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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 RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

The Board of Directors (the “Board”) of BEP International Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2011 together with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2011

		Six months ended	
	<i>Notes</i>	30.9.2011	30.9.2010
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	3	107,044	64,349
Cost of sales		(95,858)	(58,669)
Gross profit		11,186	5,680
Other income		538	752
Selling and distribution costs		(636)	(241)
Administrative expenses		(3,712)	(3,073)
Finance costs	4	(1,206)	(1,223)
Profit before taxation	5	6,170	1,895
Taxation	6	(1,033)	(261)
Profit for the period		5,137	1,634
Attributable to:			
Owners of the Company		4,468	1,292
Non-controlling interests		669	342
		5,137	1,634
		HK cent	HK cent
Earnings per share – Basic	8	0.09	0.03

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME**

For the six months ended 30 September 2011

	Six months ended	
	30.9.2011	30.9.2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period	5,137	1,634
Other comprehensive income for the period:		
Exchange difference arising on translation of foreign operations	<u>249</u>	<u>71</u>
Total comprehensive income for the period	<u>5,386</u>	<u>1,705</u>
Attributable to:		
Owners of the Company	4,717	1,363
Non-controlling interests	<u>669</u>	<u>342</u>
	<u>5,386</u>	<u>1,705</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2011

	<i>Notes</i>	At 30.9.2011 <i>HK\$'000</i> (unaudited)	At 31.3.2011 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		1,470	1,263
Deposits paid for acquisition of subsidiaries		500	500
Deposit paid for property, plant and equipment		–	234
		1,970	1,997
Current assets			
Inventories		2,437	378
Trade and other receivables	9	84,203	67,050
Bank balances and cash		4,635	10,843
		91,275	78,271
Current liabilities			
Trade and other payables	10	63,256	57,957
Amount due to immediate holding company	11	36,742	–
Tax payable		1,998	1,074
		101,996	59,031
Net current (liabilities) assets		(10,721)	19,240
Total assets less current liabilities		(8,751)	21,237
Non-current liabilities			
Amount due to immediate holding company	11	–	35,374
Deferred tax liabilities		100	100
		100	35,474
Net liabilities		(8,851)	(14,237)
Capital and reserves			
Share capital		2,426	2,426
Reserves		(12,361)	(17,078)
Capital deficiency attributable to owners of the Company		(9,935)	(14,652)
Non-controlling interests		1,084	415
Deficiency of shareholders' equity		(8,851)	(14,237)

Notes:

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 (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

(a) Going concern basis

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in the light of the fact that the Group’s current liabilities exceeded its current assets by HK\$10,721,000 as at 30 September 2011. The directors of the Company have taken the following actions to improve the liquidity position of the Group:

- (i) Long Channel Investments Limited (“Long Channel”), the immediate holding company of the Company, has confirmed to the Company that Long Channel will provide the Group with full financial support for the continual business operation of the Group and will not demand repayment of its loans with aggregate principal amount of approximately HK\$36,919,000 unless the Group is financially able to do so, and will consider to capitalise the loans or extend the repayment dates of the loans over a year from their original repayment dates (i.e. 1 April 2012). In light of the above, the directors of the Company consider that the Group will have sufficient working capital to continue the existing business of the Group for the coming twelve months from the end of the reporting period.
- (ii) The Group currently maintains a business mix comprising three operating segments and has recorded a growth in sales for all these segments for the six months ended 30 September 2011. The directors of the Company are of the view that the businesses of the Group are growing in a healthy pace and expect that the Group will continue to achieve growth in turnover and improve its financial performance in the coming years.

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.

Apart from above, the directors of the Company are continuously looking for various business alternatives to broaden its business scope and sources of income by taking business opportunities to diversify into other businesses. By taking the above procedures, the directors of the Company are of the view that the resumption of trading of the shares of the Company will be succeeded in the third stage of delisting procedures.

(b) Subsidiaries deconsolidated

Notwithstanding that the Group held 100% equity interests in Bailingda Industrial (Shenzhen) Company Limited (“BEP (China)”) during the period from 26 October 2008 to 30 July 2010, BEP (China) was no longer regarded as a subsidiary of the Group as the directors of the Company are of the opinion that the control of BEP (China) was lost during this period.

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 lawyer in the People’s Republic of China (“PRC”) 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 for 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.

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 held 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.

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\$26,381,000). 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, another auction company in Shenzhen. The auction was concluded at a sum of approximately RMB904,000 (equivalent to HK\$1,037,000). 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. Up to 30 July 2010, to the best knowledge of the directors of the Company, BEP (China) received claims from a number of suppliers and employees together with reimbursement to the local government of an aggregate amount of approximately RMB33,629,000 (approximately HK\$38,572,000). As the aggregate claim

amounts exceeded the proceeds from the auctions, the directors of the Company were of the view that the Group would not receive any distribution of proceeds from the auctions or any distribution of assets upon the contemplated winding up of BEP (China). The directors of the Company were of the view that the Group has no control over BEP (China) as from 26 October 2008.

On 30 July 2010, the directors of the Company resolved to dispose of the entire equity interests in the holding company of BEP (China), Better Electrical Products Company Limited, to a company wholly owned by a director of the Company for a consideration of HK\$1. During the six months ended 30 September 2010, the Group recorded a gain on disposal of subsidiaries of HK\$1.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for advances granted by immediate holding company which was adjusted to fair value at initial recognition.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2011.

In the current interim period, the Group has applied, for the first time, a number of new or revised standards, amendments and interpretation ("new or revised HKFRSs") issued by the HKICPA. The application of the new or revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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

HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets ¹
HKFRS 9	Financial instruments ²
HKFRS 10	Consolidated financial statements ²
HKFRS 11	Joint arrangements ²
HKFRS 12	Disclosure of interests in other entities ²
HKFRS 13	Fair value measurement ²
HKAS 1 (Amendments)	Presentation of items of other comprehensive income ⁴
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets ³
HKAS 19 (as revised in 2011)	Employee benefits ²
HKAS 27 (as revised in 2011)	Separate financial statements ²
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures ²
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine ²

- ¹ Effective for annual periods beginning on or after 1 July 2011
² Effective for annual periods beginning on or after 1 January 2013
³ Effective for annual periods beginning on or after 1 January 2012
⁴ Effective for annual periods beginning on or after 1 July 2012

The directors of the Company anticipate that the application of these new or revised standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER AND SEGMENT INFORMATION

The Group's operating and reportable segments, based on information reported to the chief operating decision maker, chief executive officer of the Group, for the purpose of resources allocation and performance assessment are as follows:

1. Sale of home electrical appliances, electronic products and related plastic injection components;
2. Distribution and sale of electronic consumer products; and
3. Sourcing and sale of computer and related products.

Information regarding the above segments is reported below.

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

Six months ended 30 September 2011

	Sale of home electrical appliances, electronic products and related plastic injection components <i>HK\$'000</i> (unaudited)	Distribution and sale of electronic consumer products <i>HK\$'000</i> (unaudited)	Sourcing and sale of computer and related products <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Revenue	47,441	27,362	32,241	107,044
Result				
Segment profit	5,326	1,533	3,691	10,550
Unallocated income				538
Unallocated expenses				(4,918)
Profit before taxation				6,170

Six months ended 30 September 2010

	Sale of home electrical appliances, electronic products and related plastic injection components <i>HK\$'000</i> (unaudited)	Distribution and sale of electronic consumer products <i>HK\$'000</i> (unaudited)	Sourcing and sale of computer and related products <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Revenue	30,001	19,315	15,033	64,349
Result				
Segment profit	3,084	1,134	1,221	5,439
Unallocated income				752
Unallocated expenses				(4,296)
Profit before taxation				1,895

Note: The accounting policies of operating segments are the same as the Group's accounting policies. Segment revenue and segment profit comprise turnover from external customers and gross profit less selling and distribution costs of each segment respectively.

The following is an analysis of the Group's assets by operating segments:

	At 30.9.2011 <i>HK\$'000</i> (unaudited)	At 31.3.2011 <i>HK\$'000</i> (audited)
Sale of home electrical appliances, electronic products and related plastic injection components	57,955	41,504
Distribution and sale of electronic consumer products	11,367	2,504
Sourcing and sale of computer and related products	22,613	19,974
Total segment assets	91,935	63,982

4. FINANCE COSTS

	Six months ended	
	30.9.2011	30.9.2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Imputed interest on amount due to immediate holding company	1,206	1,223

5. PROFIT BEFORE TAXATION

	Six months ended	
	30.9.2011	30.9.2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	267	204
Staff costs, including directors' emoluments	1,703	1,253
Interest income	(3)	(1)

6. TAXATION

	Six months ended	
	30.9.2011	30.9.2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The charge comprised:		
Hong Kong Profits Tax	780	–
PRC Enterprise Income Tax	253	261
	1,033	261

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2010: 16.5%) of the estimated assessable profit for the period. No provision for Hong Kong Profits Tax for the six months ended 30 September 2010 had been made in the condensed consolidated financial statements as the assessable profit is wholly absorbed by tax loss brought forward.

