

**BEP INTERNATIONAL HOLDINGS LTD:
SAY WHAT YOU LIKE, THIS IS, STILL, A MOMMA-AND-PAPA SHOP**

It is highly unlikely that BEP International Holdings Ltd will ever set the world on fire, but, all things being equal, it should be able to continue to earn reasonable profits, considering that it has done exceedingly well during some of the most difficult economic times of the past decade.

BEP International is, what **TARGET** would describe, a '*bread-and-butter*' company.

It manufactures everyday electrically operated household utensils, such as electric kettles, electric irons, electric heaters, etc.

It is not engaged in the manufacture of specialised electronics, such as electronic chips, liquid crystal displays, etc.

It went public on the Main Board of The Stock Exchange of Hongkong Ltd on February 18, 2003 when it Offered 7.20 million, one-cent New Shares at a Premium of 69 cents per Share.

Aside from the 7.20-million Share Offering, the Company, also, Placed 36 million New Shares on the same basis.

BEP International collected about \$HK22.70 million from this cash-raising exercise, that amount of money to be earmarked for the following 2 purposes, the Prospectus stated at Page 71:

1. \$HK14.20 million to acquire plant and machinery; and,
2. \$HK8.50 million to retire some bank borrowings.

The reasons that were given for the use of the Net Proceeds from this flotation makes little sense to this medium because that \$HK22.70 million could easily have been taken from the day-to-day operations of the Company.

BEP International is not short of a dollar. In fact, it could be said to be flush with cash, so much so that, every year, since 2000, at least, it has been able to pay its shareholders very generous annual dividends.

Between the 2000 Financial Year up to and including the 6 months, ended September 30, 2002, this Company paid, in aggregate, \$HK102.50 million in dividends to its Shareholders, which, prior to being known as Stock Code Number 2326, comprised members of the Chan Tat Family, only.

And, in regard to the Chan Tat Clan, perhaps, this is the time to add that this family, also, sold 28.80 million of the family shares by Placement on the same basis as the Company raised money.

For what reason this obviously wealthy family should care about \$HK20.16 million – the gross proceeds from the sale of 28.80 million Shares at 70 cents per Share – **TARGET** has no idea except, perhaps, that the Underwriters saw difficulties in Placing the 36 million New Shares, for which they had undertaken to offload to independent third parties, and could not see their way clear to Placing another tranche of 28.80 million shares.

While, as **TARGET** stated, by innuendo, in the opening paragraph of this analysis, this Company is unlikely, ever, to be a very large company, for a number of reasons, it has, nevertheless, done quite nicely over the past 42 months or so.

The following table is lifted from the Accountants' Report, contained at Page 101 of the Prospectus:

	Financial Year ended March 31			Six Months to September 30
	2000	2001	2002	2002
	All Figures are Denominated in \$HK'000 (except where otherwise stated)			
Turnover	227,334	273,325	324,261	145,002
Cost of Sales	(179,125)	(217,546)	(257,632)	(115,363)
Gross Profit	48,209	55,779	66,629	29,639
Gross Profit Margin*	21.21 percent	20.41 percent	20.55 percent	20.44 percent
Other Revenue	890	1,481	985	389
Exchange Gain	Nil	221	Nil	Nil
Selling and Distribution Costs	(6,557)	(7,673)	(8,254)	(3,932)
Administrative Expenses	(15,623)	(19,310)	(20,602)	(10,057)
Other Operating Expenses	Nil	Nil	(1,700)	Nil
Profit from Operations	26,899	30,498	37,058	16,039
Financing Costs	(912)	(2,142)	(1,917)	(526)
Profit before Taxation	25,987	28,356	35,141	15,513
Taxation	(1,804)	(2,369)	(3,123)	(1,151)
Net Profit Attributable to Shareholders	24,183	25,987	32,018	14,362
Net Profit Margin*	10.64 percent	9.51 percent	9.87 percent	9.90 percent

* These are **TARGET**'s calculations

In respect of the \$HK1.70 million, listed as being '*Other Operating Expenses*', incurred in the 2002 Financial Year, this would appear to have been a Provision for the Company's defective goods, which had to be replaced. (Page 104 of the Prospectus, under Note (c)).

For the 2003 Financial Year, ended March 31, 2003, BEP International indicated a Profit Attributable to Shareholders of not less than \$HK23 million.

Management could not have gone wrong in this forecast – since that sum of money had, already, been '*banked*', so to speak, at the time of the float.

TARGET's calculations as to the 2003 Net Profits is taken from the half-Year Net Profit of about \$HK14.36 million, to which **TARGET** added another \$HK8.89 million, which is noted at Page 68 of the Prospectus under the calculation of the Adjusted Net Tangible Assets.

This is the calculation of the Adjusted Net Tangible Assets:

Combined Net Tangible Assets, as at September 30, 2002	\$HK56,599,000
Combined Profit after Taxation for the 3 Months, ended December 31, 2002	\$HK8,885,000
Estimated Net Proceeds from the Issue of New Shares	\$HK22,700,000
ADJUSTED NET TANGIBLE ASSETS	\$HK88,184,000
ADJUSTED NET TANGIBLE ASSET BACKING PER SHARE*	36.70 cents

* 240 million shares in issue

While BEP International has not produced a forecast Net Profit for its Financial Year, ended March 31, 2003, **TARGET** suggests that it could not have been more than the 2002 Bottom Line of about \$HK32.02 million.

Management

While about 70 percent of the Issued and Fully Paid-Up Share Capital of this Company stays in the hands of the Chan Tat Family, the composition of the Executive Board of Directors comprises only one member of that family: The Paterfamilias, Mr Chan Tat, the 70-year-old Chairman and Managing Director.

The other 3 Executive Directors are:

Mr Stephen Lo Yiu Hee, the 45-year-old Deputy Chairman and General Manager, who is a Certified Public Accountant;
Mr Lee Kam Hung, the 35-year-old Marketing Director; and,
Mr Christopus Sin Cheuk Lok, the 33-year-old Finance Director and Company Secretary, who is, also, a Chartered Certified Accountant by training.

However, as with most Chinese-family controlled companies, it was inevitable that at least one other family member hold a position of power.

In the case of BEP International, the 70-year-old wife of the Chairman, Madame Hong Jing Yu, is the lone Non-Executive Director.

This little band controls the lives of some 1,431 workers, of which number, 54 workers are employed in the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC), Page 55 of the Prospectus states.

While, clearly, BEP International could never claim to be institutionalised, considering the composition of the ownership of the lion's share of the Issued and Fully Paid-Up Share Capital, with only 30 percent of the shares in the hands of the investing public, who are not associated with the Chan Tat Family, it might not be unfair to state that it has the appearance of a momma-and-papa shop, with papa – the Chairman – overseeing the operations of the Company, while momma ... [CLICK TO ORDER FULL ARTICLE](#)

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