the directors of the Company are of the opinion that the control of BEP (HK) and BEPCM had been lost in March 2009. The directors resolved to deconsolidate BEP (HK) and BEPCM as at that date. Accordingly, the results of BEP (HK) and BEPCM have been consolidated in the condensed consolidated financial statements of the Group up to 27 March 2009.

Creditors' meetings for BEP (HK) and BEPCM had been held to consider the statement of affairs. As at the date of approval of these condensed consolidated financial statements, the winding up of BEP (HK) and BEPCM are still in progress.

Notes to The Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2009

1. BASIS OF PREPARATION (continued)

Subsidiaries deconsolidated (continued)

(c) *BEPMS*

In September 2009, the directors of the Company considered that the losses of BEPMS were not bearable and it was in insolvency position, accordingly the directors of the Company appointed BDO Financial Services Limited to handle the liquidation of BEPMS.

Extraordinary general meeting of BEPMS was convened on 22 September 2009 in which it had been demonstrated to the satisfaction that this company could not, by reason of its liabilities, continue its business and it was resolved to wind up BEPMS by way of a voluntary winding up under Section 241 of the Hong Kong Companies Ordinance. On 22 September 2009, the notice of appointment of liquidator was published on The Government of the Hong Kong Special Administrative Region Gazette. In this respect, the directors of the Company are of the opinion that the control of BEPMS had been lost on 22 September 2009. The directors resolved to deconsolidate BEPMS as at that date.

Accordingly, the results of BEPMS have been consolidated in the condensed consolidated financial statements of the Group up to 22 September 2009. The condensed consolidated income statement presented a gain on winding up of HK\$2,142,000. Details of the winding up of BEPMS was stated in note 16.

Creditors' meetings for BEPMS had been held to consider the statement of affairs. As at the date of approval of these condensed consolidated financial statements, the winding up of BEPMS is still in progress.

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

Notes to The Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2009

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

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 2009.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the HKICPA.

Except as described below, the adoption of these new HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

HKAS 1 (Revised) Presentation of financial statements

HKAS 1 (Revised) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (Revised) has had no impact on the reported results or financial position of the Group.

HKFRS 8 Operating segments

HKFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, HKAS 14 Segment Reporting, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was geographical segments by location of customers. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3).

Notes to The Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2009

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group has not early applied the following new or revised standards, amendments or interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 24 (Revised)	Related party disclosures ⁴
HKAS 27 (Revised)	Consolidated and separate financial statements ¹
HKAS 32 (Amendment)	Classification of right issues ⁵
HKAS 39 (Amendment)	Eligible hedged items ¹
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters ³
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions ³
HKFRS 3 (Revised)	Business combinations ¹
HKFRS 9	Financial instruments ⁶
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners ¹

¹ Effective for annual periods beginning on or after 1 July 2009.

² Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 January 2010.

⁴ Effective for annual periods beginning on or after 1 January 2011.

⁵ Effective for annual periods beginning on or after 1 February 2010.

⁶ Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combinations for which the acquisition date is on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

Notes to The Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2009

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard (HKAS 14, Segment Reporting) required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was geographical segments by location of customers.

The chief executive officer, being the chief operating decision maker of the Group, regularly reviews revenue, operating results and segment assets analysis by a single business of division, representing the design, manufacture and sale of electrical home appliances division for the six months ended 30 September 2008 and the manufacture and sale of electrical and electronic consumer products division for the six months ended 30 September 2009. Revenue and operating results analysis is based on turnover from external customers and loss for the period stated in the condensed consolidated income statement respectively. Segment assets analysis is based on total assets stated in the condensed consolidated statement of financial position.

Other than revenue, operating results and segment assets analysis, no other discrete financial information is available for the assessment of performance. The chief executive officer reviews the revenue, operating results and segment assets of the Group as a whole to make decisions about resources allocation. The operation of the Group constitutes one single reportable segment, representing the design, manufacture and sale of electrical home appliances division for the six months ended 30 September 2008 and the manufacture and sale of electrical and electronic consumer products division for the six months ended 30 September 2009, under HKFRS 8. Accordingly no separate segment information is prepared.

