



BEP INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 2326)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2008

FINANCIAL RESULTS

The Board of Directors (the “Directors” or “We”) of BEP International Holdings Limited (the “Company”) is pleased to announce the financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2008 together with the comparative figures for the 2007 as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2008

	<i>NOTES</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Turnover	4	345,331	385,393
Cost of sales		(337,107)	(340,282)
Gross profit		8,224	45,111
Other income		1,316	393
Selling and distribution costs		(10,009)	(7,778)
Administrative expenses		(26,683)	(20,798)
Claims for employees' overtime compensations	5	(12,702)	—
Finance costs		(2,142)	(3,081)
(Loss) profit before taxation	6	(41,996)	13,847
Taxation	7	6,040	(364)
(Loss) profit for the year		(35,956)	13,483
		<i>HK cents</i>	<i>HK cents</i>
(Loss) earning per share	9		
– Basic		(0.74)	0.28
– Diluted		N/A	N/A

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2008

	NOTES	2008 HK\$'000	2007 HK\$'000 (Restated)
Non-current assets			
Property, plant and equipment		23,043	26,019
Deferred tax assets		3,661	—
		<u>26,704</u>	<u>26,019</u>
Current assets			
Inventories		53,916	54,960
Trade and other receivables	10	32,751	43,143
Bank balances and cash		5,855	9,639
		<u>92,522</u>	<u>107,742</u>
Current liabilities			
Trade and other payables	11	84,020	57,264
Obligation under a finance lease		111	—
Bank borrowings		4,432	25,355
		<u>88,563</u>	<u>82,619</u>
Net current assets		<u>3,959</u>	<u>25,123</u>
Total assets less current liabilities		<u>30,663</u>	<u>51,142</u>
Non-current liabilities			
Amount due to ultimate holding company		4,669	—
Obligation under a finance lease		266	—
Deferred tax liabilities		—	446
		<u>4,935</u>	<u>446</u>
		<u>25,728</u>	<u>50,696</u>
Capital and reserves			
Share capital		2,426	2,400
Reserves		23,302	48,296
Total equity		<u>25,728</u>	<u>50,696</u>

1. BASIS OF PREPARATION

The announcement has been presented in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial statements for the year ended 31 March 2008 have been prepared in accordance with Hong Kong Financial Reporting Standards.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”), amendment, or Interpretations (“INTs”) (hereinafter collectively referred to as the “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants that are effective for the Group’s financial year beginning on 1 April 2007. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting years have been prepared and presented. Accordingly, no prior year adjustment has been required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) “Capital Disclosures” (“HKAS 1 (Amendment)”) and HKFRS 7 “Financial Instruments: Disclosures” (“HKFRS 7”) retrospectively. Certain information presented in prior year under the requirements of HKAS 32 “Financial Instruments: Disclosure and Presentation” has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

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

HKAS 1 (Revised)	Presentation of financial statements ¹
HKAS 23 (Revised)	Borrowing costs ¹
HKAS 27 (Revised)	Consolidated and separate financial statements ²
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation ¹
HKFRS 2 (Amendment)	Vesting conditions and cancellations ¹
HKFRS 3 (Revised)	Business combinations ²
HKFRS 8	Operating segments ¹
HK(IFRIC)*-Int 12	Service concession arrangements ³
HK(IFRIC)-Int 13	Customer loyalty programmes ⁴
HK(IFRIC)-Int 14	HKAS 19-The limit on a defined benefit asset, minimum funding requirements and their interaction ³

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

² Effective for annual periods beginning on or after 1 July 2009.

³ Effective for annual periods beginning on or after 1 January 2008.

⁴ Effective for annual periods beginning on or after 1 July 2008.

* IFRIC represents the International Financial Reporting Interpretations Committee.

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

3. RESTATEMENT OF COMPARATIVE FIGURES

A reclassification has been made to recognise bills discounted with recourse as trade receivables of HK\$5,927,000 and the related bank borrowings with the same amount at 31 March 2007 since the Group retained substantially all the risks and rewards of ownership of the bills discounted with recourse, accordingly such bills should not be derecognised in accordance with HKAS 39 “Financial Instruments: Recognition and Measurement”.

4. SEGMENT INFORMATION

For management purposes, the Group has determined that geographical segments be presented as the primary reporting format and business segments as the secondary reporting format.

