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## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Mr. Chan Tat (*Chairman*)  
Mr. Poon Tat Hang  
(*Chief Executive Officer*)  
Mr. Lee Kam Hung  
Mr. Chan Man Kei  
(Appointed on 1 November 2006)

### NON-EXECUTIVE DIRECTOR

Madam Hong Jing Yu

### INDEPENDENT

#### NON-EXECUTIVE DIRECTORS

Mr. Hong Yee Kwong, Paul  
Mr. Lam King Pui  
Mr. Wu Tai Cheung

### AUDITORS

HLB Hodgson Impey Cheng  
Chartered Accountants  
Certified Public Accountants  
31/F Gloucester Tower  
The Landmark  
11 Pedder Street  
Central, Hong Kong

### REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

### AUDIT COMMITTEE

Mr. Lam King Pui (*Chairman*)  
Mr. Hong Yee Kwong, Paul  
Mr. Wu Tai Cheung

### REMUNERATION COMMITTEE

Mr. Hong Yee Kwong, Paul  
(*Chairman*)  
Mr. Lam King Pui  
Mr. Wu Tai Cheung

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 909-912  
9th Floor, Fo Tan Industrial Centre  
26-28 Au Pui Wan Street  
Fo Tan, Shatin  
New Territories  
Hong Kong

### COMPANY SECRETARY

Mr. Poon Tat Hang

### AUTHORISED REPRESENTATIVES

Mr. Poon Tat Hang  
Mr. Lee Kam Hung

### BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

The Bank of Bermuda Limited  
Bank of Bermuda Building  
6 Front Street  
Hamilton HM11  
Bermuda

### HONG KONG BRANCH REGISTRAR AND TRANSFER OFFICE

Secretaries Limited  
26/F  
Tesbury Centre  
28 Queen's Road East  
Hong Kong

### PRINCIPAL BANKERS

Hang Seng Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited

### COMPANY HOMEPAGE

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

### STOCK CODE

2326

The board of directors (the "Board") of BEP International Holdings Limited (the "Company") presents herewith the interim report and condensed financial statements of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 September 2006. The consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity of the Group for the six months ended 30 September 2006 and the consolidated balance sheet as at 30 September 2006 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on pages 3 to 16 of this report.

## CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>For the six months ended 30 September</b>	
		<b>2006</b>	2005
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	HK\$'000
<b>Turnover</b>	2	<b>186,566</b>	126,365
<b>Cost of sales</b>		<b>(168,942)</b>	(117,796)
<b>Gross profit</b>		<b>17,624</b>	8,569
<b>Other revenue</b>		<b>295</b>	108
<b>Selling and distribution costs</b>		<b>(4,328)</b>	(3,418)
<b>Administrative expenses</b>		<b>(10,574)</b>	(11,159)
<b>Profit/(Loss) from operations</b>	3	<b>3,017</b>	(5,900)
<b>Finance costs</b>	4	<b>(1,755)</b>	(1,210)
<b>Profit/(Loss) before taxation</b>		<b>1,262</b>	(7,110)
<b>Income tax</b>	5	<b>-</b>	-
<b>Profit/(Loss) for the period attributable to equity holders of the Company</b>	14	<b>1,262</b>	(7,110)
<b>Earnings/(Loss) per share</b>			
– Basic	7	<b>0.53 cents</b>	(2.96 cents)
– Diluted	7	<b>N/A</b>	N/A

## CONDENSED CONSOLIDATED BALANCE SHEET

		As at 30 September 2006 (unaudited) HK\$'000	As at 31 March 2006 (audited) HK\$'000
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>28,253</b>	31,098
<b>Current assets</b>			
Inventories		<b>69,056</b>	52,075
Trade and other receivables	9	<b>33,587</b>	26,923
Tax recoverable		<b>379</b>	379
Derivative financial instruments	10	<b>112</b>	180
Cash and bank balances		<b>3,378</b>	4,610
		<b>106,512</b>	84,167
<b>Less: Current liabilities</b>			
Trade and other payables	11	<b>73,377</b>	54,410
Short-term bank borrowings	12	<b>23,743</b>	25,369
		<b>97,120</b>	79,779
<b>Net current assets</b>		<b>9,392</b>	4,388
<b>Total assets less current liabilities</b>		<b>37,645</b>	35,486
<b>Less: Non-current liabilities</b>			
Deferred tax liabilities		<b>461</b>	461
<b>Net assets</b>		<b>37,184</b>	35,025
<i>Represented by:</i>			
<b>Share capital</b>	13	<b>2,400</b>	2,400
<b>Reserves</b>	14	<b>34,784</b>	32,625
<b>Total equity</b>		<b>37,184</b>	35,025

