



**BEP International Holdings Limited**

**百靈達國際控股有限公司\***

(Incorporated in Bermuda with limited liability)

(Stock Code: 2326)

Interim Report 2013



\*For identification purpose only

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## *Abbreviations*

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

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



## BOARD OF DIRECTORS

### Executive Directors

Mr. Suen Cho Hung, Paul (*Chairman*)  
Mr. Sue Ka Lok (*Chief Executive Officer*)  
Mr. Cheung Ming  
Mr. Zhang Honghai  
Ms. Hu Denger  
Mr. Ren Haisheng

### Independent Non-executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## COMPANY SECRETARY

Ms. Hui Yee Ling

## AUDITOR

Crowe Horwath (HK) CPA Limited

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

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

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

## PRINCIPAL BANKERS

Hang Seng Bank Limited  
Bank of China (Hong Kong) Limited  
Bank of Communications Co., Ltd.,  
Hong Kong Branch  
The Hongkong and Shanghai Banking  
Corporation Limited

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## COMPANY HOMEPAGE

<http://www.bepgroup.com.hk>  
<http://www.tricor.com.hk/web/service/02326>

## STOCK CODE

2326



## OPERATIONS REVIEW

For the six months ended 30 September 2013, the Group posted a turnover and gross profit of HK\$36,092,000 (30 September 2012: HK\$116,722,000) and HK\$1,785,000 (30 September 2012: HK\$12,176,000) respectively, showing decrease of 69% and 85% from their comparables in the previous period. The significant declines in the Group's turnover and gross profit were mainly attributed to the considerable drop in sales of computer and digital imaging products during the review period, and on the backdrop that the challenging business environment faced by the Group had squeezed up profit margin. The decreases in the Group's turnover and gross profit also led to the turnaround of the Group's results. For the period under review, the Group recorded a loss attributable to owners of the Company of HK\$1,849,000, in contrast to the profit attributable to the Company's owners of HK\$6,815,000 in the prior period, and loss per share for the period was HK0.09 cent, whereas earnings per share were HK0.37 cent in the previous period.

During the review period, the Group's sale of home electrical appliances, electronic products and related plastic injection components operation maintained its turnover at HK\$21,862,000 (30 September 2012: HK\$21,849,000), slightly higher than the previous period. The operation recorded segment profit of HK\$643,000 for the review period (30 September 2012: HK\$867,000), showing a decline of 26% from the previous period which mainly due to the increase in manufacturing costs of the Group's production plant in the Mainland resulted from the rise of mandated minimum wage, surge in raw material prices and appreciation of Renminbi. In light of the escalating manufacturing costs in the Mainland, the profit margin of the operation is trending down.

The Group's sourcing and sale of computers and related products operation posted turnover of HK\$11,698,000 (30 September 2012: HK\$71,649,000) and segment profit of HK\$56,000 (30 September 2012: HK\$9,021,000) respectively, representing significant decrease of 84% and 99% from their comparables in the prior period. Such decreases reflected the declining popularity of netbook and notebook computers, which were the operation's major product lines, and the rising demand of tablet computers and smartphones in the fast changing technology products market in which the Group operates. The operation has expanded its business scope to trading of computer and electronic components during the review period with the view to augment financial performance.

During the review period, the Group's distribution and sale of electronic consumer products operation, which continued to focus on distributing premium Japanese brand imaging products, including digital cameras, lenses and video cameras in the Mainland, was to a considerable extent adversely affected by the aftermath of the "China-Japan Diaoyu Islands Dispute", and the fact that price competition among various Japanese brand imaging products became very intense. The operation reported turnover and segment profit of HK\$2,532,000 (30 September 2012: HK\$23,224,000) and HK\$67,000 (30 September 2012: HK\$1,423,000) respectively, declined by 89% and 95% from their comparables in the previous period. The profit margin that could be earned by the operation from distributing imaging products was getting slimmer as price competition was intense and manufacturers were trying to clear off inventories piled up in the past years which also drove down product prices.