Notes to The Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2009

4. FINANCE COSTS

	Continuing operation		Discontinued operation		Consolidated total	
	Six months ended		Six months ended		Six months ended	
	30.9.2009	30.9.2008	30.9.2009	30.9.2008	30.9.2009	30.9.2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited)
Bank charges	11	2	-	357	11	359
Interest on bank and other borrowings wholly repayable within five years	49	94	-	89	49	183
Imputed interest on amount due to former ultimate holding company and immediate holding company	790	385	-	-	790	385
	850	481	-	446	850	927

Notes to The Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2009

5. LOSS BEFORE TAXATION

	Continuing operation		Discontinued operation		Consolidated total	
	Six months ended		Six months ended		Six months ended	
	30.9.2009	30.9.2008	30.9.2009	30.9.2008	30.9.2009	30.9.2008
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited and restated)	(unaudited)	(unaudited)
Loss before taxation has been arrived at after charging:						
Cost of inventories expensed	6,320	-	-	37,834	6,320	37,834
Depreciation of property, plant and equipment	57	59	-	3,574	57	3,633
Impairment loss recognised in respect of trade debtors	-	-	-	1,712	-	1,712
Loss on disposal of property, plant and equipment	15	-	-	2,189	15	2,189
Staff costs, including directors' emoluments (Note)	1,177	2,556	-	14,873	1,177	17,429
and after crediting:						
Interest income	-	88	-	15	-	103

Note: For discontinued operation, the staff costs for the six months ended 30 September 2009 included reversal of claims for employees' overtime compensations of nil (for the six months ended 30 September 2008: a provision of HK\$4,269,000).

Notes to The Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2009

6. TAXATION

The charge for the period represented deferred tax charge from discontinued operation for the six months ended 30 September 2008.

No provision for Hong Kong Profits Tax has been made in the condensed consolidated 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 had been made as the subsidiary operating in the PRC incurred tax losses for the six months ended 30 September 2008 and was deconsolidated on 26 October 2008.

7. DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2009 (for the six months ended 30 September 2008: nil).

8. LOSS PER SHARE

From continuing and discontinued operations

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of HK\$3,145,000 (for the six months ended 30 September 2008: HK\$6,207,000) and on the weighted average of 4,852,000,000 ordinary shares (for the six months ended 30 September 2008: 4,852,000,000) in issue during the period.

From continuing operation

The calculation of basic loss per share is based on the loss for the period from continuing operation attributable to owners of the Company of HK\$3,145,000 (for the six months ended 30 September 2008: HK\$5,372,000) and on the weighted average of 4,852,000,000 ordinary shares (for the six months ended 30 September 2008: 4,852,000,000) in issue during the period.

From discontinued operation

For the six months ended 30 September 2008, the basic loss per share amounted to HK0.02 cent. The calculation of basis loss per share is based on the loss for the period from discontinued operation attributable to owners of the Company of HK\$835,000 and on the weighted average of 4,852,000,000 ordinary shares in issue during the period.

No diluted loss per share has been presented because there is no outstanding potential ordinary shares as at 30 September 2009 and 31 March 2009.

Notes to The Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2009

9. DISCONTINUED OPERATION

BEP (China) and BEP (HK) were principally engaged in the design, manufacture and sale of electrical home appliances. Upon deconsolidation of BEP (China) and winding up of BEP (HK) during the year ended 31 March 2009, the Group has ceased these operations. Accordingly, the design, manufacture and sale of electrical home appliances operation is presented as a discontinued operation in the condensed consolidated financial statements. The results of the design, manufacture and sale of electrical home appliances operation for the period, which have been included in the condensed consolidated income statement, are as follows:

	Notes	Six months ended	
		30.9.2009 HK\$'000 (unaudited)	30.9.2008 HK\$'000 (unaudited and restated)
Turnover		-	73,335
Cost of sales		-	(59,175)
Gross profit		-	14,160
Other income		-	329
Selling and distribution costs		-	(4,182)
Administrative expenses		-	(14,376)
Reversal of claims for employee's overtime compensations	10	-	4,269
Finance costs	4	-	(446)
Loss before taxation	5	-	(246)
Taxation	6	-	(589)
Loss of design, manufacture and sale of electrical home appliances operation for the period		-	(835)

During the six months ended 30 September 2008, BEP (China) and BEP (HK) used HK\$29,666,000 in respect of the Group's net operating cash flows, paid HK\$5,668,000 in respect of investing activities and received HK\$33,793,000 in respect of financing activities.

Notes to The Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2009

10. REVERSAL OF CLAIMS FOR EMPLOYEES' OVERTIME COMPENSATIONS

During the six months ended 30 September 2008, the Group received three batches of claims from a number of employees of the Group in 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. 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 compensations 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 was about 50% of the full amount determined by the Arbitration Committee ("50% Settlement Basis").

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 expected 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) had 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.

Notes to The Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2009

10. REVERSAL OF CLAIMS FOR EMPLOYEES' OVERTIME COMPENSATIONS (continued)

During the six months ended 30 September 2008, the third batch of claims had been judged and concluded by the Baoan People's Court. The agreed settlement amount was RMB2,433,000 (equivalent to HK\$2,765,000) and the difference with the amount accrued as at 31 March 2008 of RMB358,000 (equivalent to HK\$462,000) was charged to the condensed consolidated income statement for the period.

According to the legal advice of the Company's PRC lawyers, the Group's PRC employees could 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. No claims of overtime compensations other than the above three batches of claims had been received by the Group, accordingly, provision in respect of potential claims for underpayment of overtime compensations to other employees in the PRC lapsed after two years the other employees had worked overtime. A reversal of HK\$4,269,000 was credited to the condensed consolidated income statement and was included in loss for the six months ended 30 September 2008.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$9,000 (for the six months ended 30 September 2008: HK\$300,000) on acquisition of property, plant and equipment and disposed of property, plant and equipment with carrying value of approximately HK\$19,000 (for the six months ended 30 September 2008: HK\$2,189,000).

12. TRADE AND OTHER RECEIVABLES

	At 30.9.2009 HK\$'000 (unaudited)	At 31.3.2009 HK\$'000 (audited)
Trade debtors	4,017	–
Trade deposits paid	–	2,488
Sundry debtors and prepayments	1,400	1,039
	5,417	3,527

Notes to The Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2009

12. TRADE AND OTHER RECEIVABLES (continued)

The Group provided a credit period normally ranging from 30 to 120 days to its customers. The following is an analysis of trade debtors by age, presented based on the invoice date.

	At 30.9.2009 HK\$'000 (unaudited)	At 31.3.2009 HK\$'000 (audited)
0 to 30 days	3,919	–
31 to 60 days	98	–
	4,017	–

13. TRADE AND OTHER PAYABLES

	At 30.9.2009 HK\$'000 (unaudited)	At 31.3.2009 HK\$'000 (audited)
Trade creditors	3,979	–
Trade deposits received	2,932	2,208
Other payables and accruals	–	5,094
	6,911	7,302

Notes to The Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2009

13. TRADE AND OTHER PAYABLES (continued)

The following is an analysis of trade creditors by age, presented based on the invoice date:

	At 30.9.2009 HK\$'000 (unaudited)	At 31.3.2009 HK\$'000 (audited)
0 to 30 days	3,891	–
31 to 60 days	88	–
	3,979	–

14. AMOUNT DUE TO FORMER ULTIMATE HOLDING COMPANY/IMMEDIATE HOLDING COMPANY/OTHER LOAN

At 31 March 2009, the advance with principal amount of HK\$12,170,000 from Big Jump Investments Limited (“Big Jump”), former ultimate holding company of the Company, was unsecured, interest free and repayable on 1 April 2010. The other loan of RMB4,000,000 (equivalent to HK\$4,535,000) was unsecured, interest bearing at prevailing market rate ranging from 5% to 6.5% per annum and repayable in full on 1 April 2010.

On 30 May 2009, the advance and the other loan were assigned to Elite Agent Limited (“Elite”). There is no change in repayment terms upon assignments of the advance and the other loan. On 24 June 2009, Elite has assigned the advance and the other loan to Long Channel. There is no change in repayment terms upon assignments of the advance and the other loan. On 7 July 2009, Long Channel agreed to extend the repayment date of the advance and the other loan to 1 April 2011.

During the six months ended 30 September 2009, Long Channel has further advanced a sum of HK\$11,348,000 to the Company. The advance is unsecured, interest bearing at 1% per annum and repayable on 8 January 2011. Besides, a further advance from Big Jump amounted to HK\$1,240,000, was being waived during the period.

The effective interest rate of the amounts due to former ultimate holding company and immediate holding company is 7.1% (31 March 2009: 7.1%).