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	For the six months ended 30 September	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Total equity as at 1 April 2006/2005	<u>35,025</u>	<u>51,985</u>
Exchange difference on translation of foreign operations	<u>897</u>	<u>–</u>
Net income recongnized directly in equity Profit/(Loss) for the period	<u>897</u> <u>1,262</u>	<u>–</u> <u>(7,110)</u>
Total equity as at 30 September 2006/2005	<u><u>37,184</u></u>	<u><u>44,875</u></u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 September	
	2006 (unaudited) HK\$'000	2005 (unaudited) HK\$'000
Net cash from (used in) operating activities	3,396	(5,163)
Net cash used in investing activities	(2,744)	(6,583)
Net cash used in financing activities	<u>(2,781)</u>	<u>(16)</u>
Decrease in cash and cash equivalents	(2,129)	(11,762)
Cash and cash equivalents as at 1 April 2006/2005	<u>4,610</u>	<u>19,713</u>
Effect of foreign exchange rate changes	897	–
Cash and cash equivalents as at 30 September 2006/2005	<u><u>3,378</u></u>	<u><u>7,951</u></u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u><u>3,378</u></u>	<u><u>7,951</u></u>

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS

### 1. Basis of preparation and accounting policies

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

These unaudited condensed financial statements should be read in conjunction with the 2006 annual report. The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2006.

In the current period, the Group has applied, for the first time, new/revised Hong Kong Financial Reporting Standards ("HKFRS") and HKAS (collectively referred to as "New HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006 respectively.

The adoption of the New HKFRSs did not have a material effect on how the results of operations and financial position of the Group are prepared and presented.

There was no early adoption of the following New HKFRSs that have been issued but are not yet effective. The adoption of such New HKFRSs will have no material impact on the accounts of the Group and will not result in substantial changes to the Group's accounting policies.

#### Notes

HKAS 1 (Amendment)	Capital Disclosures	1
HKFRS 7	Financial Instruments: Disclosures	1
HK(IFRIC)-Int 8	Scope of HKFRS 2	2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives	3
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment	4

#### Notes:

1. *Effective for annual periods beginning on or after 1 January 2007.*
2. *Effective for annual periods beginning on or after 1 May 2006.*
3. *Effective for annual periods beginning on or after 1 June 2006.*
4. *Effective for annual periods beginning on or after 1 November 2006.*

## 2. Turnover and segment information

The Group is principally engaged in the design, manufacture and sale of home electrical appliances with production facilities based in the People's Republic of China (the "PRC"). Turnover represents amounts received and receivable from outside customers from sales of products during the period.

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments be presented as the primary reporting format and business segments as the secondary reporting format. In determining the Group's geographical segments, revenue is attributed to the segments based on the destination of delivery of products, and assets and liabilities are attributed to the segments based on the location of the assets and liabilities.

### Geographical segments

	For the six months ended 30 September											
	Europe		North America		Australia and New Zealand		Asia and Middle East		Others		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000
TURNOVER	<u>89,206</u>	64,048	<u>70,372</u>	40,814	<u>8,756</u>	6,188	<u>11,837</u>	5,184	<u>6,395</u>	10,131	<u>186,566</u>	126,365
RESULTS												
Segment results	200	(3,594)	3,530	(1,280)	590	169	(1,052)	(960)	(251)	(235)	3,017	(5,900)
Finance cost											(1,755)	(1,210)
Profit/(Loss) before taxation											1,262	(7,110)
Income tax											-	-
Profit/(Loss) for the period											<u>1,262</u>	<u>(7,110)</u>
ASSETS												
Segment assets	-	-	-	-	-	-	134,765	125,526	-	-	<u>134,765</u>	125,526
LIABILITIES												
Segment liabilities	-	-	-	-	-	-	97,581	80,651	-	-	<u>97,581</u>	80,651
OTHER INFORMATION												
Capital expenditure	-	-	-	-	-	-	2,853	6,610	-	-	-	-
Depreciation of property plant and equipment	-	-	-	-	-	-	5,698	6,294	-	-	-	-

The Group's operations, and assets and liabilities are located in the PRC including Hong Kong.

### Business segments

The Group's turnover and assets are substantially attributable to the design, manufacture and sale of home electrical appliances. Accordingly, no analysis by business segment is presented.