## FINANCIAL REVIEW

### Liquidity, Financial Resources and Capital Structure

At 30 September 2013, the Group had current assets of HK\$168,598,000 (31 March 2013: HK\$173,001,000) comprising bank balances of HK\$111,550,000 (31 March 2013: HK\$107,489,000). The Group's current ratio, calculated based on current assets of HK\$168,598,000 (31 March 2013: HK\$173,001,000) over current liabilities of HK\$16,079,000 (31 March 2013: HK\$19,397,000) was at a strong ratio of 10.49 (31 March 2013: 8.92). As part of the Group's treasury management measures, surplus funds are placed with banks as time deposits and where considered appropriate, advanced to third parties on short term basis earning interest income. During the review period, interest income on bank deposits and loans receivable amounted to HK\$449,000 (30 September 2012: HK\$446,000) and HK\$2,108,000 (30 September 2012: HK\$445,000) respectively.

At 30 September 2013, the Group's gearing ratio, calculated on the basis of total liabilities of HK\$16,188,000 (31 March 2013: HK\$19,477,000) divided by total assets of HK\$171,337,000 (31 March 2013: HK\$176,377,000) was at a low ratio of 0.09 (31 March 2013: 0.11).

With the amount of liquid assets on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirement.

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

### Capital Commitment

At 30 September 2013, the Group had no material capital commitment (31 March 2013: nil).

### Contingent Liabilities

At 30 September 2013, the Group had no material contingent liabilities (31 March 2013: nil).

## EMPLOYEES AND REMUNERATION POLICY

At 30 September 2013, the Group had a total of about 170 employees and directors (30 September 2012: 170). Total staff costs for the period, including directors' remuneration, was HK\$7,036,000 (30 September 2012: HK\$4,961,000). Remuneration packages for employees and directors are structured by reference to market terms and individual competence, performance and experience. Benefits plans maintained by the Group include provident fund scheme, medical insurance, share option scheme and discretionary bonuses.

## PROSPECTS

The Group's results for the six months ended 30 September 2013 was adversely affected by various reasons and turnaround into a loss. The industry in which the Group operates can be largely characterised by keen price competition, rapid product change and low entry barrier, as a result, the Group is operating in a very challenging business environment. With ample financial resources on hand, the management is now looking for new business opportunities with better prospects and returns with the view to improve financial performance of the Group. The four new executive directors that recently joined the Company, namely, Mr. Zhang Honghai, Mr. Cheung Ming, Ms. Hu Denger and Mr. Ren Haisheng, who all have extensive corporate management experience and strong business network, will certainly be able to guide and lead the Group to achieve such goal, and to add momentum to the Group's future business development. Looking ahead, the Group will continue to manage its existing businesses in a cautious and prudent manner and will be proactively seizing new business opportunities with bright prospects and good returns aiming to create value to shareholders.

# Condensed Consolidated Income Statement

For the six months ended 30 September 2013



		<b>Six months ended 30 September</b>	
		<b>2013</b>	2012
		<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>		
<b>Turnover</b>	4	<b>36,092</b>	116,722
Cost of sales		<b>(34,307)</b>	(104,546)
<b>Gross profit</b>		<b>1,785</b>	12,176
Other revenue	5	<b>2,979</b>	1,482
Selling and distribution costs		<b>(1,019)</b>	(865)
Administrative expenses		<b>(5,688)</b>	(4,543)
<b>(Loss)/profit from operations</b>		<b>(1,943)</b>	8,250
Finance costs	6(a)	-	(37)
<b>(Loss)/profit before taxation</b>	6	<b>(1,943)</b>	8,213
Income tax	7	<b>(2)</b>	(931)
<b>(Loss)/profit for the period</b>		<b>(1,945)</b>	7,282
<b>Attributable to:</b>			
Owners of the Company		<b>(1,849)</b>	6,815
Non-controlling interests		<b>(96)</b>	467
<b>(Loss)/profit for the period</b>		<b>(1,945)</b>	7,282
		<b>HK cent</b>	HK cent
<b>(Loss)/earnings per share</b>	9		
Basic and diluted		<b>(0.09)</b>	0.37



# Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2013

	<b>Six months ended 30 September</b>	
	<b>2013 HK\$'000 (unaudited)</b>	<b>2012 HK\$'000 (unaudited)</b>
<b>(Loss)/profit for the period</b>	<b>(1,945)</b>	7,282
<b>Other comprehensive income/(expense) for the period</b>		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries (net of nil tax (2012: nil))	<b>194</b>	(125)
<b>Total comprehensive (expense)/income for the period</b>	<b>(1,751)</b>	7,157
<b>Attributable to:</b>		
Owners of the Company	<b>(1,655)</b>	6,691
Non-controlling interests	<b>(96)</b>	466
	<b>(1,751)</b>	7,157

# Condensed Consolidated Statement of Financial Position

At 30 September 2013



	<i>Notes</i>	<b>At 30 September 2013 HK\$'000 (unaudited)</b>	<b>At 31 March 2013 HK\$'000 (audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	<b>1,884</b>	2,212
Goodwill		<b>819</b>	819
Deferred tax assets		<b>36</b>	8
Rental deposit		–	337
		<b>2,739</b>	3,376
<b>Current assets</b>			
Inventories		<b>13,468</b>	1,204
Tax recoverable		<b>1,149</b>	1,149
Trade and other receivables, deposits and prepayments	11	<b>42,431</b>	63,159
Cash and cash equivalents		<b>111,550</b>	107,489
		<b>168,598</b>	173,001
<b>Current liabilities</b>			
Trade and other payables	12	<b>16,068</b>	19,085
Tax payable		<b>11</b>	312
		<b>16,079</b>	19,397
<b>Net current assets</b>		<b>152,519</b>	153,604
<b>Total assets less current liabilities</b>		<b>155,258</b>	156,980
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>109</b>	80
<b>Net assets</b>		<b>155,149</b>	156,900
<b>Equity</b>			
Equity attributable to owners of the Company			
Share capital		<b>4,031</b>	4,031
Reserves	13	<b>149,554</b>	151,209
		<b>153,585</b>	155,240
Non-controlling interests		<b>1,564</b>	1,660
<b>Total equity</b>		<b>155,149</b>	156,900

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2013

	Attributable to owners of the Company								Non-controlling interests	(Deficiency of total equity)/ total equity
	Share capital	Share premium	Merger reserve	Capital reserve	Statutory surplus reserve	Exchange reserve	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2012 (audited)	2,426	24,292	(1,522)	8,173	-	543	(37,964)	(4,052)	1,170	(2,882)
Profit for the period	-	-	-	-	-	-	6,815	6,815	467	7,282
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	(124)	-	(124)	(1)	(125)
Total comprehensive (expense)/income for the period	-	-	-	-	-	(124)	6,815	6,691	466	7,157
Shares issued upon open offer	1,213	115,235	-	-	-	-	-	116,448	-	116,448
Shares issued upon loan capitalisation	392	37,222	-	-	-	-	-	37,614	-	37,614
Expenses in relation to issuing shares	-	(2,231)	-	-	-	-	-	(2,231)	-	(2,231)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	450	450
At 30 September 2012 (unaudited)	4,031	174,518	(1,522)	8,173	-	419	(31,149)	154,470	2,086	156,556
At 1 April 2013 (audited)	4,031	174,518	(1,522)	8,173	706	575	(31,241)	155,240	1,660	156,900
Loss for the period	-	-	-	-	-	-	(1,849)	(1,849)	(96)	(1,945)
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	194	-	194	-	194
Total comprehensive income/(expense) for the period	-	-	-	-	-	194	(1,849)	(1,655)	(96)	(1,751)
At 30 September 2013 (unaudited)	4,031	174,518	(1,522)	8,173	706	769	(33,090)	153,585	1,564	155,149

