



BEP International Holdings Limited

百靈達國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 2326)

Interim Report

2014

* For identification purpose only

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Abbreviations

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

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



BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Suen Cho Hung, Paul

Independent Non-executive Directors

Mr. Chan Kwong Fat, George
Mr. Siu Hi Lam, Alick
Mr. Ng Tze Kin

AUDIT COMMITTEE

Mr. Ng Tze Kin (*Chairman*)
Mr. Chan Kwong Fat, George
Mr. Siu Hi Lam, Alick

REMUNERATION COMMITTEE

Mr. Siu Hi Lam, Alick (*Chairman*)
Mr. Chan Kwong Fat, George
Mr. Ng Tze Kin
Mr. Cheung Ming

NOMINATION COMMITTEE

Mr. Chan Kwong Fat, George (*Chairman*)
Mr. Siu Hi Lam, Alick
Mr. Ng Tze Kin
Mr. Cheung Ming

COMPANY SECRETARY

Ms. Hui Yee Ling

AUDITOR

Crowe Horwath (HK) CPA Limited

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN HONG KONG

Suites 1004-1005, 10th Floor
Great Eagle Centre
23 Harbour Road
Wanchai, Hong Kong

PRINCIPAL BANKERS

Agricultural Bank of China Ltd,
Hong Kong Branch
Bank of Communications Co., Ltd.,
Hong Kong Branch
China Construction Bank (Asia)
Corporation Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of
China (Asia) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

COMPANY HOMEPAGE

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

STOCK CODE

2326

Management Discussion and Analysis

OPERATIONS REVIEW

For the six months ended 30 September 2014, the Group posted a turnover and gross profit of HK\$321,009,000 (30 September 2013: HK\$36,092,000) and HK\$20,099,000 (30 September 2013: HK\$1,785,000) respectively, showing increases of 8.9 times and 11.3 times from their comparables in the previous period. The significant increases in the Group's turnover and gross profit were mainly attributed to the contribution from sourcing and sale of metal minerals and related industrial materials segment. During the review period, the Group experienced a turnaround and recorded a profit of HK\$4,025,000, in contrast to the loss of HK\$1,945,000 recorded in the previous period. The profit recorded by the Group were attributable to the management's efforts in promoting the Group's businesses and the adoption of a series of profitable business solutions.

For the period under review, the Group recorded profit attributable to the owners of the Company of HK\$4,377,000 in contrast to the loss attributable to the Company's owners of HK\$1,849,000 in the prior period, and earnings per share for the period amounted to HK0.22 cent in contrast to loss per share of HK0.09 cent in the previous period.

In the first quarter of 2014, the Group expanded its product range to sourcing and sale of metal minerals and related industrial materials. During the review period, the sourcing and sale of metal minerals and related industrial materials operation posted a turnover of HK\$306,288,000 (30 September 2013: nil) and segment profit of HK\$18,998,000 (30 September 2013: nil). The segment's operating results were in line with expectations. The management will continue to pursue the business growth plan of this segment and endeavour to achieve better results in the second half of the year.

During the review period, as a result of adverse effects of intensifying competition in the electrical and electronic products industry and severe business environment, the sale of electrical and electronic consumer products operation posted a turnover of HK\$14,721,000 (30 September 2013: HK\$36,092,000), representing a decrease of 59% from the previous period. A segment loss of HK\$914,000 was recorded in contrast to the segment profit of HK\$766,000 in the previous period. Upon disposal of the production facilities in mainland China in August 2014, the Group recorded a gain on disposal of approximately HK\$1,056,000 and recognised as other net income for the period.