PRC Enterprise Income Tax is calculated at 25% (six months ended 30 September 2010: 25%) of assessable profits of the period.

7. DIVIDEND

No dividends were paid or proposed during the period. The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2011 (six months ended 30 September 2010: nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$4,468,000 (six months ended 30 September 2010: HK\$1,292,000) and on the number of 4,852,000,000 ordinary shares (six months ended 30 September 2010: 4,852,000,000) in issue during the period.

No diluted earnings per share has been presented because there are no outstanding potential ordinary shares as at 30 September 2011 and 2010 and during the periods.

9. TRADE AND OTHER RECEIVABLES

	At 30.9.2011 <i>HK\$'000</i> (unaudited)	At 31.3.2011 <i>HK\$'000</i> (audited)
Trade debtors	78,728	62,561
Trade deposits paid	2,103	1,043
Sundry debtors and prepayments	3,372	3,446
	<u>84,203</u>	<u>67,050</u>

The Group provided a credit period normally ranging from 30 to 180 days (31 March 2011: 30 to 120 days) to its customers. The following is an aged analysis of trade debtors presented based on the invoice date at the end of the reporting period.

	At 30.9.2011 <i>HK\$'000</i> (unaudited)	At 31.3.2011 <i>HK\$'000</i> (audited)
0 to 60 days	31,211	32,850
61 to 120 days	12,568	23,462
121 to 180 days	17,518	5,362
181 to 365 days	17,147	887
Over 1 year	284	–
	<u>78,728</u>	<u>62,561</u>

10. TRADE AND OTHER PAYABLES

	At 30.9.2011 HK\$'000 (unaudited)	At 31.3.2011 HK\$'000 (audited)
Trade creditors	57,167	54,166
Trade deposits received	3,828	808
Other payables and accruals	2,261	2,983
	<u>63,256</u>	<u>57,957</u>

The following is an aged analysis of trade creditors presented based on the invoice date at the end of the reporting period.

	At 30.9.2011 HK\$'000 (unaudited)	At 31.3.2011 HK\$'000 (audited)
0 to 60 days	17,411	47,282
61 – 120 days	10,483	3,134
121 – 180 days	19,134	1,647
Over 180 days	10,139	2,103
	<u>57,167</u>	<u>54,166</u>

The credit period on purchase of goods is ranged from 60 to 180 days (31 March 2011: 60 to 120 days).

11. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

During the six months period ended 30 September 2010, the Company has drawn down under a loan facility granted by Long Channel for a sum of HK\$2,500,000 (six months ended 30 September 2011: nil). The loan facility is unsecured, interest bearing at a fixed rate of 1% per annum and repayable on 1 April 2011 or any other date as agreed by Long Channel and the Company in writing.

The fair value of the amount drawdown of HK\$2,500,000 at initial recognition, amounting to HK\$2,374,000, was determined based on the present value of the estimated future cash flows discounted using an interest rate of 7.0% per annum, which was similar to the latest effective interest rate of bank borrowings. The difference of approximately HK\$126,000 between its present value and carrying amount on its inception date was recognised as a fair value adjustment on amount due to immediate holding company in equity.

On 30 September 2010, Long Channel agreed with the Group to extend the repayment dates of the entire outstanding balance to 1 April 2012. The Group recalculated the carrying amount of the balance by computing its present value of estimated future cash flows at original effective interest rate. The difference of approximately HK\$1,836,000 between its present value and carrying amount on the date of extension was recognised as a deemed capital contribution from immediate holding company.