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2013



	<b>Six months ended 30 September</b>	
	<b>2013 HK\$'000 (unaudited)</b>	<b>2012 HK\$'000 (unaudited)</b>
Net cash generated from/(used in) operating activities	<b>3,873</b>	(6,653)
Net cash used in investing activities	<b>(12)</b>	(13,757)
Net cash generated from financing activities	–	112,524
Net increase in cash and cash equivalents	<b>3,861</b>	92,114
Cash and cash equivalents at beginning of the period	<b>107,489</b>	13,677
Effect of foreign exchange rate changes	<b>200</b>	(18)
Cash and cash equivalents at end of the period	<b>111,550</b>	105,773
Analysis of balances of cash and cash equivalents		
Cash at bank and on hand	<b>32,554</b>	30,635
Deposits with banks	<b>78,996</b>	75,138
	<b>111,550</b>	105,773

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013

## 1. GENERAL INFORMATION

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

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

## 2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provision of Appendix 16 to the Listing Rules including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 26 November 2013.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).





## 2. BASIS OF PREPARATION (continued)

The financial information relating to the financial year ended 31 March 2013 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2013 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 25 June 2013.

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new and revised HKFRS that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

Amendments to HKAS 1	Presentation of financial Statements – Presentation of Items of Other Comprehensive Income
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
Revised HKAS 19	Employee Benefits
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities

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

### Amendments to HKAS 1, Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

The Group has not applied the new and revised HKFRSs that have been issued but not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013

## 4. TURNOVER AND SEGMENT REPORTING

### (a) Turnover

Turnover represents the sales value of goods supplied to customers. The amount of each significant category of revenue recognised in turnover during the period is as follows:

	Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Sale of home electrical appliances, electronic products and related plastic injection components	21,862	21,849
Distribution and sale of electronic consumer products	2,532	23,224
Sourcing and sale of computer and related products	11,698	71,649
	<b>36,092</b>	116,722

### (b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's chief executive officer (the chief operating decision maker) for the purposes of resources allocation and performance assessment, the Group has presented three reportable segments. No operating segments have been aggregated to form the following reportable segments.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013



## 4. TURNOVER AND SEGMENT REPORTING (continued)

### (b) Segment reporting (continued)

Information regarding the Group's reportable segments as provided to the Group's chief executive officer for the purposes of resources allocation and assessment of segment performance for the period ended 30 September 2013 and 2012 is set out below:

	<b>Six months ended 30 September 2013 (unaudited)</b>			
	<b>Sale of home electrical appliances, electronic products and related plastic injection components HK\$'000</b>	<b>Distribution and sale of electronic consumer products HK\$'000</b>	<b>Sourcing and sale of computer and related products HK\$'000</b>	<b>Total HK\$'000</b>
Reportable segment revenue from external customers	<b>21,862</b>	<b>2,532</b>	<b>11,698</b>	<b>36,092</b>
Reportable segment profit	<b>643</b>	<b>67</b>	<b>56</b>	<b>766</b>
	<b>Six months ended 30 September 2012 (unaudited)</b>			
	<b>Sale of home electrical appliances, electronic products and related plastic injection components HK\$'000</b>	<b>Distribution and sale of electronic consumer products HK\$'000</b>	<b>Sourcing and sale of computer and related products HK\$'000</b>	<b>Total HK\$'000</b>
Reportable segment revenue from external customers	<b>21,849</b>	<b>23,224</b>	<b>71,649</b>	<b>116,722</b>
Reportable segment profit	<b>867</b>	<b>1,423</b>	<b>9,021</b>	<b>11,311</b>

There are no inter-segment sales for the six months ended 30 September 2013 and 2012.