During the period, the Group recognised other comprehensive income of HK\$27,000 (30 September 2013: HK\$194,000) due to exchange differences on translation of financial statements of overseas subsidiaries. With the result that the Group's total comprehensive income for the period increased to HK\$4,052,000. The Group's total comprehensive income, net of tax, attributable to owners of the Company was HK\$4,402,000 for the period under review compared to total comprehensive expenses, net of tax, of HK\$1,655,000, in the prior period.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

At 30 September 2014, the Group had current assets of HK\$178,864,000 (31 March 2014: HK\$333,615,000) comprising cash and cash equivalents of HK\$52,671,000 (excluding restricted bank deposits) (31 March 2014: HK\$71,756,000). The Group's current ratio, calculated based on current assets of HK\$178,864,000 (31 March 2014: HK\$333,615,000) over current liabilities of HK\$29,063,000 (31 March 2014: HK\$182,756,000) was at a healthy ratio of about 6.15 (31 March 2014: 1.83). At 30 September 2014, the Group's trade and bills receivables amounted to HK\$95,249,000 (31 March 2014: HK\$119,067,000), restricted bank deposits amounted to HK\$2,268,000 (31 March 2014: HK\$120,952,000) and trade and bills payables amounted to HK\$25,009,000 (31 March 2014: HK\$124,530,000). Such decreases in the Group's trade and bills receivables, restricted bank deposits, and trade and bills payables were mainly due to the discounting of trade bills without recourse during the period under review; the settlement of trade and bills payable; and the sourcing of metal minerals transactions were not fully secured by restricted bank deposits.

At 30 September 2014, the Group's equity attributable to owners of the Company amounting to HK\$155,900,000 (31 March 2014: HK\$151,498,000). The increase in equity attributable to owners of the Company was mainly due to the total comprehensive income recorded by the Group during the period.

The Group's finance costs for the period under review was HK\$1,055,000 (30 September 2013: nil) which was primarily interest charges on discounting of bills receivables. At 30 September 2014, the Group's gearing ratio, calculated on the basis of total liabilities of HK\$29,094,000 (31 March 2014: HK\$182,787,000) divided by total assets of HK\$186,169,000 (31 March 2014: HK\$335,294,000) was at a low ratio of 0.16 (31 March 2014: 0.55).

On 25 August 2014, the Company entered into a placing agreement with a placing arranger in relation to the placing up to 403,080,000 placing shares at a price of HK\$0.338 per share. Due to the recent volatile and sluggish market condition, the conditions of the placing were not fulfilled and the placing has been lapsed. The Company will consider arranging another exercise for placing its shares at time it deems appropriate.

For the period under review, the Group continued to implement a prudent financial management policy. In addition, as part of the Group's treasury management measures, the Group has utilised part of its surplus funds on hand placing time deposits with banks and earned bank interest income, and where considered appropriate, made advances to third parties on short term basis and earned loan interest income.

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

Management Discussion and Analysis

FINANCIAL REVIEW (continued)

Foreign Currency Management

The monetary assets and liabilities and business transactions of the Group are mainly carried and conducted in Hong Kong dollars, Renminbi and United States dollars. The Group maintains a prudent strategy in its foreign currency risk management, to a large extent, foreign exchange risks are minimised 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.

Pledge of Assets

At 30 September 2014, the Group did not have any bank advance for discounted bill, while at 31 March 2014, the bank advance for discounted bill of HK\$52,112,000 was secured by the same amount of the Group's bills receivable.

Capital Commitment

At 30 September 2014, the Group had no material capital commitment (31 March 2014: nil).

Contingent Liabilities

At 30 September 2014, the Group had no material contingent liabilities (31 March 2014: nil).

EMPLOYEES AND REMUNERATION POLICY

At 30 September 2014, the Group had a total of about 30 employees and directors (30 September 2013: 170). The decrease in head count for the current reporting period was mainly due to the Group has streamlined its operation as a result of the completion of disposal of the manufacturing plant in mainland China. Total staff costs for the period, including directors' remuneration, was HK\$9,501,000 (30 September 2013: HK\$7,036,000). During the period, the Group remunerated its employees and directors based on their performance, experience and prevailing market rate. Benefits plans provided by the Group include provident fund scheme, medical insurance, subsidised training programme, share option scheme and discretionary bonuses.