### 3. Profit/(loss) from operations

	<b>For the six months ended 30 September</b>	
	<b>2006</b>	2005
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Profit/(Loss) from operations is stated after charging:		
Staff costs	<b>18,042</b>	17,854
Depreciation of owned property, plant and equipment	<b>5,698</b>	6,294
Operating lease rentals in respect of land and buildings	<b>1,808</b>	1,769
Cost of inventories expensed	<b>168,942</b>	117,796
	<b><u>168,942</u></b>	<u>117,796</u>

### 4. Finance costs

	<b>For the six months ended 30 September</b>	
	<b>2006</b>	2005
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Bank charges	<b>600</b>	519
Interest on bank loans and overdrafts – wholly repayable within five years	<b>1,155</b>	691
	<b><u>1,755</u></b>	<u>1,210</u>

### 5. Income tax

Hong Kong profits tax is calculated at a rate of 17.5% (For the six months ended 30 September 2005: 17.5%) on the estimated assessable profit arising in Hong Kong for the period. No provision for Hong Kong profits tax has been made for the period ended 30 September 2006 as the Group had estimated tax losses brought forward to set off the estimated assessable profit for the period (For the six months ended 30 September 2005: Nil).

Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates. No provision for overseas taxation has been made in the financial statements for the six months ended 30 September 2005 and 2006.

## 6. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2006 (For the six months ended 30 September 2005: Nil).

## 7. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the six months ended 30 September 2006 is based on the profit attributable to equity holders of the Company for the six months ended 30 September 2006 of approximately HK\$1,262,000 (the loss attributable to equity holders of the Company for the six months ended 30 September 2005: HK\$7,110,000) and on the weighted average of 240,000,000 ordinary shares (For the six months ended 30 September 2005: 240,000,000) in issue during the period.

Diluted earnings per share has not been presented for the six months ended 30 September 2006 because the computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price for shares for the six months ended 30 September 2006.

Diluted loss per share for the six months ended 30 September 2005 has not been presented as the exercise of the Company's outstanding options will have an anti-dilutive effect on the basic loss per share.

## 8. Property, plant and equipment

	<b>Tangible fixed assets (unaudited) HK\$'000</b>
Net book value as at 1 April 2006	<b>31,098</b>
Additions for the period	<b>2,853</b>
Depreciation charge	<b>(5,698)</b>
	<hr/>
Net book value as at 30 September 2006	<b>28,253</b>

## 9. Trade and other receivables

	<b>As at 30 September 2006 (unaudited) HK\$'000</b>	As at 31 March 2006 (audited) HK\$'000
Trade debtors	<b>18,110</b>	17,138
Bills receivable	<b>3,991</b>	764
Deposits paid	<b>3,938</b>	3,248
Sundry debtors and prepayments	<b>7,548</b>	5,773
	<b><u>33,587</u></b>	<u>26,923</u>

The ageing analysis of trade debtors is as follows:

0 – 30 days	<b>16,473</b>	16,801
31 – 60 days	<b>122</b>	73
61 – 180 days	<b>1,515</b>	264
	<b><u>18,110</u></b>	<u>17,138</u>

In general, the Group's credit policy is as follows:

- (i) Trade debts which are settled by letters of credit are due at sight or in accordance with the respective terms of the letters of credit normally ranging from 30 to 120 days. For other trade debts, the Group provides a credit period normally ranging from 14 to 60 days to its customers.
- (ii) Bills receivable are due at sight or in accordance with the respective terms of the bills normally ranging from 30 to 120 days.

## 10. Derivative financial instruments

<b>Group</b>	<b>As at 30 September 2006 (unaudited) HK\$'000</b>	<b>As at 31 March 2006 (audited) HK\$'000</b>
Foreign currency contracts	<b>112</b>	<b>180</b>

The Group has entered into various forward currency contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting.

## 11. Trade and other payables

	<b>As at 30 September 2006 (unaudited) HK\$'000</b>	<b>As at 31 March 2006 (audited) HK\$'000</b>
Trade creditors	<b>64,473</b>	47,257
Bills payable	<b>349</b>	619
Trade deposits received	<b>1,855</b>	2,528
Sundry creditors and accruals	<b>6,700</b>	4,006
	<b>73,377</b>	54,410

The ageing analysis of trade creditors is as follows:

0 – 30 days	<b>54,943</b>	42,362
31 – 60 days	<b>6,056</b>	3,316
61 – 180 days	<b>3,474</b>	1,579
	<b>64,473</b>	47,257

## 12. Banking facilities

The short-term bank borrowings were secured by: 1) a debenture over the assets of the Group; and 2) corporate guarantees given by the Company and its wholly-owned subsidiary, Better Electrical Products Company Limited. The short-term bank borrowings bore interest at 1.25% per annum above London Interbank Offered Rate/Hong Kong Interbank Offered Rate and were repayable within three months of the balance sheet date.