Notes to The Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2009

15. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.0005 each		
Authorised		
At 1 April 2009 and 30 September 2009	200,000,000,000	100,000
Issued and fully paid		
At 1 April 2009 and 30 September 2009	4,852,000,000	2,426

16. WINDING UP OF A SUBSIDIARY

	Six months ended	
	30.9.2009 HK\$'000 (unaudited)	30.9.2008 HK\$'000 (unaudited)
Net assets disposed of:		
Amount due from a fellow subsidiary	133	-
Prepayments	1	-
Accruals	(54)	-
Amount due to a former group company under liquidation	(2,222)	-
	(2,142)	-
Gain on winding up of a subsidiary	2,142	-
	-	-
Analysis of net flow of cash and cash equivalents arising from winding up of a subsidiary		
Bank balances and cash of a winding up subsidiary	-	-

Notes to The Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2009

17. RELATED PARTY TRANSACTIONS

Other than disclosed in note 14 to the condensed consolidated financial statements, the Group did not enter into any related party transactions during the six months ended 30 September 2009 and 30 September 2008 to related companies which are beneficially owned/controlled by 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	
	30.9.2009	30.9.2008
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term employee benefits	240	1,207
Post-employment benefits	17	17
	257	1,224

18. 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 RMB17,637,000 (equivalent to HK\$20,013,000) 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 advice 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.

Notes to The Condensed Consolidated Financial Statements (continued)

For the six months ended 30 September 2009

18. LITIGATIONS (continued)

(b) BEP (HK)

Up to the date of approval of the report, the Group also received claims of an aggregate amount of HK\$19,705,000 against BEP (HK). As BEP (HK) has appointed a liquidator and is in the process of winding up, there is a possibility that new claims might be made against BEP (HK) for which the Group has no knowledge. As BEP (HK) is a limited liability company incorporated in Hong Kong, the directors of the Company are of the opinion that 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.

19. CAPITAL COMMITMENTS

	At 30.9.2009 HK\$'000 (unaudited)	At 31.3.2009 HK\$'000 (audited)
Capital commitments in respect of acquisition of property, plant and equipment are as follows:		
Contracted but not provided for	317	–

20. RE-PRESENTATION/RESTATEMENT OF PRIOR PERIOD FIGURES

(a) Discontinued operation

The Company has re-presented the comparative condensed consolidated income statement for the six months ended 30 September 2008 and the relevant explanatory notes in relation to the discontinued operation of the business of design, manufacture and sale of electrical home appliances (see notes 1(a), 1(b) and 9).

(b) Loss arisen from deconsolidation of BEP (China)

The Company has made prior period restatement in relation to the loss on deconsolidation of BEP (China) and the impairment loss in respect of amount due from BEP (China) (see notes 1(a) and 9). The restatement has been made in the comparative condensed consolidated income statement for the six months ended 30 September 2008 and the relevant explanatory notes by having determined that the date of loss of control of BEP (China) being 26 October 2008.

Other Information

Interim Dividend

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 September 2009 (for the six months ended 30 September 2008: nil).

Change of Controlling Shareholder

As referred to in the Company's announcement dated 13 August 2009, Mr. Suen Cho Hung, Paul and the parties acting in concert with him has become controlling shareholder of the Company holding approximately 55.75% of the issued share capital of the Company. On 14 August 2009, Mr. Suen was appointed Chairman of the Company.

Directors' Interests in Securities

As at 30 September 2009, 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 Securities and Futures Ordinance (the "SFO")), which are required (a) 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 or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares:

Name of director	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)	55.75%

Other Information (continued)

Note:

These shares were held 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 Cho Hung, Paul. Accordingly, Mr. Suen Cho Hung, Paul and Loyal Giant were deemed to be interested in 2,704,752,000 shares under the SFO.

Save as disclosed above, as at 30 September 2009, 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 notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO or as recorded in the register 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

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 interest in the Company and to encourage employees to work towards enhancing the value of the Company and its shares.

During the six months ended 30 September 2009, no share options were granted or exercised and that no share options were outstanding as at 1 April 2009 and 30 September 2009.

Further details of the Scheme are as disclosed in the Company's 2009 Annual Report.

Other Information (continued)

Directors' Rights To Acquire Shares or Debentures

Save as disclosed in the sections headed "Directors' interests and short positions in shares, underlying shares and debentures" and "Share Options Scheme" above, at no time during the six months ended 30 September 2009 was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors or their spouse or minor children, had any rights to subscribe for the securities of the Company, or had exercised any such rights during the period.