Geographical segments

An analysis of the Group’s turnover and contribution to segment results, assets and liabilities by geographical markets, based on the location of customers, irrespective of the origin of the goods, is presented below:

	Europe <i>HK\$'000</i>	North America <i>HK\$'000</i>	Australia and New Zealand <i>HK\$'000</i>	Asia <i>HK\$'000</i>	Other <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2008						
TURNOVER	189,641	77,208	23,014	40,845	14,623	345,331
RESULTS						
Segments results	4,728	(6,727)	1,402	514	(1,702)	(1,785)
Interest income						71
Unallocated income						1,245
Finance costs						(2,142)
Unallocated expenses						(39,385)
Loss before taxation						(41,996)
Taxation						6,040
Loss for the year						(35,956)
ASSETS						
Segment assets	16,026	534	852	3,426	1,239	22,077
Unallocated assets						97,149
						119,226
LIABILITIES						
Segment liabilities	1,980	–	–	–	22	2,002
Unallocated liabilities						91,496
						93,498

	Europe <i>HK\$'000</i>	North America <i>HK\$'000</i>	Australia and New Zealand <i>HK\$'000</i>	Asia <i>HK\$'000</i>	Other <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 March 2007						
TURNOVER	205,340	109,246	19,943	34,065	16,799	385,393
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
RESULTS						
Segments results	19,048	12,737	1,966	2,024	1,558	37,333
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	
Interest income						64
Unallocated income						329
Finance costs						(3,081)
Unallocated expenses						(20,798)
						<u> </u>
Profit before taxation						13,847
Taxation						(364)
						<u> </u>
Profit for the year						13,483
						<u> </u>
ASSETS						
Segment assets	21,533	5,336	1,400	3,633	860	32,762
Unallocated assets						100,999
						<u> </u>
						133,761
						<u> </u>
LIABILITIES						
Segment liabilities	2,970	–	–	407	–	3,377
Unallocated liabilities						79,688
						<u> </u>
						83,065
						<u> </u>

An analysis of the Group's other information related to property, plant and equipment attributable to geographical markets by location of customers for both years is not presented as the amounts involved cannot be allocated by location of its customers.

The following table is an analysis of the carrying amount of segment assets and capital additions, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital additions	
	2008 HK\$'000	2007 HK\$'000	2008 HK\$'000	2007 HK\$'000
Hong Kong	28,336	42,761	1,601	1,501
The People's Republic of China (the "PRC")	81,374	81,361	4,121	4,513
	<u>109,710</u>	<u>124,122</u>	<u>5,722</u>	<u>6,014</u>

Business segments

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

5. CLAIMS FOR EMPLOYEES' OVERTIME COMPENSATIONS

During the year, the Group received three batches of claims from a number of employees of the Group in the PRC (the "PRC Factory Employees") in respect of the underpayment of overtime compensations to the PRC Factory Employees for the period from 1 September 2005 to 30 June 2007. The Group disagreed with the amount of overtime compensations claimed by the PRC Factory Employees and all the three batches of claims were passed to 深圳市寶安區勞動爭議仲裁委員會 (the "Arbitration Committee"). Arbitrations of the three batches of claims were made on 4 December 2007, 14 April 2008 and 30 April 2008, respectively and the arbitrated overtime compensations payable to the PRC Factory Employees, in aggregate, amounted to approximately RMB13,718,000 (equivalent to HK\$15,224,000).

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

As at the date of approval of these consolidated financial statements, the third batch of claims has not been judged and concluded by the Baoan People's Court. With reference to the outcome of the first and second batches of claims and the legal advice from the Company's PRC lawyers, the directors of the Company expect the Baoan People's Court will conclude the third batch of claims on the same settlement basis as the first and second batches of claims, and the estimated amount of the third batch of claims which will be judged and concluded by the court is RMB2,075,000 (equivalent to HK\$2,303,000).

Apart from the aforesaid three batches of claims, the directors of the Company are aware that the Group has underpaid overtime compensations to other employees in the PRC before 30 June 2007. Up to the date of approval of these consolidated financial statements, the Group did not receive any claims for underpayment of overtime compensations from such other employees. According to the legal advice of the Company's PRC lawyers, the Group's PRC employees can claim the underpayment of overtime compensations for a period of not more than two years from the date they make their claims to the Group, and the previous three batches of claims will be referred to by the Baoan People's Court in subsequent claims, if any. As a result, a provision of potential claims for underpayment of employees' overtime compensations of RMB4,382,000 (equivalent to HK\$4,864,000) has been made for the year ended 31 March 2008.

Total amount of claims for employees' overtime compensations charged to profit or loss and the balance as at 31 March 2008 is HK\$12,702,000 (2007: nil).

6. (LOSS) PROFIT BEFORE TAXATION

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
(Loss) profit before taxation has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment		
– owned by the Group	10,896	11,093
– held under a finance lease	56	–
Staff costs		
– directors' remuneration	2,952	3,288
– staff salaries and wages	48,280	32,176
– claims for employees' overtime compensations	12,702	–
– retirement benefits scheme contributions	310	344
	<u>64,244</u>	<u>35,808</u>
Interest income	<u>(71)</u>	<u>(64)</u>

7. TAXATION

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
The credit (charge) comprises:		
Hong Kong Profits Tax		
Over(under)provision in prior year	1,933	(379)
Deferred taxation	<u>4,107</u>	<u>15</u>
	<u>6,040</u>	<u>(364)</u>

Hong Kong Profits Tax is calculated at 17.5% (2007: 17.5%) of the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the companies operating in Hong Kong have no assessable profits for both years.

Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. No provision for PRC enterprise income tax has been made as the profit of the subsidiary operating in the PRC is wholly absorbed by tax losses brought forward. No provision for PRC enterprise income tax was made for 2007 since that subsidiary incurred a tax loss for prior year.

On 16 March 2007, the PRC government promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations will change the tax rate of the Group's subsidiary progressively from 15% to 25% over a five-year transitional period from 1 January 2008.

8. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2008, nor has any dividend been proposed since the balance sheet date (2007: nil).

9. (LOSS) EARNING PER SHARE

The calculation of basic (loss) earnings per share is based on the loss for the year attributable to shareholders of the Company of HK\$35,956,000 (2007: profit of HK\$13,483,000) and on the weighted average of 4,833,628,415 ordinary shares (2007 (restated): 4,800,000,000) in issue during the year.

No diluted loss per share is presented for 2008 since the exercise of the Company's outstanding share options will result in a decrease in loss per share. No diluted earnings per share has been presented for 2007 because the exercise price of the Company's options was higher than the average market prices for shares for 2007.

A reconciliation of the restatement of earning per share for 2007 to adjust for the subdivision of shares is as follows:

	<i>HK cents</i>
As originally stated	5.62
Subdivision of shares	(5.34)
As restated	0.28

10. TRADE AND OTHER RECEIVABLES

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

	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	17,097	27,965
31-60 days	1,351	4,508
61-180 days	275	289
Over 180 days	3,354	—
	22,077	32,762

Trade debts which were settled by letters of credit were due at sight or in accordance with the respective terms of the letters of credit normally ranging from 30 to 120 days. For other trade debts, the Group provided a credit period normally ranging from 30 to 90 days to its customers.

11. TRADE AND OTHER PAYABLES

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

	2008 HK\$'000	2007 HK\$'000
0-30 days	18,323	48,238
31-60 days	23,839	43
61-180 days	18,806	308
Over 180 days	2,916	—
	<u>63,884</u>	<u>48,589</u>

The credit period on purchases of goods is ranged from 60 to 90 days.

REVIEW OF OPERATIONS

During the year, the Group recorded a turnover of approximately HK\$345,331,000 as compared to approximately HK\$385,393,000 in the year ended 31 March 2007, and loss for the year was approximately HK\$35,956,000, of which HK\$25,540,000 was after tax operational loss, as compared to profit of HK\$13,483,000 in the previous financial year. The decrease of turnover of the Group was mainly due to over-accumulated accounts payable in the first half of the financial year, and the weak supply chain in the whole industry; in the second half of the financial year, the Group suffered from unstable raw material supply, and accumulated and rescheduled orders from various customers. From strategic and sustainable development perspectives, our new board arranged high cost air freight in the fourth quarter of 2007 to transport products to our customers, so as to ensure customers' sales in important seasons like Christmas and the New Year. Such a move caused a surge in cost for the Group in the short run, nonetheless, it maintained and developed such good relationship with core customers.

During the year, the new board received three batches of claims from a number of employees of the Group in the PRC (the "PRC Factory Employees") in respect of the underpayment of overtime compensations to the PRC Factory Employees for the period from 1 September 2005 to 30 June 2007, when the prior board was in office. The new board actively procured the agreement between the employees and the Company, and paid such over compensation payable by the Group in previous years. In this financial year, especially in the second half, the Group suffered from the rise in raw material costs, high cruel oil prices, the increase in minimum wages rate in the Guangdong Province and the significant appreciation of Renminbi, among others besides, since its appointment, our new board has insisted in complying with the PRC labour regulations to pay full payment of overtime to the PRC employees in the second half of the year in a timely manner, all put significant burden on material costs and manufacturing expenses of the Group. Notwithstanding the efforts made by the Group to improve production and operation efficiencies, gross profit margin for the year declined because we cannot transfer the rising cost to the sale price in the short term due to the inherent nature of our OEM business.

PROSPECTS AND OUTLOOK

The new management of the Group has successfully reached a basket agreement with core customers, including price increases, improved payment methods, among others. However, the increase in raw material prices, labour costs and the significant appreciation of Renminbi in PRC will likely continue into the coming year. To survive and thrive in this business environment, the Group's ultimate holding Company must continue to advance a sum of money to the Company and provide support if needed.