At 30 September 2011, the outstanding balance is unsecured and repayable on 1 April 2012 (31 March 2011: 1 April 2012). Except for the advance with carrying amount of HK\$11,781,000 (31 March 2011: HK\$11,393,000) (the principal amount of HK\$12,170,000 (31 March 2011: HK\$12,170,000)) which is interest free, the remaining balance is interest bearing at a fixed rate of 1% (31 March 2011: 1%) per annum. Long Channel has confirmed to the Company that Long Channel would not demand repayment of its loans unless the Group is financially able to do so, and will consider to capitalise the loans or extend the repayment dates of the loans over a year from their original repayment dates (i.e. 1 April 2012).

EXTRACT FROM THE REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION BY THE COMPANY'S AUDITOR

The review conclusion of the Company's auditor on the condensed consolidated financial statements for the Group for the six months ended 30 September 2011 has been modified and is extracted as follows:

Basis for Qualified Conclusion

As set out in note 1 (b) to the interim financial information, notwithstanding that the Group held 100% equity interests in Bailingda Industrial (Shenzhen) Company Limited ("BEP (China)") for the period from 26 October 2008 to 30 July 2010, the directors of the Company deconsolidated BEP (China) since 26 October 2008 as they considered 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 on 26 October 2008. 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 BEP (China) from 26 October 2008 to 30 July 2010.

The Group recorded a loss on deconsolidation of BEP (China) of HK\$49,677,000 based on its unaudited statement of financial position as at 30 September 2008 and unaudited income statement for the period from 1 April 2008 to 30 September 2008, which were the latest management accounts available to the directors of the Company. The loss of BEP (China) prior to deconsolidation included in the consolidated income statement for the year ended 31 March 2009 amounted to HK\$28,357,000. These losses had a corresponding impact on the Group's accumulated losses as at 1 April 2010. However, as a result of the circumstances described above, the directors of the Company were unable to provide us with the complete set of accounting books and records for BEP (China). We were therefore unable to carry out audit procedures to obtain sufficient reliable audit evidence to satisfy ourselves as to whether the accumulated losses as at 1 April 2010 are free from material misstatements.

On 30 July 2010, the directors of the Company resolved to dispose of the entire equity interests in the holding company of BEP (China), Better Electrical Products Company Limited which was a wholly owned subsidiary of the Company, to a company wholly owned by a director of the Company for a consideration of HK\$1 and recorded a gain on disposal of HK\$1 for the six months ended 30 September 2010. However, as a result of the circumstances described above, we were unable to satisfy ourselves as to whether the gain on disposal, as well as the related disclosures set out in the notes to the interim financial information for the six months ended 30 September 2010 are free from material misstatements.

Any adjustments that might have been found to be necessary in respect of the above matters would have a significant effect on the Group's accumulated losses as at 1 April 2010 and on its profit or loss for the six months ended 30 September 2010. Our audit opinion on the consolidated financial statements for the year ended 31 March 2011 and review conclusion on the interim financial information for the six months ended 30 September 2010 were modified accordingly. Our review conclusion on the interim financial information for the six months ended 30 September 2011 is also modified because of the possible effects of these matters on the comparability of the current period's figures and the corresponding figures.

Qualified Conclusion

Based on our review, except for the possible effects on the corresponding figures of the matters described in the Basis for Qualified Conclusion paragraphs, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 September 2011 (six months ended 30 September 2010: nil).

BUSINESS REVIEW AND PROSPECTS

Operations Review

The Board is pleased to report that the Group continued to perform well for the six months ended 30 September 2011. The Group reported a turnover of HK\$107,044,000, which showed a sharp increase of 66% compared with HK\$64,349,000 in the previous period; and a gross profit of HK\$11,186,000, which also increased by 97% compared to HK\$5,680,000 in the prior period. The strong growth of the Group's turnover and gross profit were chiefly attributed to the encouraging business progress achieved by all three of the Group's business segments, namely, the sale of home electrical appliances, electronic products and related plastic injection components; the distribution and sale of electronic consumer products; and the sourcing and sale of computer and related products. The substantial increases in the Group's turnover and gross profit gave a strong boost to the Group's net profit. For the period under review, the Group posted a profit for the period amounting to HK\$5,137,000, which represented a remarkable 2.1 times increase compared to HK\$1,634,000 in the previous period, whereas the profit attributable to owners of the Company for the period, after netting off non-controlling interests, amounted to HK\$4,468,000 which also increased by 2.5 times comparing to HK\$1,292,000 in the previous period. The Company's earnings per share for the period were HK0.09 cent, compared to HK0.03 cent in the previous period. The finance costs for the year of HK\$1,206,000 represented the imputed interest on the amount advanced from the immediate holding company, yet part of that amount of HK\$1,082,000 required no cash payout but only represented a notional interest calculated in accordance with the Group's accounting policy principally by assuming market interest rate was charged by the immediate holding company for the advance made. If the effect of such notional interest was excluded from the Group's results, the Group would have reported a profit attributable to owners of the Company of HK\$5,550,000 for the review period. For comparison purpose, if notional interests totaling HK\$1,105,000 was excluded from the previous period's results, the Group would have recorded a profit attributable to owners of the Company of HK\$2,397,000.

For the period under review, the Group's operation in the sale of home electrical appliances, electronic products and related plastic injection components reported revenue of HK\$47,441,000 and operating profit of HK\$5,326,000, which increased by 58% and 73% respectively to their comparables of HK\$30,001,000 and HK\$3,084,000 in the previous period. The strong growth in revenue and operating profit achieved by the operation demonstrated the sustainability of its market competitiveness which stemmed on, on one hand, the manufacturing capability of the Group's subcontracting production plant which is able to deliver a wide range of quality plastic electrical and electronic products, and on the other hand, the Group's experienced marketing and product development personnel who are able to deliver economical and highly effective production solutions to customers. In order to vertically integrate the operation of the subcontracting production plant for creating further financial synergies with the Group's existing operation, on 14 October 2010, the Company entered into a sale and purchase agreement with the vendors of May Wilson Holding Limited ("MWH") to acquire their

92% equity interest in MWH which in turn 100% beneficially owned the subcontracting production plant for a consideration of HK\$6,000,000. It is expected that upon completion of the acquisition, the profitability as well as the manufacturing capability of this operation will be substantially enhanced, as the profit margin now earning by the subcontracting production plant will be captured and included in the Group's results, and the benefits created through economies of scale, streamlining of operation processes and a more efficient supply chain management will also be vested in the Group. Further details of the proposed acquisition are stated in the paragraph below headed "Very Substantial Acquisition".

The Group's operation in the distribution and sale of electronic consumer products continued to perform well. For the period ended 30 September 2011, the operation reported revenue of HK\$27,362,000 and operating profit of HK\$1,533,000, which increased by 42% and 35% respectively to their comparables of HK\$19,315,000 and HK\$1,134,000 in the previous period. The encouraging results achieved by the operation were largely attributed to the tremendous sales efforts contributed and responsive after-sale services provided by the operation's marketing team. During the review period, the operation continued to focus on the distribution sales of premium Japanese brand imaging products, including digital cameras, lenses and video cameras, in the southern and eastern region in Mainland China. The management is optimistic about the consumer spending market in the Mainland and has devoted resources to develop business targeting the Mainland mass consumption market. Having realized that the consumers in the Mainland are becoming more health conscious as a result of the general rise of household income, by cooperating with a well-known retail chain stores group in the Mainland, the Group has launched its own brand name water electrolysis machines, being the first item launched under the operation's health care electrical home appliances series, for sale in their retail stores in Shenzhen city. It is expected that the general income level of the Mainland population will continue to rise in the years ahead, and it is the Group's business plan to continue seizing business opportunities targeting the Mainland domestic consumption market which has enormous business potential.

The Group's operation in the sourcing and sale of computers and related products also continued to perform well. The operation posted revenue of HK\$32,241,000 and operating profit of HK\$3,691,000 for the review period, which represented sharp increases of 114% and 202% respectively over their comparables of HK\$15,033,000 and HK\$1,221,000 in the previous period. During the review period, the operation continued to focus on the sale of netbook and notebook computers and their related products, and has recently added the very popular tablet computers to its product list. Computer product distributors in Southeast Asian countries continued to be the key customers of the operation for the reasons that the Group's products are very price competitive in these markets. The Group will continue to explore business opportunities in these markets and has devoted resources to enhance its sales force and product development capability in order to enlarge its customer base as well as its product range. The Group is also promoting the sale of computers under its own brand name as part of its business expansion plan.

Financial Review

Liquidity, Financial Resources and Capital Structure

At 30 September 2011, the Group had current assets of HK\$91,275,000 (31 March 2011: HK\$78,271,000) comprising bank balances of HK\$4,635,000 (31 March 2011: HK\$10,843,000). The Group's current ratio, calculated based on current assets of HK\$91,275,000 (31 March 2011: HK\$78,271,000) over current liabilities of HK\$65,254,000 (excluding amount due to immediate holding company) (31 March 2011: HK\$59,031,000) was at a strong ratio of 1.40 (31 March 2011: 1.33).

As at 30 September 2011, the Group's gearing ratio, calculated on the basis of total liabilities of HK\$65,354,000 (excluding amount due to immediate holding company) (31 March 2011: HK\$59,131,000, excluding amount due to immediate holding company) divided by total assets of HK\$93,245,000 (31 March 2011: HK\$80,268,000) was at a moderate ratio of 0.70 (31 March 2011: 0.74). At 30 September 2011, the total carrying amount of advances made by the immediate holding company, Long Channel, to the Group amounted to HK\$36,742,000 (principal amount of HK\$36,919,000). Out of the total advances, an advance of the carrying amount of HK\$11,781,000 (principal amount of HK\$12,170,000) due to Long Channel is interest free, with the remaining balance being interest bearing at 1% per annum. The amount due is unsecured and is repayable to Long Channel in April 2012, if the Group is financially able to do so.

During the review period, the Group continued to implement a prudent financial management policy. In addition to internally generated cash flows, the Group has support from its controlling shareholder to provide funding in meeting operational needs. The management expects that the growth of the Group's businesses will further improve the liquidity and financial position of the Group in the coming years.

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.

Capital Commitment

At 30 September 2011, the Group had no material capital commitment (31 March 2011: HK\$234,000).

Contingent Liabilities

As at 31 March 2011, the Group had no material contingent liabilities.

Very Substantial Acquisition

On 14 October 2010, a subsidiary of the Company entered into a sale and purchase agreement with the vendors of MWH to acquire their 92% equity interest in MWH for a consideration of HK\$6,000,000. The transaction constituted a very substantial acquisition of the Company and was approved by shareholders in the special general meeting of the Company held on 15 December 2010. The completion of the acquisition is further subject to the Company having obtained the in-principle approval from the Stock Exchange for the resumption of trading in the Company's shares on the Stock Exchange.

The management is of the view that the acquisition is in line with the business strategy of the Group and serves the purpose of enhancing the manufacturing operation as well as the production capability of the Group. The management is also of the view that the revenue and cash flow generated from the operation of MWH and its subsidiaries will contribute positively to the Group's results and is optimistic about their future performance. Details of the acquisition were stated in the Company's announcement dated 15 October 2010 and the circular of the Company dated 29 November 2010.

Prospects

The Group continued to perform well by achieving substantial growth in turnover and profitability for the financial period just ended. Through enlarging their customer base, offering a wider range of products and firmly established their competitive positions in the market place, all three business segments of the Group have delivered encouraging results and are well positioned in their respective markets for further growth. The Group's businesses have been growing in healthy pace and it is planned that the Group will continue to devote more resources to further enhance its marketing and product development capability with the view to offer the best quality products at competitive pricings to more customers. In light of the encouraging results the Group has achieved for the period under review, the management is optimistic that the Group will continue to perform well in terms of turnover and profit growth for the remainder of the financial year.

CORPORATE GOVERNANCE

The Board had adopted the principles and complied with all the applicable provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2011.

AUDIT COMMITTEE

The condensed consolidated financial statements of the Company for the six months ended 30 September 2011 have not been audited, but have been reviewed by the Company's auditor and the Audit Committee.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the six months ended 30 September 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

LISTING STATUS

The shares of the Company have been suspended for trading since 20 October 2008. As stated in the announcement of the Stock Exchange on 9 June 2010, the Company has been placed in the third delisting stage. The Company submitted a revised resumption proposal to the Stock Exchange on 24 November 2010 for the purpose of applying for the resumption of trading of the Company's shares. Shareholders will be informed of the progress of the submission as and when appropriate.

By Order of the Board
Sue Ka Lok
Chief Executive Officer

Hong Kong, 24 November 2011

As at the date of this announcement, the Board comprises Mr. Suen Cho Hung, Paul (Chairman), Mr. Sue Ka Lok (Chief Executive Officer), Mr. Li Hiu Ming and Mr. Poon Hor On as Executive Directors and Mr. Chan Kwong Fat, George, Mr. Siu Hi Lam, Alick, and Mr. To Yan Ming, Edmond as Independent Non-executive Directors.

* *For identification purpose only*