Interests and Short Positions of Shareholders Discloseable under the SFO

As at 30 September 2009, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO showed that the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company:

Long positions in the shares:

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%

Other Information (continued)

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Big Jump Investments Limited ("Big Jump")	Beneficial owner	750,000,000 (Note 2 & 3)	15.46%
Mr. Zhang Xi	Interest of controlled corporation	750,000,000 (Note 2 & 3)	15.46%
Elite Agent Limited ("Elite")	Person having a security interest in shares	750,000,000 (Note 3)	15.46%
Longtale International Limited ("Longtale")	Person having a security interest in shares	750,000,000 (Note 3)	15.46%

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 Cho Hung, Paul. Accordingly, Mr. Suen Cho Hung, Paul and Loyal Giant were deemed to be interested in 2,704,752,000 shares under the SFO.
2. Big Jump, a company incorporated in British Virgin Islands, was wholly and beneficially owned by Mr. Zhang Xi. Accordingly, Mr. Zhang Xi was deemed to be interested in 750,000,000 shares under the SFO.
3. In January 2008, Big Jump charged a total number of 3,454,000,000 shares, representing approximately 71.17% of the issued share capital of the Company in favour of Elite and Longtale as security for the facilities granted to Mr. Zhang Xi under a loan agreement ("Share Charge"). On 24 June 2009, Elite and Longtale exercised their power of sale under the Share Charge and disposed 2,703,000,000 shares of the Company to Long Channel. Details of which were referred to in the joint announcement issued by the Company and Long Channel dated 25 June 2009.

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 30 September 2009 as required pursuant to section 336 of the SFO.

Other Information (continued)

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

During the six months ended 30 September 2009, neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed shares.

Corporate Governance Practices

The Board had adopted the principles and complied with all the applicable 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 2009.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the directors of the Company. Having made specific enquiry with all the directors of the Company, all of them confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 September 2009.

Update on Director's Information

Mr. Suen Cho Hung, Paul, Executive Director and Chairman of the Company, resigned as an executive director and the chairman of China Yunnan Tin Minerals Group Company Limited (stock code: 263), a company listed on the Stock Exchange, on 16 September 2009.

Mr. Sue Ka Lok ("Mr. Sue"), Executive Director and Chief Executive Officer of the Company, has been appointed as the chief executive officer of Poly Development Holdings Limited (stock code: 1141), a company listed on the Stock Exchange, on 19 November 2009.

Mr. Sue has been appointed as an executive director of Sewco International Holdings Limited ("Sewco"), a company listed on the Stock Exchange, on 3 October 2009 and redesignated as a non-executive director and the chairman of Sewco on 25 November 2009.

Other Information (continued)

Mr. To Yan Ming, Edmond, Independent Non-executive Director of the Company, has been appointed as an independent non-executive director of Theme International Holdings Limited (stock code 990), a company listed on the Stock Exchange, on 5 November 2009.

Audit Committee

At 30 September 2009, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. To Yan Ming, Edmond (Chairman), Mr. Chan Kwong Fat, George and Mr. Siu Hi Lam, Alick. The principal duties of the Audit Committee are to review and supervise the Group's financial reporting process and internal controls. The Audit Committee has reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended 30 September 2009.

Remuneration Committee

At 30 September 2009, the Remuneration Committee comprises one Executive Director, Mr. Sue Ka Lok (Chairman) and three Independent Non-executive Directors, namely Mr. Chan Kwong Fat, George, Mr. Siu Hi Lam, Alick and Mr. To Yan Ming, Edmond. The principal duties of the Remuneration Committee are to review and determine the remuneration package of the directors and senior management of the Group.

Listing Status

At the request of the Company, trading in the shares of the Company was suspended on 20 October 2008. As referred to in the Company's announcement dated 21 August 2009, the Company is required to submit a viable resumption proposal to the Stock Exchange by 19 February 2010 for the purpose of seeking approval from the Stock Exchange for the resumption of trading of the Company's share. The Company is in the course of preparing the resumption proposal and will submit the same to the Stock Exchange in due course.

On Behalf of the Board
Sue Ka Lok
Chief Executive Officer

Hong Kong, 10 December 2009