PROSPECTS

Despite the persistent competitive environment, the Group has continued to focus on its business fundamentals and strive to mitigate business risks. The Group has entered into a sale and purchase agreement with a vendor for the acquisition of a company and its subsidiary which are principally engaged in logistics businesses in Hong Kong and China. Upon completion of the acquisition, it will allow the Group to expand its business scope to logistics business and diversify its business risks.

Capitalising on its resources, the Group will continue to expand its profitability, that is sourcing and sale of metal minerals and related industrial materials business. In addition, the Group will launch its logistics business to expand its source of income and pursue business diversification in line with its corporate strategies.

With its solid relationship with major customers and extensive business network, the Group will continue to develop the scale of its businesses. The Group will also proactively identify lucrative investment opportunities aiming at maximising the shareholders wealth.

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 September 2014

	Notes	Six months ended 30 September	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Turnover	4	321,009	36,092
Cost of sales		(300,910)	(34,307)
Gross profit		20,099	1,785
Other revenue and other net income	5	1,315	2,979
Selling and distribution costs		(2,015)	(1,019)
Administrative expenses		(12,986)	(5,688)
Profit/(loss) from operations		6,413	(1,943)
Finance costs	6(a)	(1,055)	–
Profit/(loss) before taxation	6	5,358	(1,943)
Income tax	7	(1,333)	(2)
Profit/(loss) for the period		4,025	(1,945)
Attributable to:			
Owners of the Company		4,377	(1,849)
Non-controlling interests		(352)	(96)
Profit/(loss) for the period		4,025	(1,945)
		HK cent	HK cent
Earnings/(loss) per share	9		
Basic and diluted		0.22	(0.09)

Details of dividends payable to owners of the Company attributable to profit for the period are set out in note 8.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2014

	Six months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Profit/(loss) for the period	4,025	(1,945)
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries (net of nil tax (2013: nil))		
– Exchange differences arising during the period	50	194
– Reclassification adjustments relating to disposal of overseas subsidiary during the period	(23)	–
	27	194
Total comprehensive income/(expenses) for the period	4,052	(1,751)
Attributable to:		
Owners of the Company	4,402	(1,655)
Non-controlling interests	(350)	(96)
	4,052	(1,751)

Condensed Consolidated Statement of Financial Position

At 30 September 2014

	Notes	At 30 September 2014 HK\$'000 (unaudited)	At 31 March 2014 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	10	607	1,621
Deferred tax assets		58	58
Deposit paid for acquisition of subsidiaries	11	6,000	–
Rental deposit		640	–
		7,305	1,679
Current assets			
Inventories		22,877	13,910
Tax recoverable		623	623
Trade and bills receivables	12	95,249	119,067
Prepayments, deposits and other receivables		5,176	7,307
Restricted bank deposits		2,268	120,952
Cash and cash equivalents		52,671	71,756
		178,864	333,615
Current liabilities			
Trade and bills payables	13	25,009	124,530
Accruals, deposits and other payables		2,107	5,504
Bank advance for discounted bill		–	52,112
Tax payable		1,947	610
		29,063	182,756
Net current assets		149,801	150,859
Total assets less current liabilities		157,106	152,538
Non-current liabilities			
Deferred tax liabilities		31	31
Net assets		157,075	152,507
Equity			
Equity attributable to owners of the Company			
Share capital	14	4,031	4,031
Reserves		151,869	147,467
		155,900	151,498
Non-controlling interests		1,175	1,009
Total equity		157,075	152,507

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2014

	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Capital reserve	Statutory surplus reserve	Exchange reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2013 (audited)	4,031	174,518	(1,522)	8,173	706	575	(31,241)	155,240	1,660	156,900
Loss for the period	-	-	-	-	-	-	(1,849)	(1,849)	(96)	(1,945)
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	194	-	194	-	194
Total comprehensive income/(expenses) for the period	-	-	-	-	-	194	(1,849)	(1,655)	(96)	(1,751)
At 30 September 2013 (unaudited)	4,031	174,518	(1,522)	8,173	706	769	(33,090)	153,585	1,564	155,149
At 1 April 2014 (audited)	4,031	174,518	(1,522)	8,173	706	513	(34,921)	151,498	1,009	152,507
Profit/(loss) for the period	-	-	-	-	-	-	4,377	4,377	(352)	4,025
Exchange differences on translation of financial statements of overseas subsidiaries	-	-	-	-	-	25	-	25	2	27
Total comprehensive income/(expenses) for the period	-	-	-	-	-	25	4,377	4,402	(350)	4,052
Decrease in non-controlling interests arising on disposal of interests in non-wholly owned subsidiaries	-	-	-	-	-	-	-	-	516	516
At 30 September 2014 (unaudited)	4,031	174,518	(1,522)	8,173	706	538	(30,544)	155,900	1,175	157,075

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2014

	Six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net cash (used in)/generated from operating activities	(11,490)	3,873
Net cash used in investing activities	(6,550)	(12)
Net cash used in financing activities	(1,055)	–
Net (decrease)/increase in cash and cash equivalents	(19,095)	3,861
Cash and cash equivalents at beginning of the period	71,756	107,489
Effect of foreign exchange rates changes	10	200
Cash and cash equivalents at end of the period	52,671	111,550
Analysis of balances of cash and cash equivalents		
Cash at bank and on hand	40,131	32,554
Deposits with banks	12,540	78,996
	52,671	111,550



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

1. GENERAL INFORMATION

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

The Company is an investment holding company. Its subsidiaries are principally engaged in sale of electrical and electronic consumer products and sourcing and sale of metal minerals and related industrial materials.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure provision of Appendix 16 to the Listing Rules including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 20 November 2014.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of these changes in accounting policies are set out in note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2014 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

2. BASIS OF PREPARATION (continued)

The financial information relating to the financial year ended 31 March 2014 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. Statutory financial statements for the year ended 31 March 2014 are available from the Company's registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 13 June 2014.

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

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

- Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment Entities*
- Amendments to HKAS 32, *Offsetting Financial Assets and Financial Liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27, Investment Entities

The amendments provide consolidation relief to those parents which qualify to be an investment entity as defined in the amended HKFRS 10. Investment entities are required to measure their subsidiaries at fair value through profit or loss. These amendments do not have an impact on the Group's interim financial report as the Company does not qualify to be an investment entity.

Amendments to HKAS 32, Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32. The amendments do not have an impact on the Group's interim financial report as they are consistent with the policies already adopted by the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

4. TURNOVER AND SEGMENT REPORTING

(a) Turnover

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

	Six months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Sale of electrical and electronic consumer products	14,721	36,092
Sourcing and sale of metal minerals and related industrial materials	306,288	–
	321,009	36,092

(b) Segment reporting

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

- (i) sale of electrical and electronic consumer products; and
- (ii) sourcing and sale of metal minerals and related industrial materials.

During the six months ended 30 September 2014, the chief operating decision maker has reassessed the Group's businesses and restructured its businesses of (a) sale of home electrical appliances, electronic products and related plastic injection components, (b) distribution and sale of electronic consumer products and (c) sourcing and sale of computer and related products and metal minerals for manufacturing of parts and components of electrical and electronic products into businesses of (i) sale of electrical and electronic consumer products and (ii) sourcing and sale of metal minerals and related industrial materials for the period ended 30 September 2014. This new segment reporting is used by management to analyse its business performance.