Under the new leadership of the Group, The Group has and will adopt more stringent cost control measure, enhance capital utilization, turnover efficiency, ways of financing and automation of production and management. On the other hand, the Group's medium to long term strategy is to rationalize its product mix by phasing out low-margin products while developing new products at the high-end-tier and enhance owned research and development capacity, and the development of new products. Meanwhile, we has been actively exploring new overseas customers and PRC markets. The Board believes that all the above initiatives will improve the performance of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES, GEARING AND FOREIGN CURRENCY EXPOSURES

As at 31 March 2008, the Group had total bank borrowings of approximately HK\$4,432,000 (2007: HK\$25,355,000) and amount due to ultimate holding company of HK\$5,000,000. Cash and bank balances amounted to approximately HK\$5,855,000 (2007: HK\$9,639,000). The gearing ratio, expressed as a percentage of bank borrowings and amount due to ultimate holding company to total equity, was approximately 35.4% (2007: 50.0%). The Group also made use of factoring and export bills discount facilities to finance its operations during the year.

Current ratio was approximately 1.04 as at 31 March 2008 (2007: 1.30). Average stock turnover period increased to approximately 59 days as compared to 57 days in the previous year. Average debtor turnover period increased from approximately 24 days to approximately 29 days as more customers changed their trade terms from letters of credit to open account.

The Group continues to adopt a prudent approach in funding and treasury policies. Transactions of the Group are mainly denominated in US dollars, Euro dollars, HK dollars and Renminbi. All borrowings are denominated US dollars. During the year, the Group did not use any financial instruments for hedging purpose and did not have any hedging instruments outstanding as at 31 March 2008. Since the Group's revenue and expenditures were predominantly denominated in US dollars, Renminbi and HK dollars respectively, the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. In view of the upcoming large project in Shanxi, the Group will take consideration on the fund planning to adequately finance such material investment.

CAPITAL EXPENDITURE

Capital expenditure for the year ended 31 March 2008 totalled approximately HK\$5,722,000 (2007: HK\$6,014,000) which mainly consisted of purchases of new equipment and moulds.

CHARGE ON GROUP'S ASSETS

During the year, 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.

CONTINGENT LIABILITIES

As mentioned in note 5, the third batch of claims for underpayment of employees' overtime compensations has not yet been judged and concluded by the Baoan People's Court. If the Group fails to obtain a 50% Settlement Basis (defined in note 5) on the overtime compensations from the Baoan People's Court, the Group will be required to pay the full amount determined by the Arbitration Committee of approximately RMB4,150,000 (equivalent to HK\$4,606,000), of which RMB2,075,000 (equivalent to HK\$2,303,000) has been provided by the Directors as at 31 March 2008 based on the legal advice of the Company's PRC lawyers.

As mentioned in note 5, the Group has underpaid overtime compensations to other employees in the PRC before 30 June 2007. Up to the date of approval of these consolidated financial statements, the Group did not receive any claims for underpayment of overtime compensations from such other employees. If all these employees have made their claims to the Group and the Group fails to obtain a 50% Settlement Basis on the overtime compensations from the Baoan People's Court, the Group may be required to pay full amount of estimated overtime compensations of approximately RMB8,766,000 (equivalent to HK\$9,728,000), of which RMB4,383,000 (equivalent to HK\$4,864,000) has been provided by the Directors as at 31 March 2008 based on the legal advice of the Company's PRC lawyers.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2008, the Group employed approximately 1,750 full time staff in Hong Kong and the 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 funds.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company complied with the provisions of the Code of Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 March 2008 except for Code Provision A4.2 which stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. In addition, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

At the annual general meeting held on 30 July 2007, the Company passed resolutions amending the bye-laws of the Company to ensure compliance with the above Code Provision.

AUDIT COMMITTEE

The audit committee has reviewed and discussed with management the Company’s annual report and audited financial statements for the year ended 31 March 2008 and provided advice and recommendation to the Board.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 25 August 2008 to 27 August 2008 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending the forthcoming annual general meeting, all transfers, accompanied by the relevant share certificates, must be lodged with the Company’s branch share registrar, Tricor Secretaries Limited at 26/F., Tesbury Centre, 28 Queen’s Road East, Hong Kong for registration not later than 4:00 p.m. on 22 August 2008.

At the date hereof, the Board comprises four executive Directors, namely Mr. Zhang Xi, Mr. Cai Duanhong, Mr. Chen Yang and Ms. Zhang Yu and three independent non-executive Directors, namely Mr. Hong Po Kui, Martin, Mr. Yam Tak Fai, Ronald and Mr. Wong Man Hin, Raymond.

By Order of the Board
BEP INTERNATIONAL HOLDINGS LIMITED
Zhang Xi
Chairman

Hong Kong, 29 July 2008