The measure used for reporting segment profit is gross profit less selling and distribution costs of each segment.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013

## 4. TURNOVER AND SEGMENT REPORTING (continued)

### (b) Segment reporting (continued)

The following table presents segment assets and segment liabilities of the Group's operating segments as at 30 September 2013 and 31 March 2013:

	At 30 September 2013 (unaudited)			
	Sale of home electrical appliances, electronic products and related plastic injection components <i>HK\$'000</i>	Distribution and sale of electronic consumer products <i>HK\$'000</i>	Sourcing and sale of computer and related products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	17,513	1,935	29,975	49,423
Reportable segment liabilities	7,366	1,135	6,747	15,248
	At 31 March 2013 (audited)			
	Sale of home electrical appliances, electronic products and related plastic injection components <i>HK\$'000</i>	Distribution and sale of electronic consumer products <i>HK\$'000</i>	Sourcing and sale of computer and related products <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	14,902	1,325	39,204	55,431
Reportable segment liabilities	10,611	604	8,142	19,357

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013



## 4. TURNOVER AND SEGMENT REPORTING (continued)

### (b) Segment reporting (continued)

Reconciliation of reportable segment profit:

	<b>Six months ended 30 September</b>	
	<b>2013 HK\$'000 (unaudited)</b>	<b>2012 HK\$'000 (unaudited)</b>
Total reportable segment profit derived from the Group's external customers	<b>766</b>	11,311
Other revenue	<b>2,979</b>	1,482
Depreciation of reportable segment not included in measurement of segment profit	<b>(227)</b>	(292)
Finance costs	–	(37)
Unallocated head office and corporate expenses		
– Depreciation	<b>(67)</b>	(64)
– Staff costs (including directors' emoluments)	<b>(3,250)</b>	(2,168)
– Others	<b>(2,144)</b>	(2,019)
Consolidated (loss)/profit before taxation	<b>(1,943)</b>	8,213

## 5. OTHER REVENUE

	<b>Six months ended 30 September</b>	
	<b>2013 HK\$'000 (unaudited)</b>	<b>2012 HK\$'000 (unaudited)</b>
Interest income on bank deposits	<b>449</b>	446
Interest income on loans receivable	<b>2,108</b>	445
Total interest income on financial assets not at fair value through profit or loss	<b>2,557</b>	891
Loan handling income	<b>45</b>	–
Sundry income	<b>222</b>	329
Rental income	<b>155</b>	262
	<b>2,979</b>	1,482



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013

## 6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging the followings:

### (a) Finance costs

	Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Interest on amount due to immediate holding company	–	37
Total interest expense on financial liabilities not at fair value through profit or loss	–	37

### (b) Staff costs (including directors' emoluments)

	Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Salaries, wages and other benefits	6,745	4,863
Contributions to defined contribution retirement plans	291	98
	<b>7,036</b>	<b>4,961</b>

### (c) Other items

	Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Cost of inventories <sup>#</sup>	34,307	104,546
Depreciation for property, plant and equipment	370	450
Operating lease charges: minimum lease payments	1,350	1,195
Net foreign exchange loss	78	3

<sup>#</sup> Cost of inventories, representing carrying amount of inventories sold, includes HK\$4,321,000 (2012: HK\$3,012,000) relating to staff costs, depreciation and operating lease charges for the period ended 30 September 2013 which amounts are also included in the respective total amounts disclosed separately in notes 6(b) and (c) for each of these types of expenses.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013



## 7. INCOME TAX

	<b>Six months ended 30 September</b>	
	<b>2013 HK\$'000 (unaudited)</b>	<b>2012 HK\$'000 (unaudited)</b>
Current tax		
– Hong Kong Profits Tax ( <i>note (i)</i> )	–	860
– PRC Enterprise Income Tax (“EIT”) ( <i>note (ii)</i> )	<b>2</b>	332
	<b>2</b>	1,192
Over-provision in respect of prior years		
– Hong Kong Profits Tax	–	(261)
Deferred tax		
– Origination and reversal of temporary differences	–	–
<b>Total</b>	<b>2</b>	<b>931</b>

*Notes:*

(i) No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits in Hong Kong for the six months ended 30 September 2013 (2012: provision for Hong Kong Profits Tax was calculated at 16.5% of estimated assessable profits for the period).