The comparative information of the above has been restated to conform with the current period's presentation.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

4. TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

Information regarding the Group's reportable segments as provided to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance for the period ended 30 September 2014 and 2013 is set out below:

	Six months ended 30 September 2014 (unaudited)		
	Sale of electrical and electronic consumer products HK\$'000	Sourcing and sale of metal minerals and related industrial materials HK\$'000	Total HK\$'000
Reportable segment revenue from external customers	<u>14,721</u>	<u>306,288</u>	<u>321,009</u>
Reportable segment (loss)/profit	<u>(914)</u>	<u>18,998</u>	<u>18,084</u>
	Six months ended 30 September 2013 (unaudited)		
	Sale of electrical and electronic consumer products HK\$'000	Sourcing and sale of metal minerals and related industrial materials HK\$'000	Total HK\$'000
Reportable segment revenue from external customers	<u>36,092</u>	<u>–</u>	<u>36,092</u>
Reportable segment profit	<u>766</u>	<u>–</u>	<u>766</u>



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

4. TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

There are no inter-segment sales for the six months ended 30 September 2014 and 2013.

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

The following table presents segment assets and segment liabilities of the Group's operating segments at 30 September 2014 and 31 March 2014:

	At 30 September 2014 (unaudited)		
	Sale of electrical and electronic consumer products HK\$'000	Sourcing and sale of metal minerals and related industrial materials HK\$'000	Total HK\$'000
Reportable segment assets	23,460	100,110	123,570
Reportable segment liabilities	18,587	10,091	28,678
	At 31 March 2014 (audited)		
	Sale of electrical and electronic consumer products HK\$'000	Sourcing and sale of metal minerals and related industrial materials HK\$'000	Total HK\$'000
Reportable segment assets	23,974	117,899	141,873
Reportable segment liabilities	19,511	163,091	182,602

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

4. TURNOVER AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

Reconciliation of reportable segment profit:

	Six months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Total reportable segment profit derived from the Group's external customers	18,084	766
Other revenue and other net income	1,315	2,979
Depreciation of reportable segment not included in measurement of segment profit	(116)	(227)
Finance costs	(1,055)	–
Unallocated head office and corporate expenses		
– Depreciation for property, plant and equipment	(76)	(67)
– Staff costs (including directors' emoluments)	(8,454)	(3,250)
– Others	(4,340)	(2,144)
Consolidated profit/(loss) before taxation	<u>5,358</u>	<u>(1,943)</u>

5. OTHER REVENUE AND OTHER NET INCOME

	Six months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Other revenue		
Interest income on bank deposits	68	449
Interest income on loans receivable	–	2,108
Total interest income on financial assets not at fair value through profit or loss	68	2,557
Loan handling income	–	45
Sundry income	113	222
Rental income	78	155
	<u>259</u>	<u>2,979</u>
Other net income		
Gain on disposal of subsidiaries	1,056	–
	<u>1,315</u>	<u>2,979</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

6. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging the followings:

(a) Finance costs

	Six months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Bills discount charges	1,055	–
Total interest expense on financial liabilities not at fair value through profit or loss	1,055	–

(b) Staff costs (including directors' emoluments)

	Six months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Salaries, wages and other benefits	9,271	6,745
Contributions to defined contribution retirement plans	230	291
	9,501	7,036

(c) Other items

	Six months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Cost of inventories #	300,910	34,307
Depreciation for property, plant and equipment	241	370
Operating lease charges: minimum lease payments	1,775	1,350
Loss on disposal of property, plant and equipment	55	–
Net foreign exchange loss	356	78

Cost of inventories, representing carrying amount of inventories sold, includes HK\$899,000 (2013: HK\$4,321,000) relating to staff costs, depreciation and operating lease charges for the period ended 30 September 2014 which amounts are also included in the respective total amounts disclosed separately in notes 6(b) and 6(c) for each of these types of expenses.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

7. INCOME TAX

	Six months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Current tax		
– Hong Kong Profits Tax (<i>note (a)</i>)	1,333	–
– PRC Enterprise Income Tax (“EIT”) (<i>note (b)</i>)	–	2
Total	1,333	2

Notes:

- (a) The provision for Hong Kong Profits Tax is calculated at 16.5% of estimated assessable profits for the six months ended 30 September 2014. For the six months ended 30 September 2013, no Hong Kong Profits Tax has been provided as the Group has no assessable profits in Hong Kong for the period.
- (b) PRC subsidiaries are subject to PRC EIT at 25% (2013: 25%) of estimated assessable profits for the six months ended 30 September 2014 and 2013.

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

- (c) The Group is not subject to any taxation under the jurisdiction of Bermuda, Samoa and the BVI for the six months ended 30 September 2014 and 2013.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

8. DIVIDEND

	Six months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Interim dividend proposed of HK0.20 cent per ordinary share (2013: nil per ordinary share)	4,031	–

The proposed interim dividend for the six months ended 30 September 2014 is subject to the approval of the Company's shareholders at the forthcoming special general meeting. The interim dividend was proposed after the period ended 30 September 2014, and therefore had not been recognised as a liability in the condensed consolidated statement of financial position.

9. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of HK\$4,377,000 (2013: loss of HK\$1,849,000) and the weighted average number of 2,015,407,214 ordinary shares (2013: 2,015,407,214 ordinary shares) in issue during the period.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share as there were no potential ordinary shares outstanding during the six months ended 30 September 2014 and 2013.

10. PROPERTY, PLANT AND EQUIPMENT

Acquisitions and disposals

During the six months ended 30 September 2014, the Group acquired items of property, plant and equipment with a cost of HK\$486,000 (2013: HK\$12,000). Items of property, plant and equipment with carrying amounts of HK\$66,000 (2013: nil) and HK\$1,189,000 (2013: nil) were disposed of and derecognised on disposal of subsidiaries, respectively, during the six months ended 30 September 2014.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

11. DEPOSIT PAID FOR ACQUISITION OF SUBSIDIARIES

On 26 September 2014, the Group entered into a sale and purchase agreement with the vendor to acquire 60% of the issued share capital of Shing Kee Logistics (Shenzhen Yantian) Limited for a cash consideration of HK\$9,000,000. Shing Kee Logistics (Shenzhen Yantian) Limited together with its subsidiary, Shing Kee Sea-land Logistics & Warehousing (Shenzhen) Co., Ltd. (literal translation of 勝記海陸物流倉(深圳)有限公司), are principally engaged in logistics businesses comprising warehouse, transportation and cargo handling in Hong Kong and PRC.

The acquisition is in line with the corporate strategy of the Group and provides an opportunity for the Company to broaden its business scope into logistics business and thereby diversifying the business risks of the Group.

Up to 30 September 2014, deposit of HK\$6,000,000 was paid by the Group. The acquisition was not yet completed up to the date of this report.

12. TRADE AND BILLS RECEIVABLES

	At 30 September 2014 HK\$'000 (unaudited)	At 31 March 2014 HK\$'000 (audited)
Trade and bills receivables	95,279	119,927
Less: Allowance for doubtful debts	(30)	(860)
	95,249	119,067

Note:

The following is an analysis of trade and bills receivables by age, presented based on the invoice date, which approximates the respective revenue recognition dates, or the bills issue date, and net of allowance for doubtful debts:



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

12. TRADE AND BILLS RECEIVABLES (continued)

	At 30 September 2014 HK\$'000 (unaudited)	At 31 March 2014 HK\$'000 (audited)
0 – 60 days	93,022	118,203
61 – 120 days	808	251
121 – 180 days	883	–
Over 180 days	536	613
	95,249	119,067

Trade and bills receivables are due within 30 to 180 days (31 March 2014: 30 to 180 days) from the date of billing.

13. TRADE AND BILLS PAYABLES

	At 30 September 2014 HK\$'000 (unaudited)	At 31 March 2014 HK\$'000 (audited)
Trade and bills payables	25,009	124,530

Note:

The following is an analysis of trade and bills payables by age presented based on the invoice date or the bills issue date:

	At 30 September 2014 HK\$'000 (unaudited)	At 31 March 2014 HK\$'000 (audited)
0 – 60 days	7,417	110,265
61 – 120 days	554	14,135
121 – 180 days	11,899	11
Over 180 days	5,139	119
	25,009	124,530

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

14. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.002 each		
Authorised		
At 31 March 2014, 1 April 2014 and 30 September 2014	50,000,000,000	100,000
Issued and fully paid		
At 31 March 2014, 1 April 2014 and 30 September 2014	2,015,407,214	4,031

15. DISPOSAL OF SUBSIDIARIES

On 29 August 2014, the Group disposed of May Wilson Holding Limited and its subsidiaries.

	2014 HK\$'000 (unaudited)
Consideration received	
Consideration received in cash and cash equivalents	100
Total consideration received	100
Analysis of assets and liabilities over which control was lost	
<i>Current assets</i>	
Cash and cash equivalents	257
Prepayments, deposits and other receivables	636
Inventories	250
	1,143
<i>Non-current assets</i>	
Property, plant and equipment	1,189
<i>Current liabilities</i>	
Trade payables	166
Accruals, deposits and other payables	3,615
	3,781
Net liabilities disposed of	(1,449)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

15. DISPOSAL OF SUBSIDIARIES (continued)

	2014 HK\$'000 (unaudited)
Gain on disposal of subsidiaries	
Consideration received	100
Net liabilities disposed of	1,449
Non-controlling interests	(516)
Cumulative exchange gain in respect of the net liabilities of the subsidiary reclassified from equity to profit or loss on loss of control of subsidiaries	23
	<hr/>
Gain on disposal of subsidiaries	1,056
	<hr/>
<p>The gain on disposal of subsidiaries is included in the "other revenue and other net income".</p>	
Net cash outflow on disposal of subsidiaries	
Consideration received in cash and cash equivalents	100
Less: Cash and cash equivalent balances disposed of	(257)
	<hr/>
Net cash outflow	(157)
	<hr/>

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2014

16. MATERIAL RELATED PARTY TRANSACTIONS

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

(a) Key management personnel remuneration

All members of key management personnel are the directors of the Company and their remuneration, paid by the Company and a subsidiary, is as follows:

	Six months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Salaries and other short-term employee benefits	3,484	594
Post-employment benefits	37	23
	3,521	617

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

(b) Other transactions

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

	Amount paid to the related party Six months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
An entity which is controlled by the ultimate controlling shareholder of the Group		
– rental expense	57	343
– building management fee	5	27
– air-conditioning charge	3	20
	65	390

Terms and prices of above transactions were mutually agreed by both parties concerned.

INTERIM DIVIDEND

The Board have resolved to recommend an interim dividend of HK0.20 cent (2013: nil) per share of the Company in cash. The proposed interim dividend distributed out of contributed surplus account of the Company is subject to the approval of the Company's shareholders at the forthcoming special general meeting for passing of special resolution(s) approving the proposal to reduce the credit standing to the share premium account of the Company and transfer the credit arising therefrom to the contributed surplus account of the Company. At 30 September 2014, the Company's share premium account amounted to approximately HK\$174,518,000.

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

As at 30 September 2014, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long positions in the shares of the Company

Name of director	Capacity and nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital
Mr. Suen Cho Hung, Paul ("Mr. Suen")	Interest of controlled corporation	706,189,214 (Note)	35.04%

Note:

These shares were beneficially owned by Long Channel Investments Limited ("Long Channel") and Loyal Giant Holdings Limited ("Loyal Giant") as to 705,532,214 shares and 657,000 shares, respectively. Long Channel was a wholly owned subsidiary of Loyal Giant which in turn was wholly owned by Mr. Suen. Accordingly, Mr. Suen and Loyal Giant were deemed to be interested in 706,189,214 shares under the SFO.

Other Information

Long positions in the shares of the Company (continued)

Save as disclosed above, as at 30 September 2014, none of the directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

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

No share options were granted, exercised, cancelled or lapsed during the six months ended 30 September 2014, and no share options were outstanding as at 1 April 2014 and 30 September 2014.

Further details of the Share Option Scheme were set out in the Company's 2014 Annual Report.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES" and "SHARE OPTION SCHEME" above, at no time during the six months ended 30 September 2014 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the six months ended 30 September 2014.

Other Information

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 September 2014, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the shares of the Company

Name of shareholder	Capacity and nature of interest	Number of shares held	Approximate percentage of the Company's issued share capital
Mr. Suen	Interest of controlled corporation	706,189,214 (Note 1)	35.04%
Loyal Giant	Beneficial owner	657,000	0.03%
	Interest of controlled corporation	705,532,214 (Note 1)	35.01%
Long Channel	Beneficial owner	705,532,214 (Note 1)	35.01%
Miss Sun Le	Interest of controlled corporation	504,000,000 (Note 2)	25.01%
Sheen Success Investments Limited	Beneficial owner	504,000,000 (Note 2)	25.01%

Notes:

1. These shares were beneficially owned by Long Channel as to 705,532,214 shares and Loyal Giant as to 657,000 shares. Long Channel was a wholly owned subsidiary of Loyal Giant which in turn was wholly owned by Mr. Suen. Accordingly, Mr. Suen and Loyal Giant were deemed to be interested in 706,189,214 shares under the SFO.
2. These shares were beneficially owned by Sheen Success Investments Limited which was wholly owned by Miss Sun Le. Accordingly, Miss Sun Le was deemed to be interested in 504,000,000 shares under the SFO.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the shares and underlying shares of the Company as at 30 September 2014 as required pursuant to section 336 of the SFO.

Other Information

CORPORATE GOVERNANCE

The Company has complied with all the code provisions (“Code Provisions”) of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2014, except for the following deviation with reason as explained:

Code Provision A.6.7

Under Code Provision A.6.7 of the CG Code which stipulates, among others, that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders. Due to other business engagement, Mr. Suen Cho Hung, Paul, a Non-executive Director, was unable to attend the annual general meeting of the Company held on 26 August 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all the Directors, all of them confirmed that they have complied with the required standards set out in the Model Code during the six months ended 30 September 2014.

UPDATE ON DIRECTORS’ INFORMATION

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

1. Mr. Zhang Honghai resigned as an executive director and the chairman of Beijing Enterprises Water Group Limited (stock code: 371) and was appointed an independent non-executive director of China Ground Source Energy Industry Group Limited (stock code: 8128) on 29 October 2014 and 2 September 2014 respectively. Both of the above companies are listed in Hong Kong.
2. Mr. Cheung Ming was appointed an independent non-executive director of Beijing Development (Hong Kong) Limited (stock code: 154), a listed company in Hong Kong on 28 August 2014.
3. Mr. Sue Ka Lok (“Mr. Sue”) resigned as an executive director and the chief executive officer of Mission Capital Holdings Limited (formerly known as Poly Capital Holdings Limited) (stock code: 1141), a listed company in Hong Kong on 31 October 2014.

Mr. Sue stepped down from his position as the chairman of China Tycoon Beverage Holdings Limited (stock code: 209), a listed company in Hong Kong and remained as a non-executive director on 4 November 2014.

Other Information

UPDATE ON DIRECTORS' INFORMATION (continued)

4. Mr. Suen Cho Hung, Paul resigned as an executive director and chairman of New Island Development Holdings Limited (stock code: 377), a listed company in Hong Kong on 25 September 2014.
5. Mr. Siu Hi Lam, Alick was appointed an independent non-executive director of Get Nice Holdings Limited (stock code: 64), a listed company in Hong Kong on 1 September 2014.

AUDIT COMMITTEE

The condensed consolidated financial statements of the Company for the six months ended 30 September 2014 have not been audited, but have been reviewed by the audit committee of the Company (the "Audit Committee") and are duly approved by the Board under the recommendation of the Audit Committee.

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

During the six months ended 30 September 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board

Zhang Honghai

Chairman

Hong Kong, 20 November 2014