### 13. Share capital

	<b>As at 30 September 2006 (unaudited) HK\$'000</b>	As at 31 March 2006 (audited) HK\$'000
<i>Authorised</i>		
10,000,000,000 ordinary shares of HK\$0.01 each	<b>100,000</b>	100,000
<i>Issued and fully paid</i>		
240,000,000 ordinary shares of HK\$0.01 each	<b>2,400</b>	2,400

### 14. Reserves

	<b>Share premium HK\$'000</b>	<b>Merger reserve HK\$'000</b>	<b>Translation reserve HK\$'000</b>	<b>Retained profits HK\$'000</b>	<b>Total HK\$'000</b>
As at 1 April 2005	22,524	(1,522)	–	28,583	49,585
Loss for the period	–	–	–	(7,110)	(7,110)
As at 30 September 2005	22,524	(1,522)	–	21,473	42,475
Loss for the period	–	–	–	(11,213)	(11,213)
Exchange difference on translation of foreign operations	–	–	1,363	–	1,363
As at 31 March 2006	22,524	(1,522)	1,363	10,260	32,625
Profit for the period	–	–	–	1,262	1,262
Exchange difference on translation of foreign operations	–	–	897	–	897
As at 30 September 2006	<b>22,524</b>	<b>(1,522)</b>	<b>2,260</b>	<b>11,522</b>	<b>34,784</b>

## 15. Share option scheme

Share options are granted to directors and employees of the Company under the share option scheme approved by shareholders of the Company on 6 January 2003. There were no changes in any terms of the scheme during the six months ended 30 September 2006. The detailed terms of the scheme were disclosed in the audited financial statements for the year ended 31 March 2006.

Details of the share options outstanding as at 30 September 2006 are as follows:

Name of directors/ employees	Date of grant	Exercisable period	Exercise price per share	Number of share options	
				Outstanding as at 1 April 2006	Outstanding as at 30 September 2006
Mr. Chan Tat	13 August 2003	13 August 2003 to 2 March 2013	HK\$0.69	1,000,000	1,000,000
Mr. Lee Kam Hung	13 August 2003	18 August 2003 to 2 March 2013	HK\$0.69	500,000	500,000
Directors				1,500,000	1,500,000
Employees	13 August 2003	18 August 2003 to 2 March 2013	HK\$0.69	1,100,000	1,100,000
Grand total				<u>2,600,000</u>	<u>2,600,000</u>

No share options were granted, exercised, cancelled or lapsed during the six months ended 30 September 2006.

## 16. Related party transactions

The following is a summary of the significant related party transactions which, in the opinion of the Board, were carried out by the Group in the normal course of its business and on normal commercial terms during the period:

		<b>For the six months ended 30 September</b>	
		<b>2006</b>	2005
	<i>Notes</i>	<b>(unaudited) HK\$'000</b>	(unaudited) HK\$'000
Rental paid to Super Light Manufacturing Products (Shenzhen) Company Limited ("SLMP")	(a)	<b>1,538</b>	1,499
Rental paid to Manwise Investment Company Limited ("Manwise")	(b)	<b>270</b>	270

*Notes:*

- (a) Pursuant to a tenancy agreement dated 14 October 2004, SLMP, a wholly-foreign owned enterprise established in the PRC and ultimately owned and controlled by Mr. Chan Tat, a director of the Company, leased to Bailingda Industrial (Shenzhen) Co., Limited, an indirect wholly-owned subsidiary of the Company, portions of an industrial complex located at Huang Ma Bu Village, Xi Xiang Town, Bao An District, Shenzhen, Guangdong Province, the PRC (the "Industrial Complex") for a term of three years commencing from 1 November 2004 and expiring on 31 October 2007 at a monthly rent of RMB260,000, exclusive of management fee and utility charges.

The aggregate rentals in respect of the Industrial Complex for the six month ended 30 September 2006 amounted to approximately HK\$1,538,000 and the rentals for the remaining term of the tenancy agreement amounts to approximately HK\$3,332,000. The directors consider that such rentals were calculated by reference to open market rentals.