(ii) PRC subsidiaries are subject to PRC EIT at 25% (2012: 25%).

According to a joint circular of the Ministry of Finance and State Administration of Taxation, Cai Shui 2008 No. 1, only the profits earned by foreign-investment enterprise prior to 1 January 2008, when distributed to foreign investors, can be grandfathered and exempted from withholding tax. Dividend distributed out of the profits generated thereafter shall be subject to the EIT at 5% or 10% and withheld by the PRC entities.

(iii) The Group is not subject to any taxation under the jurisdiction of Bermuda, Samoa and the British Virgin Islands for the six months ended 30 September 2013 and 2012.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013

## 8. DIVIDENDS

No dividend was paid or proposed during the six months ended 30 September 2013. The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2013 (2012: nil).

## 9. (LOSS)/EARNINGS PER SHARE

### (a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of HK\$1,849,000 (2012: profit of HK\$6,815,000) and the weighted average number of 2,015,407,214 ordinary shares (2012: 1,860,618,011 ordinary shares) in issue during the period.

### (b) Diluted (loss)/earnings per share

Diluted (loss)/earnings per share is same as the basic (loss)/earnings per share as there were no potential ordinary shares outstanding during the six months ended 30 September 2013 and 2012.

## 10. PROPERTY, PLANT AND EQUIPMENT

### Acquisitions and disposals

During the six months ended 30 September 2013, the Group acquired items of property, plant and equipment with a cost of HK\$12,000 (2012: HK\$2,034,000). There is no disposal of property, plant and equipment during the six months ended 30 September 2013 (2012: nil).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013



## 11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 September 2013 HK\$'000 (unaudited)	At 31 March 2013 HK\$'000 (audited)
Trade receivables ( <i>note</i> )	17,785	42,384
Less: Allowance for doubtful debts	–	–
	<b>17,785</b>	42,384
Other receivables	901	669
Loans receivable	15,250	12,500
	<b>33,936</b>	55,553
Loans and receivables	33,936	55,553
Trade deposits paid	7,784	6,912
Other deposits and prepayments	711	1,031
	<b>42,431</b>	63,496
Representing:		
Current	42,431	63,159
Non-current	–	337
	<b>42,431</b>	63,496

*Note:*

The aging analysis of trade receivables, based on the invoice date, and net of allowance for impairment loss is as follows:

	At 30 September 2013 HK\$'000 (unaudited)	At 31 March 2013 HK\$'000 (audited)
0 – 60 days	8,212	8,558
61 – 120 days	482	6,486
121 – 180 days	5	211
Over 180 days	9,086	27,129
	<b>17,785</b>	42,384

Trade receivables are due within 30 to 180 days from the date of billing (31 March 2013: 30 to 180 days).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013

## 12. TRADE AND OTHER PAYABLES

	At 30 September 2013 HK\$'000 (unaudited)	At 31 March 2013 HK\$'000 (audited)
Trade payables ( <i>note</i> )	9,873	13,521
Accruals and other payables	5,081	5,213
Financial liabilities measured at amortised cost	14,954	18,734
Trade deposits received	1,114	351
	<b>16,068</b>	<b>19,085</b>

*Note:*

The following is an analysis of trade payables by age presented based on the invoice date at the end of the reporting period:

	At 30 September 2013 HK\$'000 (unaudited)	At 31 March 2013 HK\$'000 (audited)
0 – 60 days	9,084	1,020
61 – 120 days	607	770
121 – 180 days	105	241
Over 180 days	77	11,490
	<b>9,873</b>	<b>13,521</b>



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013



## 13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.002 each		
Authorised		
At 1 April 2013 and 30 September 2013	50,000,000,000	100,000
Issued and fully paid		
At 1 April 2013 and 30 September 2013	2,015,407,214	4,031

## 14. MATERIAL RELATED PARTY TRANSACTIONS

The Group has entered into the following material related party transactions:

### (a) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows:

	Six months ended 30 September	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Salaries and other short-term employee benefits	594	1,217
Post-employment benefits	23	70
	<b>617</b>	<b>1,287</b>

Total remuneration is included in "staff costs" (see note 6(b)).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2013

## 14. MATERIAL RELATED PARTY TRANSACTIONS (continued)

### (b) Other transactions

During the period, the Group entered into the following transactions with a related party that is not a member of the Group:

	<b>Amount paid to the related party</b>	
	<b>Six months ended 30 September</b>	
	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	(unaudited)
An entity which is controlled by the ultimate controlling shareholder of the Group		
– rental expense	<b>343</b>	210
– building management fee	<b>27</b>	18
– air-conditioning charge	<b>20</b>	12
	<b>390</b>	240



### INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2013 (six months ended 30 September 2012: nil).

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

As at 30 September 2013, the interests and short positions of the directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

#### Long positions in the shares of the Company

Name of director	Capacity and nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital
Mr. Suen Cho Hung, Paul ("Mr. Suen")	Interest of controlled corporation	1,210,189,214 (Note)	60.05%

Note:

These shares were beneficially owned by Long Channel and Loyal Giant as to 1,209,532,214 shares and 657,000 shares, respectively. Long Channel was a wholly owned subsidiary of Loyal Giant which in turn was wholly owned by Mr. Suen. Accordingly, Mr. Suen and Loyal Giant were deemed to be interested in 1,210,189,214 shares under the SFO.

Save as disclosed above, as at 30 September 2013, 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) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

### **SHARE OPTION SCHEME**

The existing share option scheme of the Company (the “Share Option Scheme”) was adopted by the Company at the annual general meeting of the Company held on 27 August 2012. Unless otherwise cancelled or amended, the Share Option Scheme will be valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Share Option Scheme is to enable the Group to attract, retain and motivate talented key management and employees to strive for future development and expansion of the Group. The Share Option Scheme shall provide incentive to encourage participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions.

No share options were granted, exercised, cancelled or lapsed during the six months ended 30 September 2013 and no share options were outstanding as at 1 April 2013 and 30 September 2013.

Further details of the Share Option Scheme were set out in the Company’s 2013 Annual Report.

### **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 Option Scheme” above, at no time during the six months ended 30 September 2013 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 of the Company 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 six months ended 30 September 2013.



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

As at 30 September 2013, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

### Long positions in the shares of the Company

Name of shareholder	Capacity and nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital
Mr. Suen	Interest of controlled corporation	1,210,189,214 (Note)	60.05%
Loyal Giant	Beneficial owner	657,000	0.04%
	Interest of controlled corporation	1,209,532,214 (Note)	60.01%
Long Channel	Beneficial owner	1,209,532,214 (Note)	60.01%

*Note:*

These shares were beneficially owned by Long Channel and Loyal Giant as to 1,209,532,214 shares and 657,000 shares, respectively. Long Channel was a wholly owned subsidiary of Loyal Giant which in turn was wholly owned by Mr. Suen. Accordingly, Mr. Suen and Loyal Giant were deemed to be interested in 1,210,189,214 shares under the SFO.

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 2013 as required pursuant to section 336 of the SFO.

## CORPORATE GOVERNANCE

The Company has adopted the principles and complied with all the applicable provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2013, except for the following deviation with reason as explained:

### Code Provision E.1.2

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting.



### **CORPORATE GOVERNANCE (continued)**

#### **Deviation**

The Chairman of the Board, Mr. Suen Cho Hung, Paul, was unable to attend the annual general meeting of the Company held on 10 September 2013 (the "2013 AGM") as he had other important business engagement. However, Mr. Sue Ka Lok, an Executive Director and the Chief Executive Officer of the Company, had chaired the 2013 AGM in accordance with bye-law 63 of the Company's Bye-laws.

### **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. Having made specific enquiry with all the Directors, all of them confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 September 2013.

### **UPDATE ON DIRECTORS' INFORMATION**

The following is updated information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

1. Mr. To Yan Ming, Edmond was appointed an independent non-executive director of Wai Chun Mining Industry Group Company Limited (stock code: 660), a listed company in Hong Kong, on 22 August 2013.
2. Mr. Cheung Ming ("Mr. Cheung"), an Executive Director of the Company, has entered into a letter of appointment with the Company on 26 November 2013. According to the letter of appointment, Mr. Cheung does not have a fixed term of service with the Company and his term of service shall continue unless and until terminated by either the Company or Mr. Cheung by giving to the other two months' prior notice in writing. The directorship of Mr. Cheung will be subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company. Mr. Cheung is entitled to receive a director's remuneration of HK\$50,000 per month which has been approved by the Remuneration Committee of the Company based on his qualifications, experience, level of responsibilities undertaken and prevailing market conditions. Mr. Cheung may also be entitled to receive discretionary bonuses or other benefits as may be decided by the Remuneration Committee having regard to the Company's and his performance. The director's remuneration of Mr. Cheung is subject to annual review by the Remuneration Committee.



### UPDATE ON DIRECTORS' INFORMATION (continued)

3. Mr. Zhang Honghai ("Mr. Zhang"), an Executive Director of the Company, has entered into a letter of appointment with the Company on 26 November 2013. According to the letter of appointment, Mr. Zhang does not have a fixed term of service with the Company and his term of service shall continue unless and until terminated by either the Company or Mr. Zhang by giving to the other two months' prior notice in writing. The directorship of Mr. Zhang will be subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company. Mr. Zhang is entitled to receive a director's remuneration of HK\$50,000 per month which has been approved by the Remuneration Committee of the Company based on his qualifications, experience, level of responsibilities undertaken and prevailing market conditions. Mr. Zhang may also be entitled to receive discretionary bonuses or other benefits as may be decided by the Remuneration Committee having regard to the Company's and his performance. The director's remuneration of Mr. Zhang is subject to annual review by the Remuneration Committee.
4. Ms. Hu Denger ("Ms. Hu"), an Executive Director of the Company, has entered into a letter of appointment with the Company on 26 November 2013. According to the letter of appointment, Ms. Hu does not have a fixed term of service with the Company and her term of service shall continue unless and until terminated by either the Company or Ms. Hu by giving to the other two months' prior notice in writing. The directorship of Ms. Hu will be subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company. Ms. Hu is entitled to receive a director's remuneration of HK\$50,000 per month which has been approved by the Remuneration Committee of the Company based on her qualifications, experience, level of responsibilities undertaken and prevailing market conditions. Ms. Hu may also be entitled to receive discretionary bonuses or other benefits as may be decided by the Remuneration Committee having regard to the Company's and her performance. The director's remuneration of Ms. Hu is subject to annual review by the Remuneration Committee.
5. Mr. Ren Haisheng ("Mr. Ren"), an Executive Director of the Company, has entered into a letter of appointment with the Company on 26 November 2013. According to the letter of appointment, Mr. Ren does not have a fixed term of service with the Company and his term of service shall continue unless and until terminated by either the Company or Mr. Ren by giving to the other two months' prior notice in writing. The directorship of Mr. Ren will be subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company. Mr. Ren is entitled to receive a director's remuneration of HK\$50,000 per month which has been approved by the Remuneration Committee of the Company based on his qualifications, experience, level of responsibilities undertaken and prevailing market conditions. Mr. Ren may also be entitled to receive discretionary bonuses or other benefits as may be decided by the Remuneration Committee having regard to the Company's and his performance. The director's remuneration of Mr. Ren is subject to annual review by the Remuneration Committee.

### **AUDIT COMMITTEE**

The condensed consolidated financial statements of the Company for the six months ended 30 September 2013 have not been audited, but have been reviewed by the Audit Committee of the Company before they are duly approved by the Board under the recommendation of the Audit Committee.

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

During the six months ended 30 September 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board

**Sue Ka Lok**

*Chief Executive Officer*

Hong Kong, 26 November 2013