## 16. Related party transactions *(continued)*

- (b) Pursuant to a tenancy agreement dated 30 October 2003, Manwise, a company owned and controlled by Mr. Chan Tat and Madam Hong Jing Yu, directors of the Company, leased to Better Electrical Products (HK) Company Limited ("BEP (HK)"), an indirect wholly-owned subsidiary of the Company, four workshop units as office premises located at Room 909-912, 9th Floor, Fo Tan Industrial Centre, 26-28 Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong (the "Premises") for a term of three years commencing from 1 November 2003 and expiring on 31 October 2006 at a monthly rent of HK\$45,000, inclusive of rates and management fee.

The aggregate rentals in respect of the Premises for the six months ended 30 September 2006 amounted to HK\$270,000 and the rentals for the remaining term of the tenancy amounts to HK\$45,000. The directors consider that such rentals were calculated by reference to open market rentals.

On 24 October 2006, BEP (HK) renewed the aforesaid tenancy agreement for a further term of two years until 31 October 2008 at the same rental.

## 17. Contingent liabilities

As at 30 September 2006, the Group had contingent liabilities arising from export bills discounted with recourse amounting to approximately HK\$6,860,000 (As at 31 March 2006: HK\$14,598,000).

Save as a corporate guarantee given by the Company to a bank to secure the general banking facilities granted to BEP(HK), the Company had no significant contingent liabilities as at 31 March 2006 and 30 September 2006.

## 18. Commitments

### (i) Capital commitments

As at 30 September 2006, the Group had the following capital commitments which were not provided for in the financial statements:

	<b>As at 30 September 2006 (unaudited) HK\$'000</b>	As at 31 March 2006 (audited) HK\$'000
Authorised and contracted for in respect of acquisition of plant and machinery	<b>150</b>	150

### (ii) Operating lease commitments

As at 30 September 2006, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which would fall due as follows:

	<b>As at 30 September 2006 (unaudited) HK\$'000</b>	As at 31 March 2006 (audited) HK\$'000
Within one year	<b>3,121</b>	3,335
Between two to five years	<b>256</b>	1,762
	<b>3,377</b>	5,097

The Company did not have any significant commitments as at 31 March 2006 and 30 September 2006.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of Operations

The Board is pleased to announce that the Group finally managed to turn around its loss-making situation and recorded a net profit of approximately HK\$1,262,000 during the six months ended 30 September 2006 (the "Period") (six months ended 30 September 2005: net loss of approximately HK\$7,110,000).

During the Period, we saw one of the sharpest rises in raw material costs in recent years. The increase in metal prices was particularly pronounced. Copper and stainless steel rose by approximately 36% and 57% respectively during the Period. Manufacturing cost also increased, as the exchange rate of Renminbi and the labour cost in China continued their steady rise.

Despite an unfavourable business environment, the Group managed to return to profitability. It improved its gross profit margin from approximately 6.8% to approximately 9.4%. The Board attributed this turnaround to several reasons. First, sales increased by approximately 47.6% from approximately HK\$126,365,000 to approximately HK\$186,566,000 due to the success of new products. Second, the Group phased out a number of low-margin products and focused on high-margin products. Third, the Group stringently controlled the factory overhead, cutting down items such as electricity usage, overtime expenses and welfare costs.

### Prospects

The Board is optimistic about the prospects for the second half of the financial year. The Group's order flow remains strong while raw material costs have more or less stabilized. Our numerous efforts over the last two years in turning around the business have finally begun to bear fruit.

## **Liquidity and financial resources, gearing and foreign exposures**

As at 30 September 2006, the Group had total bank borrowings of approximately HK\$23,743,000 (as at 31 March 2006: HK\$25,369,000). The gearing ratio, expressed as a percentage of bank borrowings to total equity, was approximately 63.9% (as at 31 March 2006: 72.4%). In addition to internally generated cash flows, the Group also made use of export bills discounting facilities to finance its operations during the Period. All borrowings during the Period were based on current market interest rate. The Group maintained a cash balance of approximately HK\$3,378,000 as at 30 September 2006 (as at 31 March 2006: HK\$4,610,000). The current ratio increased from approximately 1.06 as at 31 March 2006 to approximately 1.10 as at 30 September 2006. The average stock turnover period increased from approximately 62 days to approximately 66 days and the average debtor turnover period increased from approximately 16 days to approximately 20 days.

The Group continued to adopt a prudent approach in funding and treasury policies. Since the Group's revenues and expenditures were predominantly denominated in US dollar and HK dollar respectively, the continued weakness of the US dollar might have an adverse impact to the Group's profitability. As such, the Group entered into a one-year option contract in March 2006 under which the Group would exchange US dollar to HK dollar at predetermined rates. The Group had profited from the option contract throughout the Period.

## **Interim Dividend**

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2006 (six months ended 30 September 2005: Nil).

## **Charge of Group's Assets**

During the Period, the Group executed a debenture, which was essentially a pledge of all assets of the Group, in favour of a bank to secure banking facilities.

## **Employees and remuneration policies**

As at 30 September 2006, the Group employed approximately 1,700 full time staff in Hong Kong and PRC. The Group remunerates its employees based on their performance, experience and prevailing market salaries while performance bonuses are granted on a discretionary basis. Other employee benefits include insurance and medical cover, subsidized educational and training programmes, mandatory provident fund scheme as well as a share option scheme.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2006.

## **Corporate Governance**

In the opinion of the Board, the Company complied with the provisions of the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2006 except for Code Provision A4.2 which stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. In addition, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

At the annual general meeting held on 25 August 2006, the Company passed resolutions amending the bye-laws of the Company to ensure compliance with the above Code Provision.

## **Code of Conduct regarding Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as the code of conduct regarding directors' securities transactions. Specific enquiry has been made of all directors who have confirmed their compliance with the required standards set out in Model Code during the six months ended 30 September 2006.

## **Audit Committee**

The audit committee has reviewed and discussed with management the Company's unaudited interim report and financial statements for the six months ended 30 September 2006 and provided advice and recommendation to the Board.

## Appreciation

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders for their confidence in the Group, our worldwide customers for their trust and support in our products and services through the years, our staff for their dedication as well as our bankers and business associates for their continuing support.

On behalf of the Board  
**BEP International Holdings Limited**  
**Chan Tat**  
*Chairman*

Hong Kong, 19 December 2006

## OTHER INFORMATION

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

As at 30 September 2006, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code, were as follows:

#### *Long positions in underlying shares*

Pursuant to the Company's share option scheme, the Company has granted options on the Company's ordinary shares in favour of certain directors, the details of which are as follows:

Number of directors	Date of grant	Exercisable period	Exercise price HK\$	Number of shares subject to outstanding options as at 30.9.2006	Approximate percentage of the Company's issued share capital
Mr. Chan Tat	13.08.2003	13.08.2003 to 02.03.2013	0.69	1,000,000	0.42%
Mr. Lee Kam Hung	13.08.2003	18.08.2003 to 02.03.2013	0.69	500,000	0.21%

These options vested immediately from the date of grant.

No share option was exercised by the above directors to subscribe for shares in the Company during the six months ended 30 September 2006.

Save as disclosed above, as at 30 September 2006, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained 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.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2006, the interests and short positions of shareholders (other than a director or chief executive) in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO were as follows:

### *Long position in shares*

Name of shareholders	Capacity	Long positions in shares (Corporate interest)	Approximate percentage of the Company's issued share capital
Best Practice Enterprises Limited (Note 1)	Trustee	86,360,000	35.98%
Target World Enterprises Limited (Note 2)	Trustee	86,290,000	35.95%
HSBC International Trustee Limited (Note 3)	Trustee	172,650,000	71.93%

#### Notes:

- Best Practice Enterprises Limited is the trustee of the SC Unit trust holding property under the SC Unit Trust for the trustee of the SC Trust, which is a holder of units issued by the SC Unit Trust. All the units issued by SC Unit Trust are held by the trustee of the SC Trust, namely HSBC International Trustee Limited. The SC Trust is a discretionary trust and the discretionary objects of the trust include Miss Chan Sin Mui, Selina, daughter of Mr. Chan Tat and Madam Hong Jing Yu, and the issue of Miss Chan Sin Mui, Selina.
- Target World Enterprises Limited is the trustee of the MK Unit Trust holding property under the MK Unit Trust for the trustee of the MK Trust, which is a holder of units issued by the MK Unit Trust. All the units issued by MK Unit Trust are held by the trustee of the MK Trust, namely HSBC International Trustee Limited. The MK Trust is a discretionary trust and the discretionary objects of the trust include Mr. Chan Man Kei, son of Mr. Chan Tat and Madam Hong Jing Yu and the issue of Mr. Chan Man Kei.
- Best Practice Enterprises Limited and Target World Enterprises Limited are both owned as to 100% by HSBC International Trustee Limited.

Save as disclosed above, as at 30 September 2006, no person (other than a director or chief executive) had any interest or short position in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO.