

Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

BONSO ELECTRONICS INTERNATIONAL INC

Form 20-F

November 17, 2008

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 20-F

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934
- OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
- OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
- OR
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 0-17601

BONSO ELECTRONICS INTERNATIONAL INC.

-----  
(Exact name of Registrant as specified in its charter)

British Virgin Islands

(Jurisdiction of incorporation or organization)

Unit 1915-1916, 19/F, Delta House  
3 On Yiu Street, Shek Mun,  
Shatin, Hong Kong

-----  
(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:  
NONE

Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK, PAR VALUE \$.003

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: NONE

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

5,577,639 shares of common stock, \$0.003 par value, at March 31, 2008

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If the report is an annual or transition report, indicated by check mark if the registrant is not required to file reports pursuant to Section 13 or 15D of the Securities Exchange Act of 1934.

Yes  No

Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large Accelerated Filer  Accelerated Filer  Non-accelerated filer

Indicate by check mark which basis of accounting the Registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued  
By the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the Registrant has elected to follow:

Item 17  Item 18

If this is an annual report, indicated by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)

Yes  No

2

TABLE OF CONTENTS

-----

PART I

	Page
	-----
Item 1. Identity of Directors, Senior Management and Advisors.....	5
Item 2. Offer Statistics and Expected Timetable.....	5
Item 3. Key Information.....	5
Item 4. Information on the Company.....	18
Item 4A. Unresolved Staff Comments.....	29
Item 5. Operating and Financial Review and Prospects.....	29
Item 6. Directors, Senior Management and Employees.....	47
Item 7. Major Shareholders and Related Party Transactions.....	56
Item 8. Financial Information.....	57
Item 9. The Offer and Listing.....	57
Item 10. Additional Information.....	58
Item 11. Quantitative and Qualitative Disclosures about Market Risk.....	63
Item 12. Description of Securities Other Than Equity Securities.....	64

PART II

Item 13. Defaults, Dividend Arrearages and Delinquencies.....	64
---	----

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds .....	64
Item 15. Controls and Procedures.....	64
Item 16. Reserved.....	67
Item 16A. Audit Committee Financial Expert.....	67
Item 16B. Code of Ethics.....	67
Item 16C. Principal Accountant Fees and Services.....	68
Item 16D. Exemptions from the Listing Standards for Audit Committees.....	69
Item 16E. Purchases of Equity Securities by the Issuer and Affiliates Purchasers .....	69

### PART III

Item 17. Financial Statements.....	70
Item 18. Financial Statements.....	F-1 to F-35
Item 19. Exhibits.....	
SIGNATURES.....	

### 3

#### FORWARD-LOOKING STATEMENTS

This Annual Report on Form 20-F contains forward-looking statements. A forward-looking statement is a projection about a future event or result, and whether the statement comes true is subject to many risks and uncertainties. These statements often can be identified by the use of terms such as "may," "will," "expect," "believe," "anticipate," "estimate," "approximate" or "continue," or the negative thereof. The actual results or activities of the Company will likely differ from projected results or activities of the Company as described in this Annual Report, and such differences could be material.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results and performance of the Company to be different from any future results, performance and achievements expressed or implied by these statements. In other words, our performance might be quite different from what the forward-looking statements imply. You should review carefully all information included in this Annual Report.

You should rely only on the forward-looking statements that reflect management's view as of the date of this Annual Report. We undertake no obligation to publicly revise or update these forward-looking statements to reflect subsequent events or circumstances. You should also carefully review the risk factors described in other documents we file from time to time with the Securities and Exchange Commission (the "SEC"). The Private Securities Reform Act of 1995 contains a safe harbor for forward-looking statements on which the Company relies in making such disclosures. In connection with the "safe harbor," we are hereby identifying important factors that could cause actual results to differ materially from those contained in any forward-looking statements made by us or on our behalf. Factors that might cause such a difference include, but are not limited to, those discussed in the section entitled "Risk Factors" under Item 3. - Key Information.

#### FINANCIAL STATEMENTS AND CURRENCY PRESENTATION

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and publish our financial statements in United States Dollars.

# Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

## REFERENCES

In this Annual Report, "China" refers to all parts of the People's Republic of China other than the Special Administrative Region of Hong Kong. The terms "Bonso," "we," "our," "us," and the "Company" refer to Bonso Electronics International Inc. and, where the context so requires or suggests, our direct and indirect subsidiaries. References to "dollars" or "\$" are to United States Dollars, "HK\$" are to Hong Kong Dollars, "Euros" or "(euro)" are to the European Monetary Union's Currency, "GPB" are to British Pounds, "RMB" are to Chinese Renminbi and "CDN" are to Canadian Dollars.

4

## PART I

Item 1. Identity of Directors, Senior Management and Advisors

Not Applicable.

Item 2. Offer Statistics and Expected Timetable

Not Applicable.

Item 3. Key Information

The selected consolidated financial data as of March 31, 2007 and 2008 and for each of the three fiscal years ended March 31, 2008 are derived from the Audited Consolidated Financial Statements and notes which appear elsewhere in this Annual Report. The Financial Statements are prepared in accordance with generally accepted accounting principles in the United States of America and expressed in United States Dollars. The selected consolidated financial data set forth below as of March 31, 2004, 2005 and 2006, and for each of the two fiscal years in the period ended March 31, 2005 have been derived from our audited consolidated financial statements that are not included in this Annual Report. The selected consolidated financial data is qualified in their entirety by reference to, and should be read in conjunction with, the Consolidated Financial Statements and related notes and Item 5 - "Operating and Financial Review and Prospects" included in this Annual Report.

5

## SELECTED CONSOLIDATED FINANCIAL DATA

Income Statement Data  
(in 000's USD except per shares and per share data)

	Year Ended March 31,			
	2004	2005	2006	2007
	-----	-----	-----	-----

Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Net sales	\$	74,964	\$	69,602	\$	64,543	\$
Cost of sales		(57,481)		(53,138)		(51,114)	
Gross margin		17,483		16,464		13,429	
Selling expenses		(3,122)		(2,595)		(2,111)	
Salaries and related costs		(5,150)		(5,216)		(5,681)	
Research and development expenses		(740)		(710)		(847)	
Administration and general expenses		(5,439)		(4,079)		(3,421)	
Amortization of brand name		(200)		(200)		(200)	
Impairment of goodwill		--		--		(258)	
Impairment of brand name		--		--		--	
Impairment on share investment		--		--		--	
Loss from water damage		--		--		--	
Income (Loss) from operations		2,832		3,664		911	
Interest income		57		81		202	
Interest expense		(500)		(417)		(504)	
Foreign exchange gain (loss)		15		(98)		(184)	
Other income		225		372		190	
Income (Loss) before income taxes and minority interest		2,629		3,602		615	
Income tax (expense) benefit		(402)		(266)		(131)	
Net (loss) income before minority interest		2,227		3,336		484	
Minority interest		41		14		--	
Net (loss) income		2,268		3,350		484	
(Loss) earnings per share							
- Basic	\$	0.40	\$	0.59	\$	0.09	(\$
- Diluted	\$	0.37	\$	0.55	\$	0.08	(\$
Weighted average shares		5,702,015		5,646,676		5,577,639	5
Diluted weighted average shares		6,060,264		6,054,303		5,937,644	5

(1) The diluted net loss per share was the same as the basic net loss per share for the fiscal years ended March 31, 2008 and 2007 as all potential ordinary shares including the stock options and warrants are anti-dilutive and therefore excluded from the computation of diluted net loss per share.

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Balance Sheet Data  
(in 000's USD except per shares and per share data)

	March 31,			
	2004	2005	2006 (1)	2007
Cash and cash equivalents	\$10,815	\$ 9,708	\$ 8,582	\$ 8,11
Working capital	\$12,901	\$15,345	\$16,945	\$16,84
Total assets	\$53,598	\$52,463	\$49,479	\$47,51
Current liabilities	\$20,190	\$18,319	\$15,657	\$16,39
Long-term debts and capital leases	\$ 1,158	\$ 168	\$ 0	\$ 5
Deferred income tax assets	\$ 67	\$ 99	\$ 83	\$ 8
Common stock	\$ 17	\$ 17	\$ 17	\$ 1
Shareholders' equity	\$30,750	\$33,932	\$33,802	\$31,05
Dividends declared per share	\$ 0.05	\$ 0.10	\$ 0.05	\$ 0.0

(1) Certain comparative figures have been reclassified to conform to the current year's presentation.

### Risk Factors

You should carefully consider the following risks, together with all other information included in this Annual Report. The realization of any of the risks described below could have a material adverse effect on our business, results of operations and future prospects.

#### Political, Legal, Economic and Other Uncertainties of Operations in China and Hong Kong

We Could Face Increased Currency Risks If China Does Not Maintain The Stability Of The Hong Kong Dollar or the Chinese Renminbi. The Hong Kong Dollar and the United States Dollar have been fixed at approximately 7.80 Hong Kong Dollars to 1.00 U.S. Dollar since 1983. From 1994 until July 2005, the Chinese Renminbi had remained stable against the U.S. Dollar at approximately 8.28 to 1.00 U.S. Dollar. On July 21, 2005, the Chinese currency regime was altered to link the RMB to a "basket of currencies," which includes the US dollar, Euro, Japanese Yen and Korean Won. Under the rules, the RMB is allowed to move 0.3% on a daily basis against the U.S. Dollar. The People's Bank of China, on May 21 2007, widened the RMB trading band from 0.3% daily movement against the U.S. Dollar to 0.5%. As of October 13, 2008, the RMB was valued at 6.83 per US Dollar. Any significant revaluation of the RMB may materially and adversely affect our cash flows, revenues, earnings and financial position, and the value of, and any dividends payable to our common shareholders in U.S. Dollars. In addition, China's government continues to receive significant international pressure to further liberalize its currency policy and as a result may further

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

change its currency policy. The Chinese government in the past has expressed its intention in the Basic Law to maintain the stability of the Hong Kong currency after the sovereignty of Hong Kong was transferred to China in July 1997. However, there can be no assurance that the Hong Kong Dollar will remain pegged against the U.S. Dollar or the Chinese Renminbi will not be allowed to fluctuate more than 0.5% on a daily basis. If the current exchange rate mechanism is changed, we face increased currency risks, which could have a material adverse effect upon the Company.

7

We Face Significant Risks If The Chinese Government Changes Its Policies, Laws, Regulations, Tax Structure, Or Its Current Interpretations Of Its Laws, Rules And Regulations Relating To Our Operations In China. Our manufacturing facility is located in China. As a result, our operations and assets are subject to significant political, economic, legal and other uncertainties. Changes in policies by the Chinese government resulting in changes in laws or regulations or the interpretation of laws or regulations, confiscatory taxation, changes in employment restrictions, restrictions on imports and sources of supply, import duties, corruption, currency revaluation or the expropriation of private enterprise could materially and adversely affect us. Over the past several years, the Chinese government has pursued economic reform policies including the encouragement of private economic activity and greater economic decentralization. If the Chinese government does not continue to pursue its present policies that encourage foreign investment and operations in China, or if these policies are either not successful or are significantly altered, then our business operations in China could be adversely affected. We could even be subject to the risk of nationalization, which could result in the total loss of investment in that country. Following the Chinese government's policy of privatizing many state-owned enterprises, the Chinese government has attempted to augment its revenues through increased tax collection. Continued efforts to increase tax revenues could result in increased taxation expenses being incurred by us. Economic development may be limited as well by the imposition of austerity measures intended to reduce inflation, the inadequate development of infrastructure and the potential unavailability of adequate power and water supplies, transportation and communications. If for any reason we were required to move our manufacturing operations outside of China, our profitability would be substantially impaired, our competitiveness and market position would be materially jeopardized and we might have to discontinue our operations.

Our Results Will Likely Be Affected By The Recent Global Economic Downturn. In 2008, global economic conditions have experienced a downswing from the effects of the subprime mortgage crisis, general credit crisis, collateral effects on the finance and banking industries, volatile energy costs, slower economic activity, decreased consumer confidence, reduced corporate profits and adverse business conditions. These conditions make it difficult for our customers, our vendors and us to forecast and plan future business activities or expansion accurately. They appear to have caused and may continue to cause companies worldwide to slow spending generally, and our customers to slow ordering and spending on our products specifically. If orders from our customers continue to shrink because of these macroeconomic effects, our business, financial condition and results of operations will in turn likely be materially and adversely affected.

We cannot predict the timing or duration of the economic slowdown in the electronics manufacturing industry in which we serve. Therefore, management has focused on our strategy to improve production efficiencies, broaden our product range, and penetrate into new markets. We plan to concentrate on reducing overhead costs and improving resources utilization. These actions will increase

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

our profitability and new products development to meet new requirements from customers.

The economy of China has been experiencing significant growth, leading to some inflation. If the government tries to control inflation by traditional means of monetary policy or returns to planned economic techniques, our business will suffer a reduction in sales growth and expansion opportunities. The rapid growth of the PRC economy has historically resulted in high levels of inflation.

8

If the government tries to control inflation, it may have an adverse effect on the business climate and growth of private enterprise in the PRC. An economic slowdown may reduce our revenues. If inflation is allowed to proceed unchecked, our costs would likely increase, and there can be no assurance that we would be able to increase our prices to an extent that would offset the increase in our expenses.

Changes to PRC tax laws and heightened efforts by the China's tax authorities to increase revenues are expected to subject us to greater taxes. Under prior PRC law, we have been afforded a number of tax concessions by, and tax refunds from, China's tax authorities on a substantial portion of our operations in China by reinvesting all or part of the profits attributable to our PRC manufacturing operations. On March 16, 2008, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law increases the corporate income tax rate for foreign invested enterprises to 25% with effect from January 1, 2009, which would likely increase our tax burden in the future. The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, we will assess their impact, if any. Under the new income tax law, apart from those qualified as high-tech enterprises, most domestic enterprises and foreign invested enterprises would be subject to a single PRC enterprise income tax rate and gradually transition to the new tax rate of 25% within five years. We base our tax position upon the anticipated nature and conduct of our business and upon our understanding of the tax laws of the various countries in which we have assets or conduct activities. However, our tax position is subject to review and possible challenge by taxing authorities and to possible changes in law, which may have retroactive effect. We cannot determine in advance the extent to which some jurisdictions may require us to pay taxes or make payments in lieu of taxes.

We Face Risks By Operating In China, Because The Chinese Legal System Relating To Foreign Investment And Foreign Operations Like Bonso's Is Evolving And The Application Of Chinese Laws Is Uncertain. The legal system of China relating to foreign investments is continually evolving, and there can be no certainty as to the application of its laws and regulations in particular instances. The Chinese legal system is a civil law system based on written statutes. Unlike common law systems, it is a system in which decided legal cases have little precedential value. In 1979, the Chinese government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. Legislation over the past 30 years has significantly enhanced the protections afforded to various forms of foreign investment in China. Enforcement of existing laws or agreements may be sporadic and implementation and interpretation of laws inconsistent. The Chinese judiciary is relatively inexperienced in enforcing the laws that exist, leading to a higher than usual degree of uncertainty as to the outcome of any litigation. Even where adequate law exists in China, it may not be possible to obtain swift and



## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

equitable enforcement of that law. Further, various disputes may be subject to the exercise of considerable discretion by agencies of the Chinese government, and forces and factors unrelated to the legal merits of a particular matter or dispute may influence their determination. Continued uncertainty relating to the laws in China and the application of the laws could have a material adverse effect upon us and our operations in China.

9

We Could Be Adversely Affected If China Changes Its Economic Policies In The Shenzhen Special Economic Zone Where We Operate. In August 1980, the Chinese government passed "Regulations for The Special Economy Zone of Guangdong Province" and officially designated a portion of Shenzhen as The Shenzhen Special Economy Zone. Foreign enterprises in these areas benefit from greater economic autonomy and special tax incentives than enterprises in other parts of China. Changes in the policies or laws governing The Shenzhen Special Economy Zone could have a material adverse effect on us. Moreover, economic reforms and growth in China have been more successful in certain provinces than others, and the continuation or increase of these disparities could affect the political or social stability of China, which could have a material adverse effect on us and our operations near Shenzhen.

Controversies Affecting China's Trade With The United States Could Harm Our Results Of Operations Or Depress Our Stock Price. While China has been granted permanent most favored nation trade status in the United States through its entry into the World Trade Organization, controversies between the United States and China may arise that threaten the status quo involving trade between the United States and China. These controversies could materially and adversely affect our business by, among other things, causing our products in the United States to become more expensive resulting in a reduction in the demand for our products by customers in the United States, which would have a material adverse effect upon us and our results of operations. Further, political or trade friction between the United States and China, whether or not actually affecting our business, could also materially and adversely affect the prevailing market price of our common shares.

If Our Sole Factory Were Destroyed Or Significantly Damaged As A Result of Fire, Flood Or Some Other Natural Disaster, We Would Be Adversely Affected. All of our products are manufactured at our manufacturing facility located in Shenzhen, China. Fire fighting and disaster relief or assistance in China may not be as developed as in Western countries. Apart from our China operation, the warehouse and storage facility in Germany and Canada are also subject to the risks of loss or damage due to fire, flood, or any other natural disaster. We currently maintain property damage insurance aggregating approximately \$23.14 million covering our stock in trade, goods and merchandise, furniture and equipment and buildings. We do not maintain business interruption insurance. Investors are cautioned that material damage to, or the loss of, our factory due to fire, severe weather, flood or other act of God or cause, even if insured, could have a material adverse effect on our financial condition, results of operations, business and prospects.

Our Results Could Be Harmed If We Have To Comply With New Environmental Regulations. Our operations create some environmentally sensitive waste that may increase in the future depending on the nature of our manufacturing operations. The general issue of the disposal of hazardous waste has received increasing attention from China's national and local governments and foreign governments and agencies and has been subject to increasing regulation. Our business and operating results could be materially and adversely affected if we were to increase expenditures to comply with any new environmental regulations affecting

our operations.

Future Changes In The Labor Laws In China May Result In The Continued Increase In Labor Costs. During the fiscal years ended March 31, 2007 and 2008, we experienced an increase in the cost of labor caused by the increase in the

10

minimum hourly rate. Any future changes in the labor laws in the PRC could result in us having to pay increased labor costs. There can be no assurance that the labor laws will not change, which may have a material adverse effect upon our business and our results of operations.

If we were to lose our existing banking facilities or those facilities were substantially decreased or less favorable terms were imposed upon us, the Company could be materially and adversely affected. We maintain banking facilities with a number of different banks, which are typically subject to renewal on an annual basis. Certain of our short-term bank loans (i.e., aggregating approximately US\$20.9 million) were renewed subsequent to our fiscal year end. We have other banking facilities aggregating approximately US\$6.0 million that we expect to renew in the coming months.

We use our banking facilities to fund our working capital requirements. In recent months, the credit markets in Hong Kong and throughout the world have tightened and experienced extraordinary volatility and uncertainty. We have had discussion with several of our banks and believe that the availability of our banking facilities will continue on terms that are acceptable to us. However, as a result of changes in the capital or other legal requirements applicable to the banks that provide our banking facilities or if our financial position and operations were to deteriorate further, our costs of borrowing could increase or the terms of our banking facilities could be changed so as to impact our liquidity. If we are unable to obtain needed capital on terms acceptable to us, our business, financial condition, results of operations and cash flows could be materially adversely affected.

#### Risk Factors Relating to Our Business

We Depend Upon Our Largest Customers For A Significant Portion Of Our Sales Revenue, And We Cannot Be Certain That Sales To These Customers Will Continue. If Sales To These Customers Do Not Continue, Then Our Sales Will Decline And Our Business Will Be Negatively Impacted. Traditionally, we have relied upon 3 customers for a significant portion of our sales during the fiscal year. During the fiscal years ended March 31, 2006 and March 31, 2007, the same three customers accounted for approximately 48% of our sales for both years. During the fiscal year ended March 31, 2008, they accounted for 50% of our sales. We do not enter into long-term contracts with our customers, but manufacture based upon purchase orders and therefore cannot be certain that sales to these customers will continue. The loss of any of our largest customers would likely have a material negative impact on our sales revenue and our business.

Defects In Our Products Could Impair Our Ability To Sell Our Products Or Could Result In Litigation And Other Significant Costs. Detection of any significant defects in our products may result in, among other things, delay in time-to-market, loss of market acceptance and sales of our products, diversion of development resources, injury to our reputation, or increased warranty costs. Because our products are complex, they may contain defects that cannot be detected prior to shipment. These defects could harm our reputation, which could result in significant costs to us and could impair our ability to sell our products. The costs we may incur in correcting any product defects may be

substantial and could decrease our profit margins.

11

Since certain of our products are used in applications that are integral to our customers' businesses, errors, defects, or other performance problems could result in financial or other damages to our customers, which would likely result in adverse effects upon our business with these customers. If we were involved in any product liability litigation, even if it were unsuccessful, would be time consuming and costly to defend. Further, our product liability insurance may not be adequate to cover claims.

Our Sales Through Retail Merchants Result In Seasonality And Susceptibility To A Downturn In The Retail Economy And Sales Variances Resulting From Retail Promotional Programs. A significant amount of our net sales, \$13,484,460 during the fiscal year ended March 31, 2008 is the result of sales of bathroom and kitchen scales to retail merchants in Europe by Korona Haushaltswaren GmbH & Co. KG ("Korona"), a subsidiary of the Company. In addition, many of our other customers sell to retail merchants. Accordingly, these portions of our customer base are susceptible to a downturn in the retail economy. A greater number of our sales of scales and telecommunications products occur between the months of April and September for shipment in the summer in preparation of the Christmas holiday. Throughout the remainder of the year, our products do not appear to be subject to significant seasonal variation. However, past sales patterns may not be indicative of future performance. A significant portion of our sales in Europe is attributable to the promotional programs of our retail industry customers. These promotional programs result in significant orders by customers who do not carry our products on a regular basis. We cannot assure you that promotional purchases by our retail industry customers will be repeated regularly, or at all. Further, our promotional sales could cause our quarterly results to vary significantly. The reduction in promotional purchases would likely have a material adverse effect upon our results of operations.

Our Customers Are Dependent On Shipping Companies For Delivery Of Our Products And Interruptions To Shipping Could Materially And Adversely Affect Our Business And Operating Results. Typically, we sell our products either F.O.B. Hong Kong or Yantian (Shenzhen) and our customers are responsible for the transportation of products from Hong Kong or Yantian (Shenzhen) to their final destinations. Our customers rely on a variety of carriers for product transportation through various world ports. A work stoppage, strike or shutdown of one or more major ports or airports could result in shipping delays materially and adversely affecting our customers, which in turn could have a material adverse effect on our business and operating results. Similarly, an increase in freight surcharges due to rising fuel costs or general price increases could materially and adversely affect our business and operating results.

Customer Order Estimates May Not Be Indicative Of Actual Future Sales. Some of our customers have provided us with forecasts of their requirements for our products over a period of time. We make many management decisions based on these customer estimates, including purchasing materials, hiring personnel, and other matters that may increase our production capacity and costs. If a customer reduces its orders from prior estimates after we have increased our production capabilities and costs, this reduction may decrease our net sales and we may not be able to reduce our costs to account for this reduction in customer orders. Many customers do not provide us with forecasts of their requirements for our products. If those customers place significant orders, we may not be able to increase our production quickly enough to fulfill the customers' orders. The inability to fulfill customer orders could damage our relationships with

customers and reduce our net sales.

12

Pressure By Our Customers To Reduce Prices And Agree To Long-Term Supply Arrangements May Cause Our Net Sales Or Profit Margins To Decline. Our customers are under pressure to reduce prices of their products. Therefore, we expect to experience increasing pressure from our customers to reduce the prices of our products. Continuing pressure to reduce the price of our products could have a material adverse effect upon our business and operating results. Our customers frequently negotiate supply arrangements with us well in advance of placing orders for delivery within a year, thereby requiring us to commit to price reductions before we can determine if we can achieve the assumed cost reductions. We believe we must reduce our manufacturing costs and obtain higher volume orders to offset declining average sales prices. Further, if we are unable to offset declining average sales prices, our gross profit margins will decline, which would have a material adverse effect upon our results of operations.

We Depend Upon Our Key Personnel And The Loss Of Any Key Personnel, Or Our Failure To Attract And Retain Key Personnel, Could Adversely Affect Our Future Performance, Including Product Development, Strategic Plans, Marketing And Other Objectives. The loss or failure to attract and retain key personnel could significantly impede our performance, including product development, strategic plans, marketing and other objectives. Our success depends to a substantial extent not only on the ability and experience of our senior management, but particularly upon Anthony So our Chairman of the Board. We do not have key man life insurance on Mr. So. To the extent that the services of Mr. So would be unavailable to us, we would be required to obtain another person to perform the duties Mr. So otherwise would perform. We may be unable to employ another qualified person with the appropriate background and expertise to replace Mr. So on terms suitable to us.

Certain Subsidiaries Of The Company Received On-going Enquiries From The Local Tax Authorities During The Year. If The Subsidiaries Were Finally Held Liable For Such Additional Taxation, Our Consolidated Net Income And The Value Of Your Investment Could Be Substantially Reduced. During the fiscal years ended March 31, 2008 and 2007, certain of our subsidiaries were and continue to be subject to enquiries from the local tax authorities. Upon the adoption of FIN 48, "Accounting for Uncertainty in Income Taxes -- An Interpretation of FASB Statement No. 109", or FIN 48, the Company recorded a provision of approximately \$2,164,000 in relation to uncertain tax positions as of April 1, 2007. The assessment is subject to final determination by the local tax authorities and may be different from what we have recorded as a provision. As such, there can be no assurance that the enquiry will not result in imposing additional income tax expense on the Group, which could have a material adverse effect upon the Group and its results of operations.

Contractual Arrangements We Have Entered Into Among Us And Our Subsidiaries May Be Subject To Scrutiny By The Respective Tax Authorities And A Finding That Bonso And Its Subsidiaries Owe Additional Taxes Could Substantially Reduce Our Consolidated Net Income And The Value Of Your Investment. We could face material and adverse tax consequences if the respective tax authorities determine that the contractual arrangements among our subsidiaries and Bonso do not represent an arm's length price and adjust Bonso or any of its subsidiaries' income in the form of a transfer pricing adjustment. Bonso did not consider the need to make

13

a tax provision in this respect. However, there can be no assurance that the assessment performed by the local tax authorities will result in the same position. A transfer pricing adjustment could, among other things, result in a reduction, for tax purposes, of expense deductions recorded by Bonso or any of its subsidiaries, which could in turn increase its tax liabilities. In addition, the tax authorities may impose late payment fees and other penalties to our affiliated entities for under-paid taxes. Our consolidated net income may be materially and adversely affected if our affiliated entities' tax liabilities increase or if they are found to be subject to late payment fees or other penalties.

**Increased Prices For Raw Materials May Have A Negative Impact Upon Us.** During the fiscal years ended March 31, 2006, 2007 and 2008, the costs of component parts increased due to the increase in the price of oil used in the production of components such as plastic resin, steel and other raw materials. If oil prices continue to increase, it will likely result in an increase in the costs of components to us as well as an increase in our operating expenses, which may have a material adverse effect upon our business and results of operations.

**We May Face An Increased Shortage Of Factory Workers.** During the fiscal years ended March 31, 2006, March 31, 2007 and March 31, 2008, we experienced labor shortages for factory workers. Due to increases in demand for workers in China, we cannot assure you that we can adequately staff the factory. The ability to adequately staff our factory could have a material impact on production, which could lead to delays in shipments or missed sales. In the event that we have delayed or lost sales, we may need to deliver goods by air at our cost to ensure that our products arrive on time, which would likely result in an increase in air freight costs, vendor fines and could result in missed sales, any of which could have a material adverse effect upon our business and our results from operations. We will reduce the labor requirements by sub-contracting out some production processes that our sub-contractor has a competitive advantage in the cost of production for the fiscal year ended March 31, 2009. We will benefit from the lower cost of production and higher business flexibility. We intend to monitor the quality from outsourcing through our incoming quality control process; however, we cannot guarantee the ability of our sub-contractors to deliver goods on time.

**We Face Increasing Competition In Our Industry And May Not Be Able To Successfully Compete With Our Competitors.** Our business is in an industry that is becoming increasingly competitive, and many of our competitors, both local and international, have substantially greater technical, financial and marketing resources than we have, and as a result, we may be unable to compete successfully with these competitors. We compete with scale manufacturers in the Far East, the United States, and Europe. We believe that our principal competitors in the scale and telecommunications market are other OEM and original design manufacturer "ODM" manufacturers, and all companies engaged in the branded, ODM and OEM business. Both the scale and the telecommunications markets are highly competitive and we face pressures on pricing and lower margins as evidenced by the decline in margins that we have experienced with our scale and telecommunications products. Lower margins may affect our ability to cover our costs, which could have a material negative impact on our operations and our business.

**We Are Controlled By Our Management, Whose Interest May Differ From Those Of The Other Shareholders.** As of October 7, 2008, Mr. Anthony So, our founder and Chairman, beneficially owns approximately 36.41% of the outstanding shares

of common stock, including shares underlying his outstanding options, or 29.16% without including his outstanding options. Due to his stock ownership, Mr. So may be in a position to elect the board of directors and, therefore, to control our business and affairs including certain significant corporate actions such as acquisitions, the sale or purchase of assets and the issuance and sale of our securities. Mr. So may be able to prevent or cause a change in control. We also may be prevented from entering into transactions that could be beneficial to us without Mr. So's consent. The interest of our largest shareholder may differ from the interests of other shareholders.

We have identified Material Weaknesses in our Internal Controls over Financial Reporting. We became subject to Section 404 of the Sarbanes-Oxley Act of 2002 during the fiscal year ended March 31, 2008, which requires us to include a report on the effectiveness of our internal controls over financial reporting. In connection with the preparation of this Annual Report, management of the Company identified material weaknesses in the Company's internal controls over financial reporting. Because of these material weaknesses, there is heightened risk that a material misstatement of our financial statements will not be prevented or detected. We intend to take steps to remediate our material weaknesses, including hiring additional accounting and finance personnel and engaging consultants, but we cannot assure you that our efforts to remediate these internal control weaknesses will be successful, that similar material weaknesses will not recur or that we will not identify new material weaknesses. In the event that we do not adequately remedied these material weaknesses, and if we fail to maintain proper and effective internal controls in future periods, we could become subject to potential review by the NASDAQ, the Securities and Exchange Commission or other regulatory authorities, which could (i) require additional financial and management resources, (ii) compromise our ability to run our business effectively, (iii) cause investors to lose confidence in our financial reporting, and (iv) result in a reduction in the price of our Common Stock.

Compliance Costs With Recently Enacted Changes In The Securities Laws And Regulations Pursuant To The Sarbanes-Oxley Act of 2002 Will Increase Our Costs. The Sarbanes-Oxley Act of 2002 that became law in July 2002 has required changes in some of our corporate governance, securities disclosure, accounting and compliance practices. In response to the requirements of that act, the Securities and Exchange Commission and the NASDAQ have promulgated new rules on a variety of subjects. Compliance with these rules as well as the Sarbanes-Oxley Act of 2002, including but not limited to compliance with Section 404 that requires management to assess the effectiveness of its internal control over financial reporting, has increased our legal, financial and accounting costs, and we expect the cost of compliance with these new rules to be permanent. Further, the new rules may increase the expenses associated with our director and officer liability insurance.

Our Operating Results And Stock Price Are Subject To Wide Fluctuations. Our quarterly and annual operating results are affected by a wide variety of factors that could materially and adversely affect net sales, gross profit and profitability. This could result from any one or a combination of factors, many of which are beyond our control. Results of operations in any period should not be considered indicative of results to be expected in any future period, and fluctuations in operating results may also result in fluctuations in the market price of our common stock.

Our Results Could Be Affected By Changes In Currency Exchange Rates. Changes in currency rates involving the Canadian Dollar, Hong Kong dollar, Chinese Renminbi, British Pounds or the Euro could increase our expenses. During the fiscal years ended March 31, 2006, 2007 and 2008, our financial results were affected by currency fluctuations, resulting in a total foreign exchange loss of approximately \$184,000, \$184,000 and \$216,000 respectively. Generally, our revenues are collected in United States Dollars, Euros and Canadian Dollars. Our costs and expenses are paid in United States Dollars, Canadian Dollars, Hong Kong Dollars, British Pound, Euros and Chinese Renminbi. We face a variety of risks associated with changes among the relative value of these currencies. An appreciation of the Canadian Dollar, Chinese Renminbi, Hong Kong Dollar, British Pound, or the Euro against the U.S. Dollar would increase our expenses when translated into U.S. Dollars and could materially and adversely affect our margins and results of operations. In addition, a significant devaluation in the Canadian Dollar, Chinese Renminbi, Hong Kong Dollar, British Pound or Euro could have a material adverse effect upon our results of operations.

Protection And Infringement Of Intellectual Property. Except for three patents held by Gram Precision Scales Inc. ("Gram Precision"), the trademark for KORONA and twelve trademarks currently held by Gram Precision, we have no patents, licenses, franchises, concessions or royalty agreements that are material to our business. We have obtained a trademark registration in Hong Kong and China for the marks BONSO and MODUS in connection with certain electronic apparatus. Unauthorized parties may attempt to copy aspects of our products or trademarks or to obtain and use information that we regard as proprietary. Policing unauthorized use of our products is difficult. Our means of protecting our proprietary rights may not be adequate. In addition, the laws of some foreign countries do not protect our proprietary rights to as great an extent as do the laws of the United States. Our failure to adequately protect our proprietary rights may allow third parties to duplicate our products or develop functionally equivalent or superior technology. In addition, our competitors may independently develop similar technology or design around our proprietary intellectual property.

Further, we may be notified that we are infringing patents, trademarks, copyrights or other intellectual property rights owned by other parties. In the event of an infringement claim, we may be required to spend a significant amount of money to develop a non-infringing alternative or to obtain licenses. We may not be successful in developing such an alternative or obtaining a license on reasonable terms, if at all. Any litigation, even without merit, could result in substantial costs and diversion of resources and could have a material adverse affect on our business and results of operations.

Cancellations Or Delays In Orders Could Materially And Adversely Affect Our Gross Margins And Operating Income. Sales to our OEM customers are primarily based on purchase orders we receive from time to time rather than firm, long-term purchase commitments. Although it is our general practice to purchase raw materials only upon receiving a purchase order, for certain customers we will occasionally purchase raw materials based on such customers' rolling forecasts. Further, during times of potential component shortages we have purchased, and may continue to purchase, raw materials and component parts in the expectation of receiving purchase orders for products that use these components. In the event actual purchase orders are delayed, are not received or are cancelled, we would experience increased inventory levels or possible write-downs of raw material inventory that could materially and adversely affect our business and operating results.

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

We Generally Have No Written Agreements With Suppliers To Obtain Components And Our Margins And Operating Results Could Suffer From Increases In Component Prices. We are typically responsible for purchasing components used in manufacturing products for our customers. We generally do not have written agreements with our suppliers of components. This typically results in our bearing the risk of component price increases because we may be unable to procure the required materials at a price level necessary to generate anticipated margins from the orders of our customers. Further, prices of components have increased recently based upon the increase in oil prices and what management believes to be a high worldwide demand for components used in the manufacturing of our products. Accordingly, additional increases in component prices could materially and adversely affect our gross margins and results from operations.

### Certain Legal Consequences of Foreign Incorporation and Operations

Judgments Against The Company And Management May Be Difficult To Obtain Or Enforce. We are a holding corporation organized under the laws of the British Virgin Islands and our principal operating subsidiaries are organized under the laws of Hong Kong and the laws of the Peoples' Republic of China. Our principal executive offices are located in Hong Kong and the Peoples' Republic of China, Korona is located in Germany and Gram Precision is located in Canada. Outside the United States, it may be difficult for investors to enforce judgments obtained against us in actions brought in the United States, including actions predicated upon the civil liability provisions of federal securities laws. In addition, most of our officers and directors reside outside the United States and the assets of these persons are located outside of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon these persons, or to enforce against the Company or these persons judgments predicated upon the liability provisions of United States federal securities laws. Our Hong Kong counsel and our British Virgin Islands counsel have advised that there is substantial doubt as to the enforceability against us or any of our directors or officers in original actions or in actions for enforcement of judgments of United States courts in claims for liability based on the civil liability provisions of federal securities laws.

Because We Are Incorporated In The British Virgin Islands, You May Not Have The Same Protections As Shareholders Of U.S. Corporations. We are organized under the laws of the British Virgin Islands. Principles of law relating to matters affecting the validity of corporate procedures, the fiduciary duties of our management, directors and controlling shareholders and the rights of our shareholders differ from, and may not be as protective of shareholders as, those that would apply if we were incorporated in a jurisdiction within the United States. Our directors have the power to take certain actions without shareholder approval, including an amendment of our Memorandum or Articles of Association and certain fundamental corporate transactions, including reorganizations, certain mergers or consolidations and the sale or transfer of assets. In addition, there is doubt that the courts of the British Virgin Islands would enforce liabilities predicated upon United States federal securities laws.

Future Issuances Of Preference Shares Could Materially And Adversely Affect The Holders Of Our Common Shares Or Delay Or Prevent A Change Of Control. Our Memorandum and Articles of Association provide the ability to issue an aggregate of 10,000,000 shares of preferred stock in four classes. While currently no preferred shares are issued or outstanding, we may issue preferred shares in the



## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

future. Future issuance of preferred shares could materially and adversely affect the rights of the holders of our common shares, dilute the common shareholders or delay or prevent a change of control.

Our Shareholders Do Not Have The Same Protections Or Information Generally Available To Shareholders Of U.S. Corporations Because The Reporting Requirements For Foreign Private Issuers Are More Limited Than Those Applicable To Public Corporations Organized In The United States. We are a foreign private issuer within the meaning of rules promulgated under the Exchange Act. We are not subject to certain provisions of the Exchange Act applicable to United States public companies including: the rules under the Exchange Act requiring the filing with the Securities and Exchange Commission (the "SEC") of quarterly reports on Form 10-Q or current reports on Form 8-K, the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect to a security registered under the Exchange Act and the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and establishing insider liability for profits realized from any "short-swing" trading transaction (i.e., a purchase and sale, or sale and purchase, of the issuer's equity securities within six months or less). Because we are not subject to these rules, our shareholders are not afforded the same protections or information generally available to investors in public companies organized in the United States.

Our Board's Ability To Amend Our Charter Without Shareholder Approval Could Have Anti-Takeover Effects That Could Prevent A Change In Control. As permitted by the law of the British Virgin Islands, our Memorandum and Articles of Association, which are the terms used in the British Virgin Islands for a corporation's charter and bylaws, may be amended by our board of directors without shareholder approval. This includes amendments to increase or reduce our authorized capital stock. Our board's ability to amend our charter documents without shareholder approval could have the effect of delaying, deterring or preventing a change in control of Bonso, including a tender offer to purchase our common shares at a premium over the current market price.

We May Not Pay Dividends In The Future. Although we have declared dividends on April 2, 2003 and July 13, 2004 and July 12, 2005 and August 22, 2006, we may not be able to declare dividends or the board of directors may decide not to declare dividends in the future. We will determine the amounts of any dividends when and if they are declared, in the future at the time of declaration.

#### Item 4. Information on the Company

##### History and Development of the Company

Bonso Electronics International Inc. was formed on August 8, 1988 as a limited liability company under the laws of the British Virgin Islands under the name "Golden Virtue Limited." On September 14, 1988, we changed our name to Bonso Electronics International, Inc. We operate under the BVI Business Companies Act.

Effective as of May 1, 2001 we acquired 100% of the equity of Korona. Korona markets consumer scale products throughout Europe to retail merchandisers and distributors. These products feature contemporary designs using the latest materials and attractive packaging.

Effective as of August 1, 2002, we acquired 51% of the equity of Gram Precision. Gram Precision is primarily engaged in the distribution and marketing

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

of pocket scales in the United States, Canada, and Europe.

In April 2007, we set up a new wholly-owned subsidiary, Bonso USA Inc. Bonso USA Inc. focuses on the sales of industrial scales in the US market. We intend to dissolve Bonso USA, Inc.

Our corporate administrative matters are conducted through our registered agent, HWR Services Limited, P.O. Box 71, Road Town, Tortola, British Virgin Islands. Our principal executive offices are located at Unit 1915-1916, 19/F, Delta House, 3 On Yiu Street, Shek Mun, Shatin, Hong Kong. Our telephone number is 852-2605-5822, our facsimile number is 852-2691-1724, our e-mail address is info@bonso.com and our website is www.bonso.com.

Our principal capital expenditures for property, plant and equipment over the last three years is set forth below:

	2006 -----	2007 -----	2008 -----
Property Plant & Equipment	\$1,340,134	\$342,110	\$2,683,440

Our capital expenditures include the purchase of machinery used in the production of certain of our products.

All of the foregoing capital expenditures were financed principally from internally generated funds.

In November, 2006, Bonso entered into a land purchase agreement with Xincheng Hi-Tech Industrial Estate to acquire a piece of land of approximately 146,673 square meters for future expansion of the Company's operations in XinXing. Pursuant to the land purchase agreement, the total consideration will be approximately \$1,472,000 (RMB 11,145,500). In July 2007, the Company paid a deposit of approximately \$610,000 (RMB 4,617,900), and the remaining balance was paid in October 2007. During the year ended March 31, 2008, the Group prepaid \$150,325 (RMB 1,050,000) for the acquisition of the right to use another piece of land in XinXing, the total consideration for which will be \$501,083 (RMB 3,500,000).

This new piece of land is more than triple the size of the land upon which the Company's existing facilities are located in Shenzhen, China. It is expected that the land transfer will be completed in 2009 and the first phase of construction of the new manufacturing facilities will commence in 2011.

### Business Overview

Bonso Electronics International Inc. designs, develops, produces and sells electronic sensor-based and wireless products for private label Original Equipment Manufacturers (individually "OEM" or collectively "OEM's"), Original Brand Manufacturers (individually "OBM" or collectively "OBM's") and Original Design Manufacturers (individually "ODM" or collectively "ODM's").

Since 1989, we have manufactured all of our products in China in order to take advantage of the lower overhead costs and competitive labor rates. Our factory is located in Shenzhen, China, about 50 miles from Hong Kong. The convenient location permits us to easily manage manufacturing operations from Hong Kong and facilitates transportation of our products out of China through

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

the ports of Hong Kong and Yantian (Shenzhen).

### Products

Our sensor-based scale products are comprised of bathroom, kitchen, office, jewelry, laboratory, postal and industrial scales that are used in consumer, commercial and industrial applications. These products accounted for 67% of revenue for the fiscal year ended March 31, 2006, 75% for 2007 and 70% for 2008. We believe that our industrial scales will continue to be a larger portion of our scales revenue as we are able to secure orders from our major customers.

Our wireless telecommunications products are primarily comprised of two-way radios and cordless telephones that are used in consumer and commercial applications. These products accounted for 32% of revenue for the fiscal year ended March 31, 2006, 24% for 2007 and 29% for 2008. We believe that sales of our telecommunications products will remain stable.

We also receive revenue from certain customers for the development and manufacture of tooling and molding for scales and telecommunication products. Generally, these tools and moulds are used by us for the manufacture of products. We also generate some sales of scrape materials. These revenues accounted for approximately 1% of net sales for the fiscal years ended March 31, 2006, 2007 and 2008.

The following table sets forth the percentage of net sales for each of the product lines mentioned above, for the fiscal years ended March 31, 2006, 2007, and 2008:

Product Line	Year ended March 31,		
	2006	2007	2008
Scales	67%	75%	70%
Telecommunications Products	32%	24%	29%
Others	1%	1%	1%
Total	100%	100%	100%

### Business Strategy

We believe that our continued growth depends upon our ability to strengthen our customer base by enhancing and diversifying our products, increasing the number of customers and expanding into additional markets, while maintaining or

20

increasing sales of our products to existing customers. Our continued growth and our ability to become profitable are also dependent upon our ability to control production costs and increase production capacity. Our strategy to achieve these goals is as follows:

**Product Enhancement And Diversification.** We continually seek to improve and enhance our existing products in order to provide a longer product life-cycle and to meet increasing customer demands for additional features. Our research and development staff is currently working on a variety of projects to enhance our existing scale products and products for the telecommunications industry and the postal scale/meter market. See "Products, Research and Development / Competition" below.

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Maintaining And Expanding Business Relations With Existing Customers. We promote relationships with our significant customers through regular communication, including visiting certain of our customers in their home countries and providing direct access to our manufacturing and quality control personnel. This access, together with our concern for quality, has resulted in a relatively low level of defective products. Moreover, we believe that our emphasis on timely delivery, good service and low cost has contributed and will continue to contribute to good relations with our customers and increased orders. Further, we solicit suggestions from our customers for product enhancement and when feasible, plan to develop and incorporate the enhancements suggested by our customers into our products.

Market And Product Expansion. We have significantly expanded our marketing efforts in the United States, Canada and Europe. We have primarily done this through the acquisitions of Gram Precision and Korona, and through efforts to introduce the Korona brand name and products into the United States. Further, we have taken significant steps to expand the products that we sell and to position ourselves as both ODM's and OEM's for other companies that require a manufacturing partner with our capabilities. We intend to increase our marketing and sales efforts with both existing and potential customers.

Controlling Production Costs. In 1989, recognizing that labor cost is a major factor permitting effective competition in the consumer electronic products industry, we relocated all of our manufacturing operations to China to take advantage of the large available pool of lower cost manufacturing labor. We located our manufacturing facilities within 50 miles of Hong Kong in order to facilitate transportation of our products to markets outside of China, while benefiting from the advantages associated with manufacturing in China and in the Shenzhen Special Economy Zone.

We are actively seeking to control production costs by such means as redesigning our existing products in order to decrease material and labor costs, controlling the number of our employees, increasing the efficiency of workers by providing regular training and tools and redesigning the flow of our production lines.

Increasing Production Capacity. We have significantly expanded our production capacity by leasing additional factory and dormitory buildings immediately adjacent to our factory in China. We have the opportunity to increase our capacity through the construction and/or leasing of additional factory and dormitory space near our factory in China. Further, in November 2006, Bonso entered into a land purchase agreement to acquire approximately 146,673 square meters of land for future expansion in XinXing, China. We intend to carefully monitor our capacity needs and to expand capacity as necessary.

21

### Customers and Marketing

We sell our products primarily in the United States and Europe. Customers for our products are primarily OEM's, OBM's and ODM's, which market the products under their own brand names. We continue to market our products to OEM's, OBM's and ODM's at trade shows, via e-mail and facsimile. Gram Precision engages in the distribution and marketing of pocket and industrial scales in the United States, Canada, and Europe. Korona engages in the distribution and marketing of electronic and mechanical body and kitchen scales directly to the retail and catalogue markets in Europe.

Net export sales to customers by geographic area consisted of the following

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

for each of the three years ended March 31, 2006, 2007 and 2008.

	Year ended March 31:				2008
	2006		2007		
United States of America	\$37,352,618	58%	\$36,432,384	55%	\$31,810,510
Germany	\$13,302,506	21%	\$17,545,242	26%	\$17,283,130
Other EC Countries	\$10,259,900	15%	\$7,219,581	11%	\$8,412,160
Asia and Others	\$3,627,939	6%	\$5,294,173	8%	\$5,180,680
Total	\$64,542,963	100%	\$66,491,380	100%	\$62,686,500

We maintain a marketing and sales team of 12 people in China, a marketing team of 3 people in Canada for Gram Precision and a sales team of 10 people at Korona in Germany (including 6 sales representative and sales agents and 4 persons who are directly employed by Korona). Also, our experienced engineering teams work directly with our customers to develop and tailor our products to meet the customer's specific needs. We market our products primarily through a combination of direct contact by our experienced in-house technical sales staff and our sales representatives, and through the use of direct mail catalogues and product literature. Korona sells its products primarily through direct contact by sales teams with customers. External sales agents may be hired to conduct sales and we may pay commissions to the agents in connection with the sales. During the fiscal years ended March 31, 2006, 2007 and 2008 we recorded total commission payments of \$379,162, \$543,349 and \$626,116, respectively. In addition, our marketing teams contact existing and potential customers by telephone, mail, facsimile, and in person.

22

Our major electronics sensor customer and the percent of sales for the prior three fiscal years are below:

	Percent of Sales - Year ended March 31:	
	2006	2007
Electronics Sensor Customers		
Sunbeam Products, Inc.	16%	23%

A list of our major telecommunications customers for each of the prior three fiscal years follows:

	Percent of Sales - Year ended March 31:	
	2006	2007
Telecommunications Customer		
TTI Tech Co., Ltd.	16%	12%

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Global Link Corporation Ltd.

16%

13%

Sales of our products to OEM's and ODM's accounted for approximately 70% of our total net sales in the years ended March 31, 2006 and 2007 and 77% for the year ended March 31, 2008. Korona contributed \$13,672,447 or 21% of total net sales for the year ended March 31, 2006, \$13,437,337 or 20% of total net sales for the year ended March 31, 2007 and \$13,484,460 or 21% of total net sales for the year ended March 31, 2008. Gram Precision contributed \$5,571,132 or 9% of total net sales for the year ended March 31, 2006, \$4,767,667 or 7% of total net sales for the year ended March 31, 2007 and \$3,706,420 or 6% of total net sales for the year ended March 31, 2008.

### Component Parts and Suppliers

We purchase over 1,000 different component parts from more than 100 major suppliers and are not dependent upon any single supplier for key components. We purchase components for our products primarily from suppliers in Japan, Taiwan, South Korea, Hong Kong and China.

During the fiscal years ended March 31, 2006, March 31, 2007 and March 31, 2008, the costs of component parts increased due to the increase in the price of oil used in the production of components such as plastic resin, steel and other raw materials. Further, we believe that costs of component parts have also increased due to an increase in worldwide demand for electronic components such as those used in the production of our products. We have taken steps to reduce our exposure to any inability to obtain components by forecasting with an increased buffer rate and placing orders for components earlier and allowing for longer delivery lead times. Because of these actions, we do not expect to experience any difficulty in obtaining needed component parts for our products.

### Quality Control

We have received ISO 9001: 2000 certification from Det Norske Veritas Certification B.V., the Netherlands. The ISO 9001: 2000 certification was awarded to our subsidiary, Bonso Electronics Limited and to Bonso Electronics Limited's subsidiary Bonso Electronics (Shenzhen) Company Limited. Further, we have received TL 9000 certification for our telecommunications products. We also received certification according to the Environmental Management Standards of ISO 14001:2004 and the Occupational Health and Safety Management Standard of OHSAS 18001.

23

ISO 9001 is one of the ISO 9000 series of quality system standards developed by the International Organization for Standardization, a worldwide federation of national standards bodies. ISO 9001 provides a model for quality assurance (and continuous improvement) in product development, manufacturing, installation and servicing that focuses on meeting customer requirements. The TL 9000 standard was developed by the Quality Excellence for Suppliers of Telecommunications (QuEST) Leadership Forum. The TL 9000 certification process was developed exclusively to address the quality of products and services provided by suppliers to the telecommunications industry.

By integrating the Occupational Health and Safety Management Standard of OHSAS 18001 into our quality and environmental systems, we have created a total Integrated Management System (IMS) - Quality, Environment and Health and Safety by combining ISO9001, ISO 14001 and OHSAS 18001 into one

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Quality/Environment/Health and Safety registration.

The European Union has enacted the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment Directive ("RoHS"). RoHS prohibits the use of certain substances, including lead, in certain products. We believe that we are in compliance with RoHS and have a supply of compliant components from suppliers.

Patents, Licenses, Trademarks, Franchises, Concessions and Royalty Agreements

We have obtained a trademark registration in Hong Kong and China for the marks BONSO and MODUS in connection with certain electronic apparatus. Also, we have acquired the trademark registration rights to the KORONA mark for 16 European countries and in the United States. Gram Precision has 3 patents for scales and 12 trademarks.

We rely on a combination of patent, trademark and trade secret laws, employee and third party non-disclosure agreements and other intellectual property protection methods to protect our proprietary rights. There can be no assurance that third parties will not assert infringement or other claims against us with respect to any existing or future products. We cannot assure you that licenses would be available if any of our technology was successfully challenged by a third party, or if it became desirable to use any third-party technology to enhance the Company's products. Litigation to protect our proprietary information or to determine the validity of any third-party claims could result in a significant expense to us and divert the efforts of our technical and management personnel, whether or not such litigation is determined in our favor.

While we have no knowledge that we are infringing upon the proprietary rights of any third party, there can be no assurance that such claims will not be asserted in the future with respect to existing or future products. Any such assertion by a third party could require us to pay royalties, to participate in costly litigation and defend licensees in any such suit pursuant to indemnification agreements, or to refrain from selling an alleged infringing product or service.

24

Product Research and Development/Competition

The major responsibility of the product design, research and development personnel is to develop and produce designs to the satisfaction of and in accordance with the specifications provided by the OEM's, OBM's and ODM's. We believe our engineering and product development capabilities are important to the future success of our business. As an ODM, we take specifications that are provided to us by the customer and design a product to meet those specifications. Some of our product design, research, and development activities are customer funded and are under agreements with specific customers for specific products. We have successfully lowered the costs for our research and development team by moving most research and development activities to our facility in China. We principally employ Chinese engineers and technicians at costs that are substantially lower than that would be required in Hong Kong. At March 31, 2008, we employed 65 individuals in Hong Kong and China for our engineering staffs, which are at various times engaged in research and development. The major responsibility of the product design and research and development personnel is to develop and produce designs of scales products to the satisfaction of and in accordance with the specifications provided by the ODM's and OEM's. We anticipate hiring additional research and development

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

personnel to meet the increased demand for scale products.

The manufacturing and sale of electronic sensor-based and wireless products is highly competitive. Competition is primarily based upon unit price, product quality, reliability, product features and management's reputation for integrity. Accordingly, reliance is placed on research and development of new products, line extensions and technological, quality and other continuous product improvement. There can be no assurance that we will enjoy the same degree of success in these efforts in the future. Research and development expenses, aggregated \$847,401 during the fiscal year ended March 31, 2006, \$983,172 during the fiscal year ended March 31, 2007 and \$883,304 during the fiscal year ended March 31, 2008.

### Seasonality

Generally, the first calendar quarter of each year is typically the slowest sales period because our manufacturing facilities in China are closed for two weeks for the Chinese New Year holidays to permit employees to travel to their homes in China. In addition, sales during the first calendar quarter of both scales and telecommunications products usually dip following the increase in sales during the Christmas season. A greater number of our sales of scales and telecommunications products occur between the months of April and September for shipment in the summer in preparation of the Christmas holiday. Throughout the remainder of the year, our products do not appear to be subject to significant seasonal variation. The summer months are generally the lowest sales point of the calendar year for Gram Precision and Korona. Sales of telecommunication products are generally higher in the summer months off-setting Gram Precision's and Korona's decline in sales. However, past sales patterns may not be indicative of future performance.

Employee incentive compensation is conditioned on the employee's return to work following the Chinese New Year and is paid to employees following the reopening of the factory after the holidays. We believe that this method has resulted in lower employee turnover than might otherwise have occurred.

25

### Transportation

Typically, we sell products either F.O.B. Hong Kong or Yantian (Shenzhen), which means that our customers are responsible for the transportation of finished products from Hong Kong or Yantian (Shenzhen) to their final destination. Transportation of components and finished products to and from the point of shipment is by truck. To date, we have not been materially affected by any transportation problems. However, transportation difficulties affecting air cargo or shipping, such as an extended closure of ports that materially disrupts the flow of our customers' products into the United States, could materially and adversely affect our sales and margins if, as a result, our customers delay or cancel orders or seek concessions to offset expediting charges they incurred pending resolution of the problems causing the port closures.

### Government Regulation

We are subject to comprehensive and changing foreign, federal, state and local environmental requirements, including those governing discharges to the air and water, the handling and disposal of solid and hazardous waste, and the remediation of contamination associated with releases of hazardous substances. We believe that we are in compliance with current environmental requirements. Nevertheless, we use hazardous substances in our operations and as is the case



## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

with manufacturers in general, if a release of hazardous substances occurs on or from our properties we may be held liable and may be required to pay the cost of remediation. The amount of any resulting liability could be material.

### Foreign Operations

A significant amount of our products are manufactured at our factory located in China. While China has been granted permanent most favored nation trade status in the United States through its entry into the World Trade Organization, controversies between the United States and China may arise that threaten the status quo involving trade between the United States and China. These controversies could materially and adversely affect our business by, among other things, causing our products in the United States to become more expensive resulting in a reduction in the demand for our products by customers in the United States.

Sovereignty over Hong Kong reverted to China on July 1, 1997. The 1984 Sino-British Joint Declaration, the 1990 Basic Law of Hong Kong, the 1992 United States-Hong Kong Policy Act and other agreements provide some indication of the business climate we believe will continue to exist in Hong Kong. Hong Kong remains a Special Administrative Region ("SAR") of China, with certain autonomies from the Chinese government. Hong Kong is a full member of the World Trade Organization. It has separate customs territory from China, with separate tariff rates and export control procedures. It has a separate intellectual property registration system. The Hong Kong Dollar is legal tender in the SAR, freely convertible and not subject to foreign currency exchange controls by China. The SAR government has sole responsibility for tax policies, though the Chinese government must approve the SAR's budgets. Notwithstanding the provisions of these international agreements, we cannot be assured of the continued stability of political, legal, economic or other conditions in Hong Kong. No treaty exists between Hong Kong and the United States providing for the reciprocal enforcement of foreign judgments. Accordingly, Hong Kong courts might not enforce judgments predicated on the federal securities laws of the United States, whether arising from actions brought in the United States or, if permitted, in Hong Kong.

26

### Organizational Structure

We have one wholly-owned Hong Kong subsidiary - Bonso Electronics Limited ("BEL"). BEL was organized under the laws of Hong Kong and is responsible for the design, development, manufacture and sale of our products.

BEL has one active Hong Kong subsidiary - Bonso Investment Limited ("BIL"). BIL was organized under the laws of Hong Kong and has been used to acquire and hold our property investments in Hong Kong and China.

BEL also has one active PRC subsidiary - Bonso Electronics (Shenzhen) Company Limited, which is organized under the laws of the PRC, and is used to manufacture all of our products.

We also have another wholly-owned British Virgin Islands subsidiary - Modus Enterprise International Inc., which owns 100% of Korona and 51% of Gram Precision. Korona is engaged in marketing, distributing and retailing of consumer bathroom and kitchen scale products throughout Europe. Gram Precision is primarily engaged in the distribution and marketing of pocket and industrial scales in the United States, Canada and Europe.

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

In April 2007, we set up a wholly-owned subsidiary, Bonso USA, Inc., a Nevada corporation. In August 2008, management made the decision to dissolve Bonso USA, Inc. because of poor performance. The Group will handle all of the business previously handled by Bonso USA, Inc., through its other subsidiaries.

### Property, Plant and Equipment

#### British Virgin Islands

Our offices are located at Cragmuir Chambers, Road Town, Tortola, British Virgin Islands. Only corporate administrative matters are conducted at such offices, through our registered agent, HWR Services Limited.

#### Hong Kong

We lease approximately 2,045 square feet of office space located at Unit 1915-1916, 19/F, Delta House, 3 On Yiu Street, Shek Mun, Shatin, Hong Kong as our principal executive office. The monthly lease payment is \$3,933, and the lease expires on January 28, 2011.

We own approximately 4,593 square feet at Unit C & D, 8th floor of the Universal Industrial Centre, 23-25 Shan Mei Street, Fo Tan, Shatin, New Territories, Hong Kong. This facility now is used exclusively as warehouse space.

We own a residential property in Hong Kong, which is located at Savanna Garden, House No. 27, Tai Po, New Territories, Hong Kong. House No. 27 consists of approximately 2,475 square feet plus a 177 square foot terrace and a 2,308 square foot garden area. The use of House No. 27 is provided as quarters to Mr. Anthony So, the Chairman, Chief Executive Officer and Chief Financial Officer of the Company.

27

On March 31, 2008, we sold our office that was located at Unit 1106 - 1110, 11/F, Star House, 3 Salisbury Road, Tsimshatsui, Kowloon, Hong Kong. The total sales price was \$4,875,513, and Bonso realized a gain on the sale of \$3,123,983.

#### China

Our existing factory in China is located at Shenzhen in the DaYang Synthetical Development District, close to the border between Hong Kong and China. This factory consists of five factory buildings, which contain approximately 333,000 square feet, four workers' dormitories, containing approximately 181,000 square feet, a canteen and recreation center of approximately 25,500 square feet, an office building, consisting of approximately 25,500 square feet, and two staff quarters for our supervisory employees, consisting of approximately 35,000 square feet, for a total of approximately 600,000 square feet. All of the facilities noted above are wholly-owned, except three factory buildings and two workers' dormitories with approximately 200,000 square feet. We pay a monthly management fee of \$2,635 pursuant to a Contract on the Management of Land with Shenzhen Baoan Fuan Industrial Company for our own premises.

We also own one residential property in Shenzhen, which is located at Lakeview Mansion, B-20C, Hujinju Building No. 63, Xinan Road, Boacheng Baoan Shenzhen, China. It consists of approximately 1,591 square feet and is utilized by directors when they require accommodations in China.

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

We also own two office units in Beijing, namely Units 12 and 13 on the 3rd floor, Block A of Sunshine Plaza in Beijing, China. Unit 12 consists of 1,102 square feet and Unit 13 consists of 1,860 square feet. One Unit is rented to unaffiliated third parties for an aggregate monthly rental of RMB 9,692, or approximately \$1,419.

In November, 2006, Bonso entered into a land purchase agreement with Xincheng Hi-Tech Industrial Estate to acquire a piece of land of approximately 146,673 square meters for future expansion of the Company's operations in XinXing. Pursuant to the land purchase agreement, the total consideration will be approximately \$1,472,000 (RMB 11,145,500). In July 2007, the Company paid a deposit of approximately \$610,000 (RMB 4,617,900). During the year ended March 31, 2008, the Group prepaid \$150,325 (RMB 1,050,000) for the acquisition of the right to use another piece of land in XinXing. The total consideration for the land will be \$501,083 (RMB 3,500,000).

28

### Germany

Korona leases approximately 885 square meters of office space located at Auf den Huttenberg 1-3, 35428 Langgons-Niederkleen, Germany. This facility is used as Korona's principal executive offices and the monthly rent for this facility is Euros 6,567.74. Korona has an agreement with a logistic company that the logistic company handles the storage, receipt and shipping of all goods, the monthly rent is Euros 31,390, and the lease expires on June 30, 2010.

### Poland

Korona leases approximately 86 square meters of office space located at ul. Podmiejska 18, 01-498 Warszawa. The facility is used as office space and the monthly rent for this facility is Euros 533. This lease expires on July 31, 2010.

### United States

Bonso USA Inc. leased approximately 3,070 square feet of office and warehouse space located at 11 Millpond Drive, Unit 4, Lafayette, NJ 07848. This facility was used as office space and warehouse and the monthly rent for this facility was \$2,800. This lease expires on April 30, 2010.

### Canada

Gram Precision leases approximately 10,800 square feet of office and warehouse space located at 2855 Argentia Road, Unit 1, Mississauga, Ontario, L5N 8G6, Canada. The monthly rent for this facility is CDN 9,969. This lease expires on April 30, 2010.

### Adequacy of Facilities

We believe the manufacturing complex will be adequate for our reasonably foreseeable needs.

#### Item 4A. Unresolved Staff Comments

Not Applicable.

#### Item 5. Operating and Financial Review and Prospects

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

The following discussion and analysis should be read in conjunction with Item 3 - "Key Information - Selected Financial Data" and the Consolidated Financial Statements and Notes to Consolidated Financial Statements attached elsewhere in this Annual Report.

### Overview

We derive our revenues principally from the sale of sensor-based and wireless products manufactured in China, which represent 70% and 29% of total sales for the fiscal year ended March 31, 2008, respectively. As mentioned in Item 3 - "Key Information - Risk factors relating to our business," we are dependent upon a limited number of major customers for a significant portion of our revenues. Our revenues and business operation will be subject to fluctuation if there is a loss of orders from any of our largest customers. Further, the

29

pricing of our scales and telecommunication products are becoming increasingly competitive, especially to our customers in the United States and Germany, who contributed approximately 78% of our revenue during the fiscal year ended March 31, 2008.

In the fiscal year ended March 31, 2006 net sales were approximately \$64,543,000 and net income was approximately \$484,000. During the fiscal year ended March 31, 2007 net sales were approximately \$66,491,000 and net loss was approximately \$1,371,000. During the fiscal year ended March 31, 2008, net sales were approximately \$62,687,000 and net loss was approximately \$8,550,000.

Costs are increasing in China and our labor costs represented approximately 8.8% of our total production costs in the fiscal year ended March 31, 2008, compared to 10.7% in the fiscal year ended March 31, 2007. Although labor costs as a percentage of total production costs have decreased, the total labor costs for fiscal 2008 have actually increased compared to fiscal 2007. This was due to an increase in the minimum wage set by the PRC government, partly offset by the decrease in the number of workers. We believe that increased labor costs in China will have a significant effect on our total production costs or results of operations, and that we will not be able to continue to increase our production at our manufacturing facility without substantially increasing our non-production salaries and related costs. There can be no assurance that labor costs will not further increase or that any additional increase in labor costs will not have a material adverse effect upon our results of operations.

We have not experienced significant difficulties in obtaining raw materials for our products, and management does not anticipate any such difficulties in the foreseeable future. However, the prices for raw materials increased significantly during the fiscal year ended March 31, 2008 as a result of the increase in oil prices. There can be no assurance that raw material costs will not further increase or that any additional increase in raw material costs will not have a material adverse effect upon our results of operations.

30

### Operating Results

The following table sets forth selected income data as a percentage of net sales for the periods indicated:

Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Income Statement Data	Fiscal Year Ended		
	2006	2007	2008
Net sales	100.0	100.0	100.0
Cost of sales	(79.2)	(81.1)	(92.0)
Gross margin	20.8	18.9	8.0
Selling expenses	(3.3)	(3.7)	(4.0)
Salaries and related costs	(8.8)	(8.2)	(9.2)
Research and development expenses	(1.3)	(1.5)	(1.4)
Administration and general expenses	(5.3)	(4.5)	(7.4)
Amortization of brand name	(0.3)	(0.3)	(0.3)
Impairment of goodwill	(0.4)	--	(1.3)
Impairment of brand name	--	--	(2.6)
Impairment of share investment	--	--	(0.3)
Loss from water damage	--	(1.1)	--
Income (loss) from operations	1.4	(0.4)	(18.5)
Interest income	0.3	0.5	0.3
Interest expense	(0.8)	(0.9)	(1.1)
Foreign exchange loss	(0.3)	(0.3)	(0.3)
Other income	0.3	0.4	5.5
Income before income taxes and minority interest	1.0	(0.7)	(14.1)
Income tax expense	(0.2)	(1.3)	0.5
Minority interest	0.0	0.0	0.0
Net (loss) income	0.8	(2.0)	(13.6)

Fiscal year ended March 31, 2008 compared to fiscal year ended March 31, 2007

Net Sales. Our sales decreased approximately \$3,804,000 or 5.7% from approximately \$66,491,000 for the year ended March 31, 2007, to approximately \$62,687,000 for the year ended March 31, 2008. The decrease in sales was primarily the result of decreased sales orders for scales products. Sales of our scales and others business decreased 12.2% from approximately \$50,243,000 for the year ended March 31, 2007, to approximately \$44,089,000 for the year ended March 31, 2008, and sales for telecommunications products increased 14.5% from approximately \$16,248,000 for the year ended March 31, 2007, to approximately \$18,598,000 for the year ended March 31, 2008. The decrease in sales for scale products was the result of a decline in orders from some of our customers. The increase in sales for telecommunications products was caused by an increase in orders from our major telecommunications customers.

31

Gross Margin. Gross margin as a percentage of revenue declined to approximately 8.0% during the year ended March 31, 2008 as compared to approximately 18.9% during the year ended March 31, 2007. The Company was confronted with a very difficult operating environment in this fiscal year. Rising prices for some key raw materials like plastic resins and stainless steel drove up the production costs for the Company. Rising labor costs also increased our production costs. Furthermore, the Company paid more for the raw materials because of the appreciation of Chinese Renminbi against US Dollars during the year. Also, we wrote off \$2,457,510 of obsolete inventories. In addition, the Company was not able to reflect fully the increase in material and labor costs in its selling prices. As a result of these factors, our gross profit margin

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

decreased by 10.9% when compared to the prior fiscal year.

**Selling Expenses.** Selling expenses increased by approximately \$3,000 or 0.1% from approximately \$2,477,000 for the year ended March 31, 2007 to approximately \$2,480,000 for the year ended March 31, 2008. During fiscal 2008, there was an increase in the proportion of sales made through external sales agents relative to sales made through internal salespersons. This resulted in an increase in commissions paid to external sales agents, offset by a decrease in salaries to our internal salespersons.

**Salaries And Related Costs.** Salaries and related costs increased by approximately \$343,000 or 6.3% from approximately \$5,438,000 for the year ended March 31, 2007 to approximately \$5,781,000 for the year ended March 31, 2008. This increase was primarily the result of increased salary to employees, and appreciation of Chinese Renminbi, Euros and Canada Dollars against US Dollars.

**Research And Development.** Research and development expenses decreased approximately \$100,000 or 10.2% from approximately \$983,000 for the year ended March 31, 2007 to approximately \$883,000 for the year ended March 31, 2008. The decrease in research and development was primarily the result of a reduction in the number of engineers employed. Research and Development as a percentage of revenue decreased to 1.40% during the year ended March 31, 2008 as compared to 1.48% during the year ended March 31, 2007.

**Administration And General Expenses.** Administration and general expenses increased by approximately \$1,634,000 or 54.4% from approximately \$3,004,000 for the year ended March 31, 2007 to approximately \$4,638,000 for the year ended March 31, 2008. This increase was primarily the result of increased expenses in professional fees for tax advisory services, audit fees, and operating expenses for Bonso USA, Inc. An increase in bank charges of approximately \$120,000 was due to facilitating insurance coverage through factoring for open accounts to customers. Furthermore, the company recognized a provision for \$869,995 for bad debts.

**Amortization Of Brand Names.** During the years ended March 31, 2007 and 2008 we amortized \$200,000 relating to the brand names acquired upon the acquisition of Korona. Brand names are amortized using the straight-line method over the related estimated useful life of 15 years.

**Impairment Of Goodwill.** Based on the assessment for the year ended March 31, 2008, the Group made a provision for impairment of approximately \$843,000 for one of the subsidiaries, Gram Precision, due to deteriorating business

conditions, which we believe was primarily caused by the subprime credit crisis and higher purchase costs as a result of the increase in oil prices during the second half of fiscal 2008. The reporting unit's operating results for fiscal 2008 were used as a basis for management's discounted cash flow analysis in determining the reporting unit's fair value. There was no impairment loss recognized during the fiscal year ended March 31, 2007.

**Impairment Of Brandname.** Management performed an impairment assessment of the brand name of one of the subsidiaries, Korona, due to continuing losses incurred by Korona and the diminishing price premium that Korona was able to realize on its branded products since the last quarter of fiscal 2008. Based on the assessment for the year ended March 31, 2008, the Group recorded an impairment charge on the brand name of approximately \$1,597,000. There was no impairment loss recognized during the fiscal year ended March 31, 2007.

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Impairment Of Share Investment. Based on the assessment for the year ended March 31, 2008, the Group made a provision for impairment of \$200,000 for its investment in a private company, since the value of the investment had become uncertain during the fiscal year. There was no impairment loss recognized during the fiscal year ended March 31, 2007.

Loss from Water Damage. During the fiscal year ended March 31, 2007, we incurred a loss of \$700,950 from water damage which resulted from a heavy rain which caused a river near where our Germany logistic warehouse was located to overflow. The loss was not covered according to the insurance agreement. There was no such loss in the fiscal year ended March 31, 2008.

(Loss)/Income From Operations. As a result of the factors described above, (loss)/ income from operations increased by 4403.1% from a loss of approximately \$258,000 for the year ended March 31, 2007 to a loss of approximately \$11,618,000 for the year ended March 31, 2008.

Interest Income. Interest income decreased by \$110,000 or 35.1% from approximately \$313,000 for the year ended March 31, 2007 to approximately \$203,000 for the year ended March 31, 2008. The decreases were primarily the result of fewer deposits in higher yield account and decrease in interest rates.

Interest Expenses. Interest expenses increased approximately \$67,000 or 10.7% from approximately \$626,000 for the year ended March 31, 2007 to approximately \$693,000 for the year ended March 31, 2008. This increase was primarily the result of increased in bank borrowings during the year ended March 31, 2008.

Foreign Exchange Losses. Foreign exchange loss increased approximately \$32,000 or 17.4% from approximately \$184,000 for the year ended March 31, 2007 to approximately \$216,000 for the year ended March 31, 2008. This increase was primarily the result of the appreciation of Chinese Renminbi against US Dollars during the year ended March 31, 2008.

Other Income. Other income increased approximately \$3,138,000 or 1039.0% from approximately \$302,000 for the year ended March 31, 2007, to approximately \$3,440,000 for the year ended March 31, 2008. The increase was primarily the result of the gain on the sale of an office suite in Hong Kong of approximately \$3,124,000 and disposal of fixed assets in Germany.

33

Income Tax Expense. Income tax expense decreased approximately \$1,252,000 from approximately \$918,000 during the year ended March 31, 2007 to an income tax benefit of \$334,000 during the year ended March 31, 2008, representing approximately 1.4% and approximately (0.5)% of net sales, respectively. For the year ended March 31, 2008, the Company performed an assessment and made a reversal of provision of approximately \$306,000 in relation to uncertain tax positions of prior years.

Net (loss) income. As a result of the factors described above, net loss increased from a loss of approximately \$1,371,000 for the period ended March 31, 2007 to a loss of approximately \$8,550,000 for the period ended March 31, 2008, an increase of approximately \$7,179,000, or 523.6%.

Foreign currency translation adjustments. Foreign currency translation adjustments, net of tax increased from a gain of \$227,000 for the period ended March 31, 2007 to a gain of approximately \$567,000 for the period ended March

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

31, 2008, an increase of approximately \$340,000, or 149.8%. The increased foreign currency translation adjustments, net of tax was primarily the result of appreciation of Chinese Renminbi, Canadian Dollars and Euro against United States Dollars.

Comprehensive income (loss). As a result of the factors described above, comprehensive loss increased from a loss of approximately \$1,144,000 for the period ended March 31, 2007 to a loss of approximately \$7,983,000 for the period ended March 31, 2008, a increase of approximately \$6,839,000, or 597.8%.

Fiscal year ended March 31, 2007 compared to fiscal year ended March 31, 2006

Net Sales. Our sales increased approximately \$1,948,000 or 3.02% from approximately \$64,543,000 for the year ended March 31, 2006, to approximately \$66,491,000 for the year ended March 31, 2007. The increase in sales was primarily the result of increased sales of scales products caused by the increased orders from our major scale customers. Sales of our scales and others business increased 14.7% from approximately \$43,792,000 for the year ended March 31, 2006, to approximately \$50,243,000 for the year ended March 31, 2007, and sales for telecommunications products decreased 21.7% from approximately \$20,751,000 for the year ended March 31, 2006, to approximately \$16,248,000 for the year ended March 31, 2007. The decrease in sales for telecommunications products was caused by the decreased orders from our major telecommunications customers.

Gross Margin. Gross margin as a percentage of revenue declined to approximately 18.9% during the year ended March 31, 2007 as compared to approximately 20.8% during the year ended March 31, 2006. The Company was confronted with a difficult operating environment in this fiscal year. One of the challenges was rising operating overheads. Continuing from an escalating trend in recent years, the prices of crude oil and other key raw materials remained high, thereby driving up production costs for the Company. Furthermore, labour costs were also increasing. The general labour shortage in Shenzhen required us to offer higher wages to our workers in order to retain them. As a result of all these factors, our gross profit margin had decreased by 1.9%.

34

Selling Expenses. Selling expenses increased by approximately \$366,000 or 17.3% from approximately \$2,111,000 for the year ended March 31, 2006 to approximately \$2,477,000 for the year ended March 31, 2007. This increase was primarily the result of increase in air freight cost to meet customers' delivery schedule.

Salaries And Related Costs. Salaries and related costs decreased by approximately \$243,000 or 4.3% from approximately \$5,681,000 for the year ended March 31, 2006 to approximately \$5,438,000 for the year ended March 31, 2007. This decrease was due to the decrease in the number of staff.

Research And Development. Research and development expenses increased approximately \$136,000 or 16.1% from approximately \$847,000 for the year ended March 31, 2006 to approximately \$983,000 for the year ended March 31, 2007. The increase in research and development was primarily due to increased research and development activities, such as hiring of additional staff and certification. for both the telecommunications products and new scale models. Research and Development as a percentage of revenue increased to 1.5% during the year ended March 31, 2007 as compared to 1.3% during the year ended March 31, 2006.

Administration And General Expenses. Administration and general expenses



## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

decreased by approximately \$416,000 or 12.1% from approximately \$3,421,000 for the year ended March 31, 2006 to approximately \$3,004,000 for the year ended March 31, 2007. This decrease was primarily due overall reduction in operating expenses for the year ended March 31, 2007 owing to cost control measures.

**Amortization Of Brand Names.** During the years ended March 31, 2006 and 2007 we amortized \$200,000 relating to the brand names acquired upon the acquisition of Korona. Brand names are amortized using the straight-line method over the related estimated useful life of 15 years.

**Impairment of Goodwill.** Based on the assessment for the year ended March 31, 2006, the Group made a provision for impairment of approximately \$258,000 for one of the subsidiaries, Korona, due to the continued weak performance of the scales business. There was no impairment loss recognized during the fiscal year ended March 31, 2007.

**Loss from Water Damage.** During the fiscal year ended March 31, 2007, we incurred a loss of \$700,950 from water damage which resulted from a heavy rain which caused a river near where our Germany logistic warehouse was located to overflow. We are now in the process of negotiating with our insurance carrier for compensation of the loss.

**(Loss)/Income From Operations.** As a result of the factors described above, (loss)/income from operations decreased by 128.3% from a gain of approximately \$911,000 for the year ended March 31, 2006 to a loss of approximately \$258,000 for the year ended March 31, 2007.

35

**Interest Income.** Interest income increased by \$111,000 or 55% from approximately \$202,000 for the year ended March 31, 2006 to approximately \$313,000 for the year ended March 31, 2007. The increase were primarily the result of depositing our cash into higher yield accounts and the increase in interest rates.

**Interest Expenses.** Interest expenses increased approximately \$122,000 or 24.2% from approximately \$504,000 for the year ended March 31, 2006 to approximately \$626,000 for the year ended March 31, 2007. This increase was primarily due to the increase in interest rates on funds borrowed from the banks and the increase in bank borrowings during the year ended March 31, 2007.

**Foreign Exchange Losses.** There was no significant change in the foreign exchange losses during the year ended March 31, 2007 compared to the year ended March 31, 2006. Despite the continual appreciation of RMB, the effect was offset by fluctuation of foreign currency denominated balances.

**Other Income.** Other income increased approximately \$112,000 or 58.9% from approximately \$190,000 for the year ended March 31, 2006, to approximately \$302,000 for the year ended March 31, 2007. The increase was primarily due to gain from disposal of investment properties in the PRC.

**Income Tax Expense.** Income tax expense increased approximately \$787,000 or 600.8% from approximately \$131,000 during the year ended March 31, 2006 to \$918,000 during the year ended March 31, 2007, representing approximately 0.2% and approximately 1.4% of net sales respectively. The increase was primarily the result of assessing the impact of the new developments of tax rules in the various tax jurisdictions in which the Group's subsidiaries are operating. We have performed the assessment in pursuant to FASB No. 5 "Accounting for Contingencies" and made a provision of approximately \$737,000 in relation to

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

this contingent liability.

Net Income. As a result of the factors described above, net income decreased from a profit of approximately \$484,000 for the period ended March 31, 2006 to a loss of approximately \$1,371,000 for the period ended March 31, 2007, a decrease of approximately \$1,855,000, or 383.3%.

### Impact of Inflation

We believe that inflation has had a material impact on our business during the fiscal year ended March 31, 2008. We expect that inflation will continue to have a material impact upon our business during the fiscal year ended March 31, 2009. During the fiscal years ended March 31, 2002 to March 31, 2006, Hong Kong experienced a period of deflation and Germany sustained a low inflation rate. The estimated inflation rates for 2007 of Hong Kong, PRC, Germany, United States and Canada were 2.0%, 4.8%, 2.3%, 2.9% and 2.1% respectively. The inflation rates for 2008 of Hong Kong and PRC will be higher than that of 2007. We have generally been able to modify and improve our product designs so that we could either increase the prices of our products or lower the production cost in order to keep pace with inflation. During the fiscal years ended March 31, 2006, 2007 and 2008, the costs of component parts increased due to the increase in the

36

price of oil used in the production of components such as plastic resin, steel and other raw materials. Oil prices have been volatile in recent years. If oil prices increase, it will likely result in an increase in the costs of components to us as well as an increase in our operating expenses, which will have a material adverse effect upon our business and results of operations. Further, the increase in labor costs and operating costs due to inflation in the PRC had a material impact on our profitability.

### Taxation

The companies comprising the Group are subject to tax on an entity basis on income arising in or derived from Hong Kong, the PRC, Germany, the United States and Canada. The current rate of taxation of the subsidiary operating in Hong Kong is 17.5%. The subsidiary of the Group in Germany is registered as a partnership in Germany, which is subject to a statutory tax rate of 14.17%. The Group is not subject to income taxes in the British Virgin Islands. The statutory tax rates in the United States and Canada are 15% and 36%, respectively.

Pursuant to the relevant income tax laws in the PRC, Bonso Electronics (Shenzhen) Co., Ltd, a wholly owned subsidiary of the Company, was fully exempt from PRC state income tax for two years starting from the first profit-making year followed by a 50% reduction over the ensuing three years. The first profit-making year of Bonso Electronics (Shenzhen) Co., Ltd. was deemed to be the financial year ended December 31, 1998 and the last year it was entitled to this benefit was December 31, 2002. In 2003, Bonso Electronics (Shenzhen) Co., Ltd was accredited as an "Advanced Corporation" and a further 50% tax reduction was granted for another three years. The last year it was entitled to this benefit was December 31, 2005. Under the Implementation Rules of the Foreign Enterprise Income Tax Law, Bonso Electronics (Shenzhen) Co. Ltd. was entitled to a further tax rate reduction to 10% for the calendar year ended December 31, 2006, as its export sale exceeds 70% of its revenue.

Most of our subsidiaries' profits accrue in Hong Kong and the PRC where the applicable tax rates are currently 17.5% and 10%, respectively. There is no tax

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

payable in Hong Kong on offshore profit or on dividends paid to Bonso Electronics Limited by its subsidiaries or to us by Bonso Electronics Limited. Therefore, our overall effective tax rate may be lower than that of most United States corporations; however, this advantage could be materially and adversely affected by changes in the tax laws of the British Virgin Islands, Germany, Canada, Hong Kong or China.

On March 16, 2008, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the "new CIT Law"). The new CIT Law increases the corporate income tax rate for foreign invested enterprises to 25% with effect from January 1, 2009. Under the new income tax law, apart from those qualified as high-tech enterprises, most domestic enterprises and foreign invested enterprises would be subject to a single PRC enterprise income tax rate and gradually transfer to the new tax rate of 25% within five years.

Efforts by the Chinese government to increase tax revenues could result in decisions or interpretations of the tax laws by the Chinese tax authorities that are unfavorable to us and which increase our future tax liabilities, or deny our expected refunds. Changes in Chinese tax laws or their interpretation or application may subject us to additional Chinese taxation in the future.

37

No reciprocal tax treaty regarding withholding taxes exists between the United States and the British Virgin Islands. Under current British Virgin Islands law, dividends, interest or royalties paid by us to individuals are not subject to tax as long as the recipient is not a resident of the British Virgin Islands. If we were to pay a dividend, we would not be liable to withhold any tax, but shareholders would receive gross dividends, irrespective of their residential or national status.

During the fiscal years ended March 31, 2008 and 2007, certain of our subsidiaries were and continue to be subject to enquiries from the local tax authorities. As result of the adoption of FIN 48, the Company recorded a provision of \$2,164,000 in relation to uncertain tax positions as of April 1, 2007. There can be no assurance that the enquiry will not result in imposing additional income tax expense on the Group, which could have a material adverse effect upon the Group and its results of operations.

Contractual arrangements we have entered into among us and our subsidiaries in different locations may be subject to scrutiny by respective tax authorities, and a finding against Bonso and its subsidiaries may result in additional tax liabilities that could substantially reduce our consolidated net income. We could face material and adverse tax consequences if respective tax authorities determine that the contractual arrangements among our subsidiaries and Bonso do not represent an arm's length price and adjust Bonso or its subsidiaries' income. Our consolidated net income may be materially and adversely affected if our affiliated entities' tax liabilities increase.

Dividends, if any, paid to any United States resident or citizen shareholder are treated as dividend income for United States federal income tax purposes. Such dividends are not eligible for the 70% dividends-received deduction allowed to United States corporations on dividends from a domestic corporation under Section 243 of the United States Internal Revenue Code of 1986 (the "Internal Revenue Code"). Various Internal Revenue Code provisions impose special taxes in certain circumstances on non-United States corporations and their shareholders. You are urged to consult your tax advisor with regard to such possibilities and your own tax situation.

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

In addition to United States federal income taxation, shareholders may be subject to state and local taxes upon their receipt of dividends.

### Foreign Currency Exchange Rates

We sell most of our products to international customers. Our principal export markets are North America (mainly the United States), Europe (mainly Germany) and Asia. Other markets are other European countries (such as the United Kingdom), Australia and Africa. Sales to international customers are made directly by us to our customers. We sell all of our products in United States Dollars and pay for our material components principally in United States Dollars and Hong Kong Dollars. A very small portion of the components used are paid for in Japanese Yen. Most factory expenses incurred are paid in Chinese Renminbi. Because the Hong Kong Dollar is pegged to the United States Dollar, in the past

38

our only material foreign exchange risk previously arose from potential fluctuations in the Chinese Renminbi and the devaluation in United States Dollars; management believes that it may be possible that there will be some fluctuation in the coming year.

Gram Precision principally pays for its products in United States Dollars and Canadian dollars and sells its products in Canadian, and United States Dollars. Korona primarily pays for its products in United States Dollars and Euros and sells its products in Euros. During the fiscal year ended March 31, 2008, we experienced a foreign currency loss of \$216,239. We don't currently engage in hedging transactions; however we may undertake hedging activities in the future.

A summary of our debts from our banking facilities utilized as at March 31, 2008 which was subject to foreign currency risk is as below:

	March 31, 2008
Euro	3,894,159
Hong Kong dollars	3,863,465
United States Dollars	300,192
Canadian dollars	511,162
	-----
	8,568,978
	=====

All the balances above are due within one year.

Fluctuations in the value of the Hong Kong Dollar have not been significant since October 17, 1983, when the Hong Kong government tied the value of the Hong Kong Dollar to that of the United States Dollar. However, there can be no assurance that the value of the Hong Kong Dollar will continue to be tied to that of the United States Dollar. China adopted a floating currency system on January 1, 1994, unifying the market and official rates of foreign exchange. China approved current account convertibility of the Chinese Renminbi on July 1, 1996, followed by formal acceptance of the International Monetary Fund's Articles of Agreement on December 1, 1996. These regulations eliminated the requirement for prior government approval to buy foreign exchange for ordinary trade transactions, though approval is still required to repatriate equity or debt, including interest thereon. From 1994 until July 2005, the Chinese Renminbi had remained stable against the U.S. Dollar at approximately 8.28 to 1.00 U.S. Dollar. On July 21, 2005, the Chinese currency regime was altered to

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

link the RMB to a "basket of currencies," which includes the US dollar, Euro, Japanese Yen and Korean Won. Under the rules, the RMB is allowed to move 0.3% on a daily basis against the U.S. Dollar. The People's Bank of China, on May 21 2007, widened the RMB trading band from 0.3% daily movement against the U.S. Dollar to 0.5%. As of October 13, 2008, the RMB was valued at 6.83 per US Dollar. There can be no assurance that these currencies will remain stable or will fluctuate to our benefit.

To manage our exposure to foreign currency and translation risks, we may purchase currency exchange forward contracts, currency options, or other derivative instruments, provided such instruments may be obtained at suitable prices. Management intends to take corrective action in an effort to attempt to

39

minimize any negative impact foreign currency fluctuations may have upon us. However, to date we have not done so. If we are unsuccessful in hedging against currency fluctuations, it may have a material adverse effect on us.

### Liquidity and Capital Resources

We have financed our growth and cash needs to date primarily from internally generated funds and bank debt. We do not use off-balance sheet financing arrangements, such as securitization of receivables or obtaining access to assets through special purpose entities, as sources of liquidity. Our primary uses of cash have been to fund expansions and upgrades of our manufacturing facilities, to make strategic acquisitions and to fund increases in inventory and accounts receivable resulting from increased sales.

Operating activities used \$811,035 of net cash for the fiscal year ended March 31, 2008, while operating activities provided \$1,416,241 of net cash for the fiscal year ended March 31, 2007. This decrease in the amount of cash provided by operating activities was primarily attributable to our inability to recover increased material and labor costs through increased selling prices for our products.

As of March 31, 2008, we had \$10,195,362 in cash and cash equivalents as compared to \$8,118,018 as of March 31, 2007. Working capital at March 31, 2008, was \$12,899,791 compared to \$16,841,659 at March 31, 2007. We believe there are no material restrictions (including foreign exchange controls) on the ability of our subsidiaries to transfer funds to us in the form of cash dividends, loans, advances or product/material purchases. We believe our working capital is sufficient for our present requirements.

As of March 31, 2008, we had \$5,264,074 in trade receivables as compared to \$6,739,567 as of March 31, 2007. The decrease of \$1,475,493 was primarily attributable to timely collections from our customers, and a provision of \$869,995 recognized for bad debts.

As of March 31, 2008, we had \$11,391,318 in inventories as compared to \$14,997,788 as of March 31, 2007. The decrease of \$3,606,470 was primarily attributable to a decrease in work in progress, and a write-off of \$2,457,510 in obsolete inventories.

As of March 31, 2008, we had a total of \$9,848,868 in notes payable and accounts payable as compared to \$9,090,852 as of March 31, 2007. The increase of \$758,016 was primarily attributable to an increase in raw material purchased.

As of March 31, 2008 we had in place general banking facilities with 4

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

financial institutions with amounts available aggregating \$31,115,325. Such facilities include the ability to obtain overdrafts, letters of credit, short-term notes payable, short-term loans and long-term loans. As of March 31, 2008, we had utilized \$8,568,978 from these general banking facilities. Interest on this indebtedness fluctuates with the Prime Rate and the Hong Kong Interbank Offer Rate as set by the Hong Kong Bankers Association; the EONIA as set by the Germany Bankers Association and the Prime Rate as set by the Canada Bankers Association. The bank credit facilities are collateralized by certain of our bank guarantees. Our bank credit facilities are due for renewal annually. We anticipate that the banking facilities will be renewed on substantially the same terms and our utilization in the next year will remain at a similar level as

40

that in the current year. Excluding the capital lease obligations, the amounts of total short-term bank borrowings outstanding as of March 31, 2008 and 2007 were \$3,894,159 and \$3,576,366, respectively. During the fiscal years ended March 31, 2008 and 2007, we paid a total of \$692,232 and \$516,272, respectively, in interest on indebtedness.

Our current ratio decreased from 2.03 as of March 31, 2007 to 1.71 as of March 31, 2008. Our quick ratio decreased from 1.11 as of March 31, 2007 to 1.08 as of March 31, 2008.

We believe that our cash flows from operations, our current cash balance and funds available under our working capital and credit facilities will be sufficient to meet our working capital needs and planned capital expenditures for at least the next 12 to 24 months. However, a decrease in the demand for our products may affect our internally generated funds, and we would further look to our banking facilities to meet our working capital demands.

41

### Commitments

The following table sets forth information with respect to our commitments as of March 31, 2008:

	Payments due by Period			
	Total	Within 1 year	Within 1 to 3 years	Within 5 ye
Notes payable	\$ 3,863,465	\$ 3,863,465	\$ 0	\$
Short-term loans	\$ 4,705,513	\$ 4,705,513	\$ 0	\$
Operating leases	\$ 2,949,257	\$ 1,177,208	\$ 1,726,986	\$ 4
Capital leases	\$ 360,691	\$ 176,930	\$ 183,761	\$
Acquisition of land	\$ 350,758	\$ 350,758	\$ 0	\$
Interest on loans	\$ 364,244	\$ 364,244	\$ 0	\$
Interest on capital leases	\$ 13,309	\$ 6,529	\$ 6,780	\$
Income tax liabilities	\$ 2,602,023	\$ 6,888	\$ 2,595,135	\$
Total	\$15,209,260	\$10,651,535	\$ 4,512,662	\$ 4

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

For a discussion of interest rates on our notes payable and short term loans, see "Item 11. Qualitative and Quantitative Disclosures About Market Risk" below.

### Critical Accounting Policies

The methods, estimates and judgments we use in applying our most critical accounting policies have a significant impact on the results we report in our financial statements. The SEC has defined the most critical accounting policies as the ones that are most important to the portrayal of our financial condition and results, and require us to make our most difficult and subjective judgments, often as a result of the need to make estimates of matters that are inherently uncertain. Based on this definition, our most critical policies include inventories, impairment, brand name, trade receivables, and deferred income taxes.

Below, we discuss these policies further, as well as the estimates and judgments involved. We believe that these other policies either do not generally require us to make estimates and judgments that are as difficult or as subjective, or it is less likely that they would have a material impact on our reported results of operations for a given period. See discussion of all our significant accounting policies in Note 1 to the Consolidated Financial Statements included elsewhere in this Annual Report.

### Inventories

Inventories are stated at the lower of cost or net realizable value with cost determined on a first-in, first-out basis. Net realizable value is the price at which inventories can be sold in the normal course of business after allowing for the costs of completion and disposal. The company continuously reviews slow-moving and obsolete inventory and assesses any inventory obsolescence based on inventory levels, material composition and expected usage as of that date.

42

### Revenue recognition

No revenue is recognized unless there is persuasive evidence of an arrangement, the price to the buyer is fixed or determinable, delivery has occurred and collectibility of the sales price is reasonably assured. Revenue is recognized when title and risk of loss transfers to the customer, which is generally when the product is shipped to the customer from our facility. Shipping costs billed to our customers are included within revenue. Associated costs are classified in cost of goods sold.

The Company provides to certain customers an additional two percent of certain products ordered in lieu of a warranty, which are recognized as cost of sales when these products are shipped to customers from our facility. In addition, certain products sold by the company are subject to a limited product quality warranty. The Company accrues for estimated incurred but unidentified quality issues based upon historical activity and known quality issues if a loss is probable and can be reasonably estimated. The standard limited warranty period is one to three years. Quality returns, refunds, rebates and discounts are recorded net of sales at the time of sale to three years and estimated based on past history. All sales are based upon firm orders with fixed terms and conditions, which generally cannot be modified. Historically, we have not experienced material differences between our estimated amounts of quality

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

returns, refunds, rebates and discounts and the actual results. In all contracts, there is no price protection or similar privilege in relation to the sale of goods.

Due to similar contractual terms, the Company's revenue recognition policies do not differ among its significant product lines (i.e. sensor based versus wireless products) and among various marketing venues used by the Company (i.e. distributors and direct sales force), and do not vary in different parts of the world.

### Long-Lived Assets Including Goodwill and Other Acquired Intangible Assets

Long-lived assets held and used by the Group and intangible assets, excluding goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Group evaluates recoverability of assets to be held and used by comparing the carrying amount of an asset to future net undiscounted cash flows to be generated by the asset. If such assets are considered to be impaired, the impairment loss is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets calculated using a discounted future cash flows analysis. For the years ended March 31, 2006 and 2007, the Group made a provision of \$69,077 and \$5,414, respectively for impairment of investment properties due to the decline in market value. No provision was made in fiscal 2008. On the other hand, the Group made a provision for impairment of \$200,000 (2007: \$0; 2006: \$0) on its investment in a private company due to continuous losses and net liabilities positions of the investee.

Goodwill is subject to an annual impairment review. The evaluation of goodwill for impairment involves two steps: (1) the identification of potential impairment by comparing the fair value of a reporting unit with its carrying amount, including goodwill and (2) the measurement of the amount of goodwill loss by comparing the implied fair value of the reporting unit goodwill with the

43

carrying amount of that goodwill and recognizing a loss by the excess of the latter over the former. The Company measures fair value based upon a discounted future cash flow analysis. Based on the assessment for the year ended March 31, 2008, a provision of \$842,821 was made by the Group on impairment of goodwill, because of Gram Precision's failure to meet the business objectives and achieve profitability during the fiscal year ended March 31, 2008 (2007: \$0, 2006: \$258,141).

### Brand Name

Brand name acquired as part of the purchase of a business is capitalized based on the estimated fair value as at the date of acquisition and amortized using the straight-line method over the related estimated useful life of 15 years. Where an indication of impairment exists, the carrying amount of the brand name is assessed and written down to its recoverable amount.

Expected useful lives are reviewed at each balance sheet date and, where these differ significantly from previous estimates, amortization periods are changed accordingly. Where an indication of impairment exists, such as the down turn of economic inflow from the brand name, changes in business plan and so on, the carrying amounts of brand name are assessed and written down to their recoverable amounts. The measurement of the fair value of brand name is subject to management's assumptions regarding future estimated cash flows, discount rates, etc. Changes in these assumptions could significantly affect the



## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

recording of an impairment charge related to this asset. Based on the assessment for the year ended March 31, 2008, a provision of \$1,597,392 was made by the Group on impairment of brand name, because of Korona's the failure to meet its business objectives and achieve profitability during the fiscal year ended March 31, 2008 (2007: \$0, 2006: \$0).

### Trade Receivables

Provision is made against trade receivables to the extent that collection is considered to be doubtful. This provision is primarily determined from our monthly aging analysis. It also requires judgment regarding the collectibility of certain receivables as certain receivables may be identified as collectible that are subsequently uncollectible and which could result in a subsequent write-off of the related receivable to the statement of operations. Any change in the collectibility of accounts receivable that were not previously provided for could significantly change the calculation of such provision and the results of our operations.

### Income Taxes, Deferred Income Taxes

On April 1, 2007, the Company adopted FIN 48. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Only tax positions that meet the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized upon adoption of FIN 48. The Company's accounting policy is to treat interest and penalties as a component of income taxes.

44

Amounts in the consolidated financial statements related to income taxes are calculated using the principles of SFAS No. 109, "Accounting for Income Taxes". SFAS No. 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the temporary differences between the financial reporting basis and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Future tax benefits, such as net operating loss carry forwards, are recognized as deferred tax assets. Recognized deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized.

### Research and Development, Patents and Licenses, etc.

We believe that our engineering and product development capabilities are important to the future success of our business. We have successfully lowered the costs of our research and development team by moving most research and development activities to our facility in China and principally employing Chinese engineers and technicians at costs that are substantially lower than that would be required in Hong Kong. Research and development costs are expensed in the financial period during which they are incurred.

### Trend Information

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Although we are optimistic about our future in the manufacture and sale of telecommunications and scale products, we are dependent upon a limited number of customers for a significant portion of our revenues, and the loss of any of these customers could have a material adverse effect upon us and our results of operations. As of March 31, 2008, our backlog of manufacturing orders was \$7,922,410 compared to \$6,024,339 as of March 31, 2007. We expect that in the fiscal year ended March 31, 2009, the trend of sales from telecommunications products and scales will be more or less the same as the year ended March 31, 2008.

### Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

### Recent Accounting Pronouncements

The new accounting pronouncements in the United States that may be relevant to the Group are as follows:

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 provides guidance on the measurement of fair value in US GAAP and expands fair value measurement disclosures. SFAS 157 is applicable whenever other accounting pronouncements require or permit fair value measurements and does not expand the use of fair value in any new circumstances.

45

SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is in the process of assessing the impact of the recent accounting pronouncement. In February 2008, the FASB issued FASB Staff Position ("FSP") 157-2, Effective Date of FASB Statement No. 157. FSP 157-2 provides a one-year deferral of the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed in financial statements at fair value on a recurring basis. The deferral is not available, however, to entities that issued interim or annual financial statements reflecting the measurement and disclosure provisions of SFAS 157 before February 12, 2008.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We do not expect the adoption of SFAS No. 159 to have a material impact on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business combinations" ("SFAS No. 141(R)"). SFAS No. 141(R) requires an acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

of the information they need to evaluate and understand the nature and financial effect of the business combination. SFAS No. 141(R) is effective for fiscal years beginning on or after December 15, 2008. We do not expect the adoption of SFAS No. 141(R) to have a material impact on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, "Non-controlling Interests in consolidated Financial Statements, an amendment of ARB No.51" ("SFAS No. 160"). SFAS No. 160 clarifies that a non-controlling or minority interest in a subsidiary is considered an ownership interest and, accordingly, requires all entities to report such interests in subsidiaries as equity in the consolidated financial statements. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. We do not expect the adoption of SFAS No. 160 to have a material impact on our consolidated financial statements.

In December 2007, the SEC issued Staff Accounting Bulletin (SAB) No. 110, codified as SAB Topic 14, "Share-based payment." SAB No. 110 states that the SEC staff will continue to accept, under certain circumstances, the use of the simplified method in developing an estimate of expected term of "plain vanilla" share options in accordance with Statement of Financial Accounting Standard No. 123 (revised 2004) and SAB No. 107 beyond December 31, 2007. The adoption of SAB No. 110 did not require any adjustments to our consolidated financial statements for the year ended March 31, 2008.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133" ("SFAS No. 161"). SFAS No. 161 requires disclosures of how and why an entity uses derivative instruments, how derivative instruments and related hedged items

46

are accounted for and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS No. 161 is effective for fiscal years beginning after November 15, 2008, with early adoption permitted. We do not expect the adoption of SFAS No. 161 to have a material impact on our consolidated financial statements.

In April 2008, the FASB finalized Staff Position No. 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP 142-3"). The position amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, "Goodwill and Other Intangible Assets". The position applies to intangible assets that are acquired individually or with a group of other assets and both intangible assets acquired in business combinations and asset acquisitions. FSP 142-3 is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The Company is in the process of assessing the impact of the recent accounting pronouncement.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS No. 162"). SFAS No. 162 defines the order in which accounting principles that are generally accepted should be followed. SFAS No. 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles. We do not expect the adoption of SFAS No. 162 to have a material impact on our consolidated financial statements.

In May 2008, the FASB finalized Staff Position No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

(Including Partial Cash Settlement)" ("FSP APB 14-1"). The position clarifies that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) are not addressed by APB Opinion No. 14 "Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants. FSP APB 14-1 further specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent period. FSP APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. As of the date of this annual report, we do not have any convertible debt instruments that may be settled in cash upon conversion and FSP APB 14-1 does not have any impact on us.

### Item 6. Directors, Senior Management and Employees

#### Directors and Senior Management

Our board of directors and executive officers are listed below:

Name	Age	Position with Bonso
----	---	-----
Anthony So	65	Chairman of the Board, Chief Executive Officer and Director, President, Chief Financial Officer, Secretary and Treasurer
Kim Wah Chung	50	Director of Engineering and Research and Development and Director
Albert So	30	Financial Controller
Woo-Ping Fok	59	Director
J. Stewart Jackson, IV	72	Director
Henry F. Schlueter	57	Director and Assistant Secretary

47

ANTHONY SO is the founder of Bonso. He has been our Chairman of the Board of Directors since July 1988. He was appointed as the Chief Executive Officer and the President on November 16, 2006 and as the Chief Financial Officer on October 19, 2007. Mr. So received his BSE degree in civil engineering from National Taiwan University in 1967 and a master's degree in business administration ("MBA") from the Hong Kong campus of the University of Hull, Hull, England in 1994. Mr. So has been Chairman of the Hong Kong GO Association since 1986, and also served as Chairman of the Alumni Association of National Taiwan University for the 1993-1994 academic years. Mr. So has served as a trustee of the Chinese University of Hong Kong, New Asia College since 1994.

KIM WAH CHUNG has been a director since September 21, 1994. Mr. Chung has been employed by us since 1981 and currently holds the position of Director of Engineering and Research and Development. Mr. Chung is responsible for all research projects and product development. Mr. Chung's entire engineering career has been spent with Bonso, and he has been involved in all of our major product developments. Mr. Chung graduated with honors in 1981 from the Chinese University of Hong Kong with a Bachelor of Science degree in electronics.

ALBERT SO was appointed as the Financial Controller of the Company in January 2008. Mr. So was first employed as a management trainee of the Company in November 2004. Prior to his employment as a management trainee of the Company, Mr. Albert So was a student. Mr. Albert So obtained a Bachelor's degree in Mathematics from Simon Fraser University in Burnaby, BC, Canada.

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

WOO-PING FOK was elected to our Board of Directors on September 21, 1994. Mr. Fok has practiced law in Hong Kong since 1991 and is a Consultant with Messrs. C.K. Mok & Co. Mr. Fok's major areas of practice include conveyancing or real property law, corporations and business law, commercial transactions and international trade with a special emphasis in China trade matters. Mr. Fok was admitted to the Canadian Bar as a Barrister & Solicitor in December 1987 and was a partner in the law firm of Woo & Fok, a Canadian law firm with its head office in Edmonton, Alberta, Canada. In 1991, Mr. Fok was qualified to practice as a Solicitor of England & Wales, a Solicitor of Hong Kong and a Barrister & Solicitor of Australian Capital Territory.

J. STEWART JACKSON IV has been a director since January 10, 2000. From 1962 until its merger with Republic Industries in 1996, Mr. Jackson served in various management capacities, including president, of Denver Burglar Alarm Co., Inc., a business founded by his family. In addition, in the mid-1960's, Mr. Jackson founded Denver Burglar Alarm Products, a separate company which invented, patented, manufactured, distributed and installed the first self-contained ionization smoke detectors and which was later sold to a conglomerate manufacturer. After the merger of Denver Burglar Alarm Co., Inc., Mr. Jackson founded Jackson Burglar Alarm Co., Inc. Mr. Jackson served as Chief Executive Officer of Jackson Burglar Alarm Co. from February 1998 to October 2005. Mr. Jackson has served as the Chief Executive Officer of J S J Corporation. Mr. Jackson served on the advisory board of directors for Underwriter's Laboratories for burglar and fire alarm systems for 25 years and has been an officer in the Central Station Protection Association, which, along with the National Burglar Alarm Association, was formed by his family in the late 1940's. Mr. Jackson graduated from the University of Colorado in 1962 with a degree in Business Management and Engineering.

48

HENRY F. SCHLUETER has been a director since October 2001, and has been our Assistant Secretary since October 6, 1988. Since 1992, Mr. Schlueter has been the Managing Director of Schlueter & Associates, P.C., a law firm, practicing in the areas of securities, mergers and acquisitions, finance and corporate law. Mr. Schlueter has served as our United States corporate and securities counsel since 1988. From 1989 to 1991, prior to establishing Schlueter & Associates, P.C., Mr. Schlueter was a partner in the Denver, Colorado office of Kutak Rock (formerly Kutak, Rock & Campbell), and from 1984 to 1989, he was a partner in the Denver office of Nelson & Harding. Mr. Schlueter is a member of the American Institute of Certified Public Accountants, the Colorado and Denver Bar Associations, and the Wyoming State Bar.

Anthony So, the Company's President, Chief Executive Officer, Chief Financial Officer and Chairman of the Board of Directors is the father of Albert So, the Company's Financial Controller.

No arrangement or understanding exists between any such director or officer and any other persons pursuant to which any director or executive officer was elected as a director or executive officer. Our directors are elected annually and serve until their successors take office or until their death, resignation or removal. The executive officers serve at the pleasure of the Board of Directors.

### Compensation

The aggregate amount of compensation paid by us and our subsidiaries during the year ended March 31, 2008 to all directors and officers as a group for services in all capacities was \$952,473. Total compensation for the benefit of

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Anthony So was \$705,901, for the benefit of Kim Wah Chung was \$150,479, for the benefit of the Albert So was \$36,100 and for the benefit of Henry F. Schlueter was an aggregate of \$59,365. The \$59,365 listed as having been paid for the benefit of Mr. Schlueter was paid to his law firm, Schlueter & Associates, P.C. for legal services rendered and expenses incurred.

We did not set aside or accrue any amounts to provide pension, retirement or similar benefits for directors and officers for the fiscal year ended March 31, 2008, other than contributions to our Provident Fund Plan which aggregated \$15,865 for officers and directors.

### Employment Agreements

We have employment agreements with Anthony So and Kim Wah Chung. Mr. So's employment agreement provides for a yearly salary of approximately \$700,000 per year plus bonus, and Mr. Chung's employment agreement provides for a yearly salary of approximately \$150,000 per year plus bonus, as stated in their

49

respective employment agreements which expired on March 31, 2008. We have new employment agreements with Mr. So and Mr. Chung which expires on March 31, 2013, with approximately \$800,000 and \$200,000 as their respective yearly salary plus bonus. The employment agreements contain provisions under which we will be obligated to pay Mr. So all compensation for the remainder of his employment agreement and five times his annual salary and bonus compensation if a change of control as defined in the agreements occur.

### Options of Directors and Senior Management

The following table provides information concerning options owned by the directors and senior management at March 31, 2008.

Name -----	Number of Common Shares Subject to Stock Options -----	Exercise Price Per Share -----	Expi -----
Anthony So	158,000	\$8.00	Jan
	128,000	\$3.65	Apr
	128,000	\$2.50	Mar
	222,500	\$1.61	Mar
Kim Wah Chung	20,000	\$8.00	Jan
	20,000	\$3.65	Apr
	20,000	\$2.50	Mar
	55,000	\$1.61	Mar
Woo-Ping Fok	10,000	\$8.125	Jan
	10,000	\$7.875	Jan
	10,000	\$6.12	Mar
	10,000	\$6.20	Sep
	10,000	\$4.50	Dec
J. Stewart Jackson IV	10,000	\$7.875	Jan
	10,000	\$2.55	Oct
	10,000	\$1.61	Mar
	10,000	\$6.12	Mar
	10,000	\$6.20	Sep

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

	10,000	\$4.50	
Henry F. Schlueter	10,000	\$8.00	Jan
	10,000	\$6.12	Ma
	10,000	\$6.20	Septem
	10,000	\$4.50	Decem

### Directors

Except for that mentioned above, our directors do not receive any additional monetary compensation for serving in their capacities. All directors are reimbursed for all reasonable expenses incurred in connection with services as a director.

50

### Employee retirement benefits

- (a) With effect from January 1, 1988, BEL, a wholly-owned foreign subsidiary of the Company in Hong Kong, implemented a defined contribution plan (the "Plan") with a major international assurance company to provide life insurance and retirement benefits for its employees. All permanent full time employees who joined BEL before December 2000, excluding factory workers, are eligible to join the provident fund plan. The eligible employee of the Plan is required to contribute 5% of their monthly salary, while BEL is required to contribute from 5% to 10% based on the eligible employee's salary, depending on the number of years of the eligible employee's service.

The Mandatory Provident Fund (the "MPF") was introduced by the Hong Kong Government, and commenced in December 2000. BEL joined the MPF by implementing a plan with a major international assurance company. All permanent Hong Kong full time employees who joined BEL in or after December 2000, excluding factory workers, are eligible to join the MPF. The eligible employee's and employer's contributions to the MPF are both at 5% of the eligible employee's monthly salary and are subject to a maximum contribution of HK\$1,000 (US\$128) monthly.

Pursuant to the relevant PRC regulations, the Group is required to make contributions for each employee at rates based upon the employee's standard salary base as determined by the local Social Security Bureau, to a defined contribution retirement scheme organized by the local Social Security Bureau in respect of the retirement benefits for the Group's employees in the PRC.

- (b) The contributions to each of the above schemes are recognized as employee benefit expense when they are due and are charged to the consolidated statement of income (loss). The Group's total contributions to the above schemes for the years ended March 31, 2006, 2007 and 2008 amounted to \$145,719, \$164,348 and \$251,538, respectively. The Group has no other obligation to make payments in respect of retirement benefits of the employees.

### Board Practices

All directors hold office until our next annual meeting of shareholders or until their respective successors are duly elected and qualified or their positions are earlier vacated by resignation or otherwise. All executive officers are appointed by the Board and serve at the pleasure of the Board.

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

There are no director service contracts providing for benefits upon termination of employment or directorship.

### NASDAQ Exemptions and Home Country Practices

NASDAQ Marketplace Rule 4350 provides that foreign private issuers may elect to follow certain home country corporate governance practices so long as they provide NASDAQ with a letter from outside counsel in its home country certifying that the issuer 's corporate governance practices are not prohibited by home country law.

51

On July 19, 2005, we submitted a letter to the NASDAQ certifying that certain of Bonso's corporate governance practices are not prohibited by the relevant laws of the British Virgin Islands. We will follow British Virgin Island law in respect to the following requirements:

- o A majority of Bonso's board of directors will not be independent;
- o Bonso will not have a nominating committee;
- o Bonso will not have a compensation committee;
- o Bonso's independent directors will not meet in executive session; and
- o Bonso's audit committee is required to have only one member.

### Audit Committee

Mr. Woo Ping Fok and Mr. Henry F. Schlueter are the members of the Audit Committee. Mr. Fok and Mr. Schlueter are "independent" as defined in the NASDAQ listing standards.

The Audit Committee was established to (i) review and approve the scope of audit procedures employed by our independent auditors; (ii) review and approve the audit reports rendered by our independent auditors; (iii) approve the audit fee charged by the independent auditors; (iv) report to the Board of Directors with respect to such matters; (v) recommend the selection of independent auditors; and (vi) discharge such other responsibilities as may be delegated to it from time to time by the Board of Directors and to discharge such other responsibilities as may be delegated to it from time to time by the Board of Directors. Effective as of August 17, 2000, the Board of Directors adopted a formal charter for its Audit Committee, which was amended effective June 30, 2005.

### Employees

At March 31, 2008, we employed a total of 2,781 persons, compared with 3,366 persons at March 31, 2007 and 3,460 persons at March 31, 2006; 31 employees in Hong Kong (45 in 2007 and 2006), 2,724 employees in China (3,289 in 2007 and 3,380 in 2006), 15 employees in Germany, (18 in 2007 and 20 in 2006), 2 employees in Poland (2 in 2007 and 2006), 2 employees in the United States (4 in 2007 and 2006) and 7 in Canada (8 in 2007 and 9 in 2006). Employees are not covered by collective bargaining agreements. We consider our global labor practices and employee relations to be good.

52

### Share Ownership



## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

The following table shows the number of shares of common stock beneficially owned by our directors and executive officers as of October 8, 2008:

Name -----	Shares of Common Stock Owned of Record -----	Options Held -----	Total Number of Shares of Common Stock Beneficially Owned -----
Anthony So	1,626,195 (1)	636,500 (2)	2,262,695
Kim Wah Chung	93,700	115,000 (3)	208,700
Henry F. Schlueter	34,000	40,000 (4) (9)	74,000
Woo-Ping Fok	64,407	50,000 (6) (8) (9)	114,407
J. Stewart Jackson IV	462,575 (7)	60,000 (5) (8) (9)	522,575
All Directors and Officers as a group (5 persons)	2,280,877	901,500	3,182,377

- (1) Includes 1,143,421 shares of common stock owned of record by a corporation that is wholly owned by a trust of which Mr. So is the sole beneficiary.
- (2) Includes options to purchase 158,000 shares of common stock at an exercise price of \$8.00 per share expiring January 6, 2010, options to purchase 128,000 shares of common stock at an exercise price of \$3.65 per share expiring on April 9, 2011, options to purchase 128,000 shares of common stock at an exercise price of \$2.50 per share expiring on March 6, 2012, and options to purchase 222,500 shares of common stock at an exercise price of \$1.61 per share expiring on March 31, 2013.
- (3) Includes options to purchase 20,000 shares of common stock at an exercise price of \$8.00 per share expiring January 6, 2010, options to purchase 20,000 shares of common stock at an exercise price of \$3.65 per share expiring on April 9, 2011, options to purchase 20,000 shares of common stock at an exercise price of \$2.50 per share expiring on March 6, 2012, and options to purchase 55,000 shares of common stock at an exercise price of \$1.61 per share expiring on March 31, 2013.
- (4) Includes options to purchase 10,000 shares of common stock at an exercise price of \$8.00 per share expiring January 6, 2010.
- (5) Includes options to purchase 10,000 shares of common stock at an exercise price of \$2.55 expiring on October 15, 2011 and 10,000 shares of common stock at an exercise price of \$1.61 per share expiring on March 31, 2013.
- (6) Includes options to purchase 10,000 shares of common stock at an exercise price of \$8.125 per share expiring January 12, 2010.
- (7) Includes 461,975 shares held by Mr. Jackson and 600 shares held by Mr. Jackson's wife.
- (8) Includes options to purchase 10,000 shares of common stock at an exercise price of \$7.875 per share expiring on January 9, 2011.
- (9) Includes options to purchase 10,000 shares of common stock at an exercise price of \$6.12 expiring on March 25, 2014, options to purchase 10,000 shares of common stock at an exercise price of \$6.20 per share expiring on September 12, 2014 and options to purchase 10,000 shares of common stock at an exercise price of \$4.50 per share expiring on December 4, 2015.

## Stock Option and Bonus Plans

### The 1996 Stock Option Plan

In October 1996, our stockholders adopted the 1996 Stock Option Plan (the "Employees' Plan") which provides for the grant of options to purchase an aggregate of not more than 400,000 shares of our common stock. In January 2000, our shareholders approved the proposal of the Board of Directors to increase from 400,000 to 900,000 in the aggregate the number of options to purchase common stock under the Employees' Plan. The purpose of the Employees' Plan is to make options available to management and employees in order to encourage them to secure or increase on reasonable terms their stock ownership and to encourage them to remain with the Company.

The Employees' Plan is administered by a committee appointed by the Board of Directors which determines the persons to be granted options under the Employees' Plan, the number of shares subject to each option, the exercise price of each option and the option period, subject to the requirement that no option may be exercisable more than ten years after the date of grant. The exercise price of an option may be less than fair market value of the underlying shares of common stock. No options granted under the Employee Plan are transferable by the optionee other than by will or the laws of descent and distribution and each option will be exercisable during the lifetime of the optionee, only by such optionee.

The exercise price of an option granted pursuant to the Employees' Plan may be paid in cash, by the surrender of options, in common stock, in other property, including the optionee's promissory note, or by a combination of the above, at our discretion.

During the fiscal year ended March 31, 2008, no options were granted under the Employees Plan.

### The 1996 Non-Employee Directors' Stock Option Plan

In October 1996, our stockholders adopted the 1996 Non-Employee Directors' Stock Option Plan (the "Non-Employee Directors' Plan") which provides for the grant of options to purchase an aggregate of not more than 100,000 shares of common stock. In January 2000, our shareholders approved the proposal of the Board of Directors to increase from 100,000 to 600,000 in the aggregate the number of options to purchase common stock under the Non-Employee Directors' Plan.

On November 16, 2006, the Board of Directors of the Company voted to rescind the Company's 1996 Non-Employee Directors' Stock Option Plan (the "Non-Employee Directors' Plan"). All options previously granted under the Non-Employee Directors' Plan continue in full force and effect pursuant to their terms of grant.

### The 2004 Stock Option Plan

On March 23, 2004, our stockholders adopted the 2004 Stock Option Plan (the "2004 Plan") which provides for the grant of up to six hundred thousand (600,000) shares of the Company's common stock in the form of stock options, subject to certain adjustments as described in the 2004 Plan.

The purpose of the 2004 Plan is to secure key employees to remain in the employ of the Company and to encourage such employees to secure or increase on reasonable terms their common stock ownership in the Corporation. The Company believes that the 2004 Plan promotes continuity of management and increased incentive and personal interest in the welfare of the Company.

The 2004 Plan is administered by a committee appointed by the Board of Directors which consists of at least two but not more than three members of the Board, one of who shall be a non-employee of the Company. The committee members currently are Anthony So and Woo Ping Fok. The committee determines the specific terms of the options granted, including the employees to be granted options under the plan, the number of shares subject to each option grant, the exercise price of each option and the option period, subject to the requirement that no option may be exercisable more than 10 years after the date of grant. The exercise price of an option may be less than fair market value of the underlying shares of common stock. No options granted under the plan will be transferable by the optionee other than by will or the laws of descent and distribution and each option will be exercisable, during the lifetime of the optionee, only by the optionee.

The exercise price of an option granted pursuant to the 2004 Plan may be paid in cash, by the surrender of options, in common stock, in other property, including a promissory note from the optionee, or by a combination of the above, at the discretion of the Committee.

As of March 31, 2008, no shares option had been granted under the Stock Bonus Plan.

#### 2004 Stock Bonus Plan

On September 7, 2004, our stockholders adopted the 2004 Stock Bonus Plan (the "Stock Bonus Plan") which authorizes the issuance of up to five hundred thousand (500,000) shares of the Corporation's Common Stock in the form of stock a stock bonus.

The purpose of this Stock Bonus Plan is to: (i) induce key employees to remain in the employ of the Corporation, or of any subsidiary of the Corporation; (ii) encourage such employees to secure or increase their stock ownership in the Corporation; and (iii) reward employees, non-employee directors, advisors and consultants for services rendered or to be rendered to or for the benefit of the Corporation, or any of its subsidiaries. The Corporation believes that Stock Bonus Plan will promote continuity of management and increased incentive and personal interest in the welfare of the Corporation.

The Stock Bonus Plan shall be administered by a committee appointed by the Board of Directors which consists of at least two but not more than three members of the Board, one of who shall be a non-employee of the Corporation. The Committee members currently are Anthony So and Woo Ping Fok. The Committee has the authority, in its sole discretion: (i) to determine the parties to receive bonus stock, the times when they shall receive such awards, the number of shares to be issued, and the time, terms and conditions of the issuance of any such shares; (ii) to construe and interpret the terms of the Stock Bonus Plan; (iii) to establish, amend and rescind rules and regulations for the administration of the Stock Bonus Plan; and (iv) to make all other determinations necessary or advisable for administering the Stock Bonus Plan.

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

As of March 31, 2008, no shares had been granted under the Stock Bonus Plan.

### Item 7. Major Shareholders and Related Party Transactions

#### Major shareholders

We are not directly or indirectly owned or controlled by any foreign government or by another corporation. The following table sets forth, as of October 13, 2008, beneficial ownership of our common stock by each person, to the best of our knowledge, to own beneficially 5% or more of our common stock outstanding as of such date. Except as otherwise indicated, all shares are owned directly and hold equal voting rights.

Name -----	Shares of Common Stock -----	Options to Purchase Common Stock -----
Anthony So	1,626,195 (2)	636,500 (3)
John Stewart Jackson IV	462,575	60,000 (3)
W. Douglas Moreland	501,400	0
Royce & Associates LLC	297,000	0
CAS Corporation	290,654	0

- (1) Based on beneficial ownership of both shares of common stock and of options to purchase common stock that is immediately exercisable.
- (2) Includes 1,143,421 shares of common stock owned of record by a corporation that is wholly owned by a trust of which Mr. So is the sole beneficiary.
- (3) See "Share Ownership" for additional information.

There are no arrangements known to us, which may at a subsequent date, result in a change in control of the Company.

#### Related Party Transactions

During the fiscal year ended March 31, 2008 we paid Schlueter & Associates, P.C. an aggregate of \$59,365 for legal fees and expenses. Mr. Henry F. Schlueter, a director, is the Managing Director of Schlueter & Associates, P.C.

As of March 31, 2008, BEL had paid deposits of approximately US\$1,528,000 with regard to potential investments in a commercial residential building and a land use right in the PRC. Subsequent to this fiscal year end, Mr. Anthony So, Chairman of Bonso decided to take up BEL's potential investments and paid BEL the full amount of approximately US\$1,528,000 in September 2008. The carrying amount of the deposits approximates their fair value due to their short maturities.

During the year ended March 31, 2007, BEL had paid certain deposits of US\$799,000 for a potential investment in a hotel. Such potential investment was subsequently taken up by Mr. Anthony So and the full amount was paid to BEL in July 2007.

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

### Interests of Experts and Counsel

Not Applicable.

### Legal Proceedings

Not Applicable.

### Item 8. Financial Information

#### Financial Statements

Our Consolidated Financial Statements are set forth under Item 18. Financial Statements.

### Item 9. The Offer and Listing

#### Listing Details

Our common stock is traded only in the United States over-the-counter market. It is quoted on the Nasdaq Global Market ("NASDAQ") under the trading symbol "BNSO." The following table sets forth, for the periods indicated, the range of high and low closing sales prices per share reported by NASDAQ. The quotations represent prices between dealers and do not include retail markup markdown or commissions and may not necessarily represent actual transactions.

The following table sets forth the high and low sale prices for each of the last five years:

Period -----	High ----	Low ---
April 1, 2003 to March 31, 2004	\$9.71	\$1.70
April 1, 2004 to March 31, 2005	\$9.09	\$3.90
April 1, 2005 to March 31, 2006	\$7.00	\$3.40
April 1, 2006 to March 31, 2007	\$5.47	\$3.01
April 1, 2007 to March 31, 2008	\$4.68	\$1.86

The following table sets forth the high and low sale prices during each of the quarters in the two-year period ended September 30, 2008.

Period -----	High ----	Low ---
July 1, 2006 to September 30, 2006	\$4.25	\$3.11
October 1, 2006 to December 31, 2006	\$5.23	\$3.01
January 1, 2007 to March 31, 2007	\$5.47	\$3.77
April 1, 2007 to June 30, 2007	\$4.26	\$3.42
July 1, 2007 to September 30, 2007	\$4.00	\$1.86
October 1, 2008 to December 31, 2008	\$4.68	\$2.40
January 1, 2008 to March 31, 2008	\$3.00	\$2.00
April 1, 2008 to June 30, 2008	\$2.27	\$1.86
July 1, 2008 to September 30, 2008	\$2.49	\$0.03

The following table sets forth the high and low sale prices during each of

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

the most recent six months.

Period -----	High ----	Low ---
April 2008	\$2.27	\$2.01
May 2008	\$2.27	\$2.08
June 2008	\$2.19	\$1.86
July 2008	\$2.23	\$1.90
August 2008	\$2.49	\$2.04
September 2008	\$2.41	\$0.03

On October 13, 2008, the closing price of our common stock was \$1.03. Of the 5,577,639 shares of common stock outstanding as of October 8, 2008, 3,817,452 were held in the United States by 205 holders of record. We have 212 shareholders of record and estimate that we have 1,239 shareholders holding their stock in street name (who have not objected to their names being disclosed to us).

### Transfer and Warrant Agent

The transfer agent and registrar for the common stock and the warrant agent for the warrants is Computershare, 1745 Gardena Avenue #200, Glendale, California 91204.

### Item 10. Additional Information

#### Share Capital

Our authorized capital is \$170,000 consisting of 23,333,334 shares of common stock, \$0.003 par value per share, and 10,000,000 authorized shares of preferred stock, \$0.01 par value, divided into 2,500,000 shares each of class A preferred stock, class B preferred stock, class C preferred stock and class D preferred stock. Information with respect to the number of shares of common stock outstanding at the beginning and at the end of the last three fiscal years is presented in the Consolidated Statements of Changes in Shareholders' Equity for the fiscal years ended March 31, 2006, 2007 and 2008 included herein in Item 18.

58

At October 8, 2008, there were 5,577,639 shares of our common stock outstanding, all of which were fully paid. In addition, we had outstanding 1,104,500 options to purchase common stock as follows:

Number of Options -----	Exercise Price per Share -----	Expiration Date -----
228,000	\$8.00	January 6, 2010
20,000	\$8.125	January 12, 2010
30,000	\$7.875	January 9, 2011
196,000	\$3.65	April 9, 2011
10,000	\$2.55	October 15, 2011
168,000	\$2.50	March 6, 2012
342,500	\$1.61	March 31, 2013
40,000	\$6.12	March 25, 2014
40,000	\$6.20	September 12, 2014
30,000	\$4.50	December 4, 2015

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

At October 8, 2008 there were no shares of our preferred stock outstanding.

### Memorandum and Articles of Association

We are registered in the British Virgin Islands and have been assigned company number 9032 in the register of companies. Our registered agent is HWR Services Limited and is at Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands. The object or purpose of the Company is to engage in any act or activity that is not prohibited under British Virgin Islands law as set forth in Paragraph 4 of our Memorandum of Association. As an International Business Company, we are prohibited from doing business with persons resident in the British Virgin Islands, owning real estate in the British Virgin Islands or acting as a bank or insurance company. We do not believe that these restrictions materially affect our operations.

Paragraph 57(c) of our Amended Articles of Association (the "Articles") provides that a director may be counted as one of a quorum in respect of any contract or arrangement in which the director is materially interested; however, if the agreement or transaction cannot be approved by a resolution of directors without counting the vote or consent of any interested director, the agreement or transaction may only be validated by approval or ratification by a resolution of the members. Paragraph 53 of the Articles allows the directors to vote compensation to themselves in respect of services rendered to the Company. Paragraph 66 of the Articles provides that the directors may by resolution exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings and property or any part thereof, to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of ours or of any third party. Such borrowing powers can be altered by an amendment to the Articles. There is no provision in the Articles for the mandatory retirement of directors. Directors are not required to own shares of the Company in order to serve as directors.

Our authorized share capital is \$170,000 divided into 23,333,334 shares of common stock, \$0.003 par value, and 10,000,000 authorized shares of preferred stock, \$0.01 par value. Holders of our common stock are entitled to one vote for

59

each whole share on all matters to be voted upon by shareholders, including the election of directors. Holders of our common stock do not have cumulative voting rights in the election of directors. All of our common shares are equal to each other with respect to liquidation and dividend rights. Holders of our common shares are entitled to receive dividends if and when declared by our board of directors out of funds legally available under British Virgin Islands law. In the event of our liquidation, all assets available for distribution to the holders of our common shares are distributable among them according to their respective holdings. Holders of our common stock have no preemptive rights to purchase any additional un-issued common shares. No shares of our preferred stock have been issued, however the board of directors has the ability to determine the rights, preferences and restrictions to the preferred stock at their discretion.

Paragraph 7 of the Memorandum of Association provides that without prejudice to any special rights previously conferred on the holders of any existing shares, any share may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the directors may from time to time determine.

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Paragraph 10 of the Memorandum of Association provides that if at any time the authorized share capital is divided into different classes or series of shares, the rights attached to any class or series may be varied with the consent in writing of the holders of not less than three-fourths of the issued shares of any other class or series of shares which may be affected by such variation.

Paragraph 105 of the Articles of Association provides that our Memorandum and Articles of Association may be amended by a resolution of members or a resolution of directors. Thus, our board of directors without shareholder approval may amend our Memorandum and Articles of Association. This includes amendments to increase or reduce our authorized capital stock. Our ability to amend our Memorandum and Articles of Association without shareholder approval could have the effect of delaying, deterring or preventing a change in control of the Company, including a tender offer to purchase our common shares at a premium over the then current market price.

Provisions in respect of the holding of general meetings and extraordinary general meetings are set out in Paragraphs 68 through 77 of the Articles and under the International Business Companies Act. The directors may convene meetings of the members at such times and in such manner and places as the directors consider necessary or desirable, and they shall convene such a meeting upon the written request of members holding more than 30% of the votes of our outstanding voting shares.

British Virgin Islands law and our Memorandum and Articles of Association impose no limitations on the right of nonresident or foreign owners to hold or vote our securities. There are no provisions in the Memorandum and Articles of Association governing the ownership threshold above which shareholder ownership must be disclosed.

A copy of our Memorandum and Articles of Association, as amended, has been filed as an exhibit to the Registration Statement on Form F-2 (SEC File No. 333-32524).

60

### Material Contracts

The following summarizes each material contract, other than contracts entered into in the ordinary course of business, to which Bonso or any subsidiary of Bonso is a party, for the two years immediately preceding the filing of this report:

We signed a Banking Facility Letter dated March 23, 2007 between Bonso and KBC Bank Hong Kong Branch for a HK \$10,500,000 letter of credit, trust receipt facility, export D/P bills, export trade loan, factoring and overdraft facility and a EURO 3,300,000 bank guarantee to KBC Bank Deutschland AG, Germany to secure a trade facility to one of the subsidiaries, Korona.

We signed a Banking Facility Letter, dated October 14, 2008, amending our Banking Facilities Letters dated June 4, 2008, and June 6, 2007 between Bonso and Standard Chartered Bank for a HK \$68,000,000 letter of credit, trust receipt facility, export D/P bills, export trade loan, factoring and overdraft facility.

We signed a Banking Facility Letter, dated October 2, 2008, amending our Banking Facilities Letters dated September 12, 2008, and September 7, 2007 between Bonso and the Hong Kong and Shanghai Banking Corporation Limited for a HK \$27,500,000 letter of credit, trust receipt facility, export D/P bills,



## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

export trade loan, factoring and overdraft facility.

We signed a Banking Facility Letter dated February 12, 2008 amending our Banking Facility Letters dated August 15, 2007 and March 2, 2007 between Bonso and Hang Seng Bank for a HK \$48,000,000 letter of credit, trust receipt facility, export D/P bills, export trade loan, factoring and overdraft facility.

We signed an employment agreement with Anthony So to serve as Chairman of the Board of Directors, Chief Executive Officer and President of the Company effective April 1, 2008 (the "So Employment Agreement"). Pursuant to the So Employment Agreement, Mr. So's base salary is \$800,000 per annum. Mr. So is also entitled to such bonus as the board of directors shall determine. Mr. So is also entitled to the use of a property located at Savanna Garden, House No. 27, Tai Po, New Territories, Hong Kong without any charge or cost. Mr. So is entitled to be reimbursed for all reasonable out of pocket expenses incurred in connection with the performance of his duties. The So Employment Agreement expires on March 31, 2013. The So Employment Agreement contains provisions under which we will be obligated to pay Mr. So all compensation for the remainder of his employment agreement and five times his annual salary and bonus compensation if a change of control as defined in the agreements occur.

We signed an employment agreement with Kim Wah Chung to serve as the Director of Engineering and Research and Development of the Company effective April 1, 2008 (the "Chung Employment Agreement"). Pursuant to the Chung Employment Agreement, Mr. Chung's base salary is \$200,000 per annum. Mr. Chung is also entitled to such bonus as the board of directors shall determine and to be reimbursed for all reasonable out of pocket expenses incurred in connection with the performance of his duties. The Chung Employment Agreement expires on March 31, 2013.

### Exchange Controls

There are no exchange control restrictions on payments of dividends on our common stock or on the conduct of our operations either in Hong Kong, where our principal executive offices are located, or the British Virgin Islands, where we are incorporated. Other jurisdictions in which we conduct operations may have

61

various exchange controls. Taxation and repatriation of profits regarding our China operations are regulated by Chinese laws and regulations. To date, these controls have not had and are not expected to have a material impact on our financial results. There are no material British Virgin Islands laws that impose foreign exchange controls on us or that affect the payment of dividends, interest or other payments to holders of our securities who are not residents of the British Virgin Islands. British Virgin Islands law and our Memorandum and Articles of Association impose no limitations on the right of nonresident or foreign owners to hold or vote our securities.

### Taxation

No reciprocal tax treaty regarding withholding exists between the United States and the British Virgin Islands. Under current British Virgin Islands law, dividends, interest or royalties paid by us to individuals are not subject to tax as long as the recipient is not a resident of the British Virgin Islands. If we were to pay a dividend, we would not be liable to withhold any tax, but shareholders would receive gross dividends, if any, irrespective of their residential or national status.

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Dividends, if any, paid to any United States resident or citizen shareholder are treated as dividend income for United States federal income tax purposes. Such dividends are not eligible for the 70% dividends-received deduction allowed to United States corporations on dividends from a domestic corporation under Section 243 of the United States Internal Revenue Code of 1986 (the "Internal Revenue Code"). Various Internal Revenue Code provisions impose special taxes in certain circumstances on non-United States corporations and their shareholders. You are urged to consult your tax advisor with regard to such possibilities and your own tax situation.

A foreign corporation will be treated as a passive foreign investment company ("PFIC") for United States federal income tax purposes if, after applying relevant look-through rules with respect to the income and assets of subsidiaries, 75% or more of its gross income consists of certain types of passive income or 50% or more of the gross value of its assets is attributable to assets that produce passive income or are held for the production of passive income. For this purpose, passive income generally includes dividends, interest, royalties, rents (other than rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. We presently believe that we are not a PFIC and do not anticipate becoming a PFIC. This is, however, a factual determination made on an annual basis and is subject to change. If we were to be classified as a PFIC in any taxable year, (i) U.S. Holders would generally be required to treat any gain on sales of our shares held by them as ordinary income and to pay an interest charge on the value of the deferral of their United States federal income tax attributable to such gain and (ii) distributions paid by us to our U.S. Holders could also be subject to an interest charge. In addition, we would not provide information to our U.S. Holders that would enable them to make a "qualified electing fund" election under which, generally, in lieu of the foregoing treatment, our earnings would be currently included in their United States federal income.

In addition to United States federal income taxation, shareholders may be subject to state and local taxes upon their receipt of dividends.

62

### Documents on Display

You may read and copy documents referred to in this Annual Report on Form 20-F that have been filed with the Securities and Exchange Commission (the "Commission") at the Commission's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. You may obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. You can also obtain copies of our Commission filings by going to the Commission's website at <http://www.sec.gov>.

The SEC allows us to "incorporate by reference" the information we file with the SEC. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be part of this Annual Report on Form 20-F.

### Item 11. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to a certain level of interest rate risk and foreign currency exchange risk.

#### Interest Rate Risk

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Our interest rate risk primarily arises from our long-term debt and our general banking facilities. As at March 31, 2008, there was no long-term debt. We had utilized \$ 8,568,978 of our total banking facilities of \$ 31,115,325. Based on the maturity profile and composition of our long-term debt and general banking facilities, including the fact that our banking facilities are at variable interest rates, we estimate that changes in interest rates will not have a material impact on our operating results or cash flows. We intend to manage our interest rate risk through appropriate borrowing strategies. We have not entered into interest rate swap or risk management agreements; however, it is possible that we may do so in the future.

A summary of our debts as at March 31, 2008 which were subjected to variable interest rates is as below:

	March 31, 2008 ----	Interest rate ----
Notes payable	\$3,863,465	HIBOR + 1.5%
Short-term loans	\$3,894,159	%ONIA +1.15% to 1.95%
Bank overdrafts	\$811,354	Prime rate + 0.5% to 1% Or HIBOR + 2.25%

HIBOR: Hong Kong Inter-bank Offered Rate

EONIA: Euro Over Night Index Average

63

Interest rates are subject to change if the Company defaults on the amounts due under the facility or draws in excess of the facility amounts, or at the discretion of the banks, which ranges from 4% to 6% in addition to the US and Hong Kong Prime Rate, respectively.

All the balances above are due within one year.

A change in the interest rate by 1% will increase / decrease the interest expense of the Group by \$155,000.

For further information concerning our banking facilities the interest rates payable, and repayment terms please see Note 7 to our Consolidated Financial Statements.

### Foreign Currency Exchange Rates

For a discussion of our Foreign Currency Exchange Risk, See Item 5. Operating and Financial Review and Prospects "Foreign Currency Exchange Rates."

### Item 12. Description of Securities Other Than Equity Securities

Not applicable.

## PART II

### Item 13. Defaults, Dividend Arrearages and Delinquencies

None.

Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds

None.

Item 15. Controls and Procedures

The Company's management, with the participation of its Chief Executive Officer (being also the Chief Financial Officer), conducted an evaluation of our disclosure controls and procedures as defined in paragraph (e) of Rule 13a-15 or 15d-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") as of March 31, 2008.

64

Based on this evaluation and as a result of the material weaknesses discussed below, Anthony So (the Chief Executive Officer and Chief Financial Officer), has concluded that, as of March 31, 2008, the Company's disclosure controls and procedures were not effective. The Company's disclosure controls and procedures include without limitation controls and procedures that are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Due to the material weaknesses identified in the evaluation of the Company's internal control over financial reporting, the Company performed additional analyses and other post-closing procedures, to ensure the Company's consolidated financial statements are in accordance with GAAP. Accordingly, Management has concluded that the consolidated financial statements included in this Annual Report on Form 20-F fairly present, in all material respects, Bonso's financial position, results of operations and cash flows for all periods presented.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's management has evaluated the effectiveness of the Company's internal control over financial reporting as of March 31, 2008 based upon criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

65

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual financial statements will not be prevented or detected on a timely basis.

In connection with management's evaluation of the Company's internal control over financial reporting, the following material weaknesses have been identified as of March 31, 2008:

The Company did not adequately maintain effective internal control over financial reporting for the financial close and reporting process. Specifically, we did not maintain a sufficient complement of people with an appropriate level of knowledge, experience and training in the application of GAAP and in internal control over financial reporting commensurate with our financial reporting requirements. In addition, this material weakness contributed to the following material weaknesses: we did not maintain effective controls over the accuracy, valuation and disclosure of inventory and income tax liabilities.

The above material weaknesses resulted in audit adjustments to the Company's consolidated financial statements and related disclosures for the year ended March 31, 2008, including inventory and income tax expense. In addition, there is a reasonable possibility that the material weaknesses described above could result in misstatements of the aforementioned financial statement accounts and disclosures that would result in a material misstatement to the Company's annual consolidated financial statements that would not be prevented or detected on a timely basis.

Because of the material weaknesses described above, management has concluded that the Company did not maintain effective internal control over its financial reporting as of March 31, 2008 based on the Internal Control Integrated Framework issued by the COSO.

This Annual Report does not include an audit report of the Company's independent registered public accounting firm regarding internal controls over financial reporting. Management's report was not subject to audit by the Company's independent registered public accounting firm pursuant to rules of the SEC that permit the Company to provide only management's report in this Annual Report.

### Management's Remediation Plan

Our management has taken the following actions to begin remediating the material weaknesses identified:

- o In March 2008, we hired a qualified accountant with extensive experience in public company accounting operations. We are organizing

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

training sessions to ensure that we have sufficient personnel with adequate accounting knowledge and experience. We have arrangements with an external accounting firm for regular consultation and review of our financial reporting.

66

- o The inventory accounting and control process is currently being reviewed to ensure the accuracy and the valuation of the inventory. In addition, the internal audit department will perform reviews to ensure the effectiveness of the NRV calculation, based on current market conditions.
- o We have commenced a review of our financial reporting for income taxes. We engaged an external consulting firm for ongoing consultation and review of our tax accounts and valuation. We are also actively seeking qualified personnel with appropriate expertise in taxation.

Management will consider the design and operating effectiveness of these actions and will make additional changes it determines are appropriate. We cannot assure you that the measures we have taken, or will take, to remediate these material weaknesses will be effective or that we will be successful in implementing them before March 31, 2009, the date of management's next annual assessment of internal control over financial reporting.

Changes in internal controls over financial reporting

Other than as disclosed above, there were no changes in the Company's internal controls over financial reporting during the year ended March 31, 2008 that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

Item 16. Reserved

Item 16A. Audit Committee Financial Expert

Henry F. Schlueter, a Director and the Company's outside securities counsel is "independent" within the definition of "independence" published by the NASDAQ Stock Market. Mr. Schlueter is deemed to be the financial expert.

Item 16B. Code of Ethics

We have adopted a code of ethics that applies to our Chief Executive Officer and Chief Financial Officer. We intend to disclose any changes in or waivers from our code of ethics by filing a Form 6-K. Stockholders may request a free copy in print form from our Chief Financial Officer at:

Bonso Electronics International, Inc.  
Unit 1915-1916, 19/F, Delta House  
3 On Yiu Street, Shek Mun  
Shatin, N. T.  
Hong Kong

67

Item 16C. Principal Accountant Fees and Services

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Audit Committee's pre-approval policies and procedure

The Audit Committee must pre-approve the audit and non-audit services performed by the independent auditor in order to assure that the provision of such services does not impair the auditor's independence. Before the Company or any of its subsidiaries engages the independent auditor to render a service, the engagement must be either:

- (1) specifically approved by the Audit Committee; or
- (2) entered into pursuant to this Pre-Approval Policy.

The term of any pre-approval is 12 months from the date of pre-approval, unless the Audit Committee specifically provides for a different period. The Audit Committee may periodically revise the list of pre-approved services.

The Audit Committee may delegate pre-approval authority to one or more of its members. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee may not delegate to management the Audit Committee's responsibilities to pre-approve services performed by the independent auditor.

The Audit Committee must specifically pre-approve the terms of the annual audit services engagement. The Audit Committee shall approve, if necessary, any changes in terms resulting from changes in audit scope, Company structure or other matters. In addition to the annual audit services engagement approved by the Audit Committee, the Audit Committee may grant pre-approval for other audit services, which are those services that only the independent auditor reasonably can provide.

The Audit Committee may grant pre-approval to those permissible non-audit services classified as other services that it believes would not impair the independence of the auditor, including those that are routine and recurring services.

The Audit Committee may consider the amount or range of estimated fees as a factor in determining whether a proposed service would impair the auditor's independence. Where the Audit Committee has approved an estimated fee for a service, the pre-approval applies to all services described in the approval. However, in the event the invoice in respect of any such service is materially in excess of the estimated amount or range, the Audit Committee must approve such excess amount prior to payment of the invoice. The Audit Committee expects that any requests to pay invoices in excess of the estimated amounts will include an explanation as to the reason for the overage. The Company's independent auditor will be informed of this policy.

The Company's management shall inform the Audit Committee of each service performed by the independent auditor pursuant to this Pre-Approval Policy. Requests or applications to provide services that require separate approval by the Audit Committee shall be submitted to the Audit Committee by both the independent auditor and the Chief Financial Officer, and must include a joint statement as to whether, in their view, the request or application is consistent with the SEC's and the Public Company Accounting Oversight Board's rules on auditor independence.

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

The audit fee indicated below was pre-approved by the Audit Committee before the auditor commenced their work.

### Audit Fees

The aggregate fees billed by PricewaterhouseCoopers for professional services rendered for the audit of the Corporation's annual consolidated financial statements for the fiscal year ended March 31, 2008 were \$371,538 and for the fiscal year ended March 31, 2007 were \$261,282.

### Audit Related Fees

There were no fees billed by PricewaterhouseCoopers for professional services rendered for assurance and related services provided by PricewaterhouseCoopers that were reasonably related to the performance of the audit and are not reported above under "Audit Fees" for the fiscal year ended March 31, 2008 and for the fiscal year ended March 31, 2007.

### Tax Fees

The aggregate fees billed by PricewaterhouseCoopers for professional services rendered for tax compliance for the fiscal year ended March 31, 2008 were \$91,317 and for the fiscal year ended March 31, 2007 were \$115,000.

### Item 16D. Exemptions from the Listing Standards for Audit Committees

Pursuant to NASDAQ Marketplace Rule 4350(a), a foreign private issuer may follow its home country practice in lieu of Rule 4350, which sets forth the qualitative Listing Requirements for NASDAQ listed companies. Rule 4350 requires, among other things, that a listed company have at least three members on its audit committee. The Company currently has an audit committee consisting of two directors who are deemed to be "independent" as defined in NASDAQ Marketplace Rule 4200. The Company has obtained a written statement from independent counsel in the British Virgin Islands certifying that the Company's corporate governance practices relating to the audit committee consisting of only one member is not prohibited by British Virgin Island law. See "NASDAQ Exemptions and Home Country Practices."

### Item 16E. Purchasers of Equity Securities by the Issuer and Affiliated Purchasers

In August of 2001, the Company's Board of Directors authorized a program for the Company to repurchase up to \$500,000 of its common stock. This repurchase program does not obligate the Company to acquire any specific number of shares or acquire shares over any specified period of time. No stock was repurchased between August 2001 and March 31, 2006. On November 16, 2006, the Company's Board of Directors authorized another \$1,000,000 for the Company to repurchase shares of its common stock under the same repurchase program. This authorization to repurchase shares increases the amount authorized for repurchase from \$500,000 to \$1,500,000. During the fiscal year ended March 31, 2007, 260,717 shares valued at \$1,328,560 were purchased under this program. No shares were repurchased during the fiscal year ended March 31, 2008. The Company may from time to time repurchase shares of its Common Stock under this program.

## PART III

### Item 17. Financial Statements



# Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Not applicable.

## Item 18. Financial Statements

The following Financial Statements are filed as part of this Annual Report:

	Page
	----
Report of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheets as of March 31, 2007 and 2008	F-2
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss) for the years ended March 31, 2006, 2007 and 2008	F-3
Consolidated Statements of Changes in Shareholders' Equity for the years ended March 31, 2006, 2007 and 2008	F-4
Consolidated Statements of Cash Flows for the years ended March 31, 2006, 2007 and 2008	F-5
Notes to Consolidated Financial Statements	F-6 through F-3

70

## Item 19. Exhibits

- 4.1 Banking Facility Letter dated March 23, 2007 between Bonso and KBC Bank Hong Kong Bra
- 4.2 Banking Facility Letter, dated October 14, 2008 between Bonso and Standard Chartered
- 4.3 Banking Facility Letter, dated October 2, 2008 between Bonso and the Hong Kong and Sh  
Corporation Limited
- 4.4 Banking Facility Letter, dated February 12, 2008 between Bonso and Hang Seng Bank Lim
- 4.5 Anthony So Employment Agreement dated March 27, 2008
- 4.6 Kim Wah Chung Employment Agreement dated March 27, 2008
- 11.1 Code of Ethics For Chief Executive Officer and Chief Financial Officer (1)
- 12.1 Certification of Officer Pursuant to Section 1350, as adopted pursuant to Section 302  
of 2002
- 12.2 Certification of Officer Pursuant to Section 1350, as adopted pursuant to Section 302  
of 2002
- 13.1 Certification Pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sa

-----  
(1) Filed as an Exhibit on Form 20-F filed with the Commission on August 13, 2004

71

SIGNATURE

The registrant hereby certifies that it meets all of the requirements for

Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

BONSO ELECTRONICS INTERNATIONAL INC.

Dated November 14, 2008

/s/ Anthony So

-----  
Anthony So, Chairman of the Board,  
Chief Executive Officer,  
Chief Financial Officer and  
Director

Dated November 14, 2008

/s/ Albert So

-----  
Albert So, Financial Controller

72

Report of Independent Registered Public Accounting Firm  
-----

Board of Directors and Shareholders of  
Bonso Electronics International Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income (loss) and comprehensive income (loss), of cash flows and of shareholders' equity present fairly, in all material respects, the financial position of Bonso Electronics International Inc. and its subsidiaries at March 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 2008 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Notes 1(n) and 9(h) to the consolidated financial statements, effective from April 1, 2007, the Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes -- An Interpretation of FASB

Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Statement No. 109".

PricewaterhouseCoopers

Hong Kong,  
November 14, 2008

F-1

Bonso Electronics International Inc.  
Consolidated Balance Sheets  
(Expressed in United States Dollars)

	Note	March 31	
		2007	2008
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		8,118,018	10,195,362
Trade receivables, net	2	6,739,567	5,264,074
Inventories	3	14,997,788	11,391,318
Tax recoverable		2,117	2,117
Other receivables, deposits and prepayments		2,678,328	4,144,676
Investments	4	700,000	--
<b>Total current assets</b>		<b>33,235,818</b>	<b>30,997,547</b>
Deferred income tax assets	9	87,369	191,618
Goodwill	7	842,821	--
Brand name and other intangible assets, net	7	2,313,434	502,494
Other non-current assets		--	155,125
<b>Property, plant and equipment</b>			
Leasehold land		2,996,595	4,749,938
Buildings		10,675,662	9,981,913
Plant and machinery		17,294,870	19,690,136
Furniture, fixtures and equipment		4,805,189	4,793,245
Motor vehicles		459,721	514,035
		36,232,037	39,729,267
Less: accumulated depreciation and impairment		(25,192,864)	(29,790,203)
<b>Property, plant and equipment, net</b>	5	<b>11,039,173</b>	<b>9,939,064</b>
<b>Total assets</b>		<b>47,518,615</b>	<b>41,785,848</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Bank overdraft	8	459,710	811,354
Notes payable	8	3,736,526	3,863,465

Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Accounts payable		5,354,326	5,985,403
Accrued charges and deposits		2,357,132	3,359,557
Income tax liabilities	9	814,374	6,888
Short-term loans	8	3,576,366	3,894,159
Current portion of capital lease obligations	10	95,725	176,930
		-----	-----
Total current liabilities		16,394,159	18,097,756
		-----	-----
Capital lease obligations, net of current portion	10	59,258	183,761
Income tax liabilities	9	--	2,595,135
Deferred income tax liabilities	9	13,901	4,460
Commitments (Notes 10 and 11)			
Shareholders' equity			
Common stock par value \$0.003 per share			
- authorized shares - 23,333,334			
- issued and outstanding shares : 2007 & 2008 - 5,577,639		16,729	16,729
Additional paid-in capital		21,764,788	21,764,788
Retained earnings (Accumulated losses)		9,584,181	(1,129,819)
Accumulated other comprehensive income		1,014,159	1,581,598
Common stock held at treasury (260,717 shares)	12	(1,328,560)	(1,328,560)
		-----	-----
		31,051,297	20,904,736
		-----	-----
Total liabilities and shareholders' equity		47,518,615	41,785,848
		=====	=====

See notes to these consolidated financial statements

F-2

Bonso Electronics International Inc.  
Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)  
(Expressed in United States Dollars)

	Note	Year ended March 31,		
		2006	2007	2008
		-----	-----	-----
		\$	\$	\$
Net sales	18	64,542,963	66,491,380	62,686,501
Cost of sales		(51,114,155)	(53,946,323)	(57,682,498)
		-----	-----	-----
Gross margin		13,428,808	12,545,057	5,004,003
Selling expenses		(2,110,563)	(2,477,249)	(2,480,495)
Salaries and related costs		(5,681,175)	(5,437,654)	(5,781,240)
Research and development expenses		(847,401)	(983,172)	(883,304)
Administration and general expenses		(3,420,485)	(3,004,358)	(4,636,553)
Amortization of brand name	7	(200,000)	(200,000)	(200,000)
Impairment of goodwill	7	(258,141)	--	(842,821)
Impairment of brand name	7	--	--	(1,597,392)
Impairment of share investment	7	--	--	(200,000)
Loss from water damage	16	--	(700,950)	--
		-----	-----	-----

Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Income (Loss) from operations	18	911,043	(258,326)	(11,617,802)
Interest income		202,155	312,768	203,102
Interest expenses		(504,280)	(626,188)	(693,000)
Foreign exchange loss		(183,887)	(183,952)	(216,239)
Gain on disposal of property		--	--	3,123,983
Other income		190,571	302,266	315,889
		-----	-----	-----
Income (Loss) before income taxes and minority interest		615,602	(453,432)	(8,884,067)
Income tax (expense) benefit	9	(131,474)	(917,511)	334,154
		-----	-----	-----
Net income (loss) before minority interest		484,128	(1,370,943)	(8,549,913)
Minority interest		--	--	--
		-----	-----	-----
Net income (loss)		484,128	(1,370,943)	(8,549,913)
Other comprehensive income, net of tax:				
Foreign currency translation adjustments, net of tax		(56,053)	227,389	567,439
		-----	-----	-----
Comprehensive income (loss)		428,075	(1,143,554)	(7,982,474)
		=====	=====	=====
Earnings (Loss) per share				
Basic	17	0.09	(0.25)	(1.53)
		=====	=====	=====
Diluted	17	0.08	(0.25)	(1.53)
		=====	=====	=====

See notes to these consolidated financial statements

F-3

Bonso Electronics International Inc.  
Consolidated Statements of Shareholders' Equity  
(Expressed in United States Dollars)

	Common stock				
	Shares issued and outstanding	Amount outstanding	Additional paid-in capital	Common stock held at treasury	Retained earnings (Accumulated loss)
	-----	-----	-----	-----	-----
		\$	\$	\$	
Balance, March 31, 2005	5,577,639	16,729	21,764,788	--	11,307,
	-----	-----	-----	-----	-----
Net income	--	--	--	--	484,
Dividends paid	--	--	--	--	(557,
Foreign exchange translation adjustment	--	--	--	--	--
	-----	-----	-----	-----	-----
Balance, March 31, 2006	5,577,639	16,729	21,764,788	--	11,234,
	-----	-----	-----	-----	-----
Net loss	--	--	--	--	(1,370,
Shares repurchase	--	--	--	(1,328,560)	--
Dividends paid	--	--	--	--	(278,

Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Foreign exchange translation adjustment	--	--	--	--	--
Balance, March 31, 2007	5,577,639	16,729	21,764,788	(1,328,560)	9,584,
Cumulative effect of adoption of FIN 48	--	--	--	--	(2,164,
Net loss	--	--	--	--	(8,549,
Foreign exchange translation adjustment	--	--	--	--	--
Balance, March 31, 2008	5,577,639	16,729	21,764,788	(1,328,560)	(1,129,

See notes to these consolidated financial statements

F-4

Bonso Electronics International Inc.  
Consolidated Statements of Cash Flows  
(Expressed in United States Dollars)

	Year Ended March 31,		
	2006	2007	2008
	\$	\$	\$
Cash flows from operating activities			
Net income (loss)	484,128	(1,370,943)	(8,549,
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	2,379,919	2,347,569	2,562,
Amortization	290,267	290,946	293,
Impairment of investment properties	69,077	5,414	--
(Gain) Loss on disposal of property, plant and equipment (Note 5)	(110,936)	(54,409)	(3,123,
Inventory write-off	170,592	261,242	2,457,
Bad debt provision	223,388	134,931	869,
Impairment of goodwill	258,141	--	842,
Impairment of brand name	--	--	1,597,
Impairment of investment in a private company	--	--	200,
Others	(19,903)	11,639	141,
Changes in assets and liabilities:			
Trade receivables	3,622,351	(134,269)	958,
Other receivables, deposits and prepayments	(537,710)	(422,138)	(1,275,
Inventories	(3,857,097)	181,169	1,606,
Deposits	(90,711)	--	(155,
Tax recoverable	303,225	76,618	--
Accounts payable	(706,043)	(1,063,091)	369,
Accrued charges and deposits	456,772	(77,862)	757,
Notes payable	(434,053)	425,853	126,
Income tax payable	--	814,374	(376,
Deferred tax	(21,194)	(10,802)	(113,
Net cash generated from (used in) operating activities	2,480,213	1,416,241	(811,
Cash flows from investing activities			

Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Restricted cash deposits	4,848	--	--
Proceeds from disposal of property, plant and equipment	579,896	173,583	4,875,
Acquisition of property, plant and equipment	(1,340,134)	(342,110)	(2,683,
Acquisition of investment	--	(200,000)	--
Proceeds from matured investment fund	--	--	559,
	-----	-----	-----
Net cash (used in) generated from investing activities	(755,390)	(368,527)	2,751,
	-----	-----	-----
Cash flows from financing activities			
Repurchase of common stocks	--	(1,328,560)	--
Repayment of long-term borrowings	(208,421)	(48,329)	--
Capital lease payments	(426,556)	(250,513)	(168,
Net (repayment of) advance from banking facilities	(1,657,181)	340,945	(1,
Payment of dividends to stockholders	(557,764)	(278,882)	--
	-----	-----	-----
Net cash used in financing activities	(2,849,922)	(1,565,339)	(170,
	-----	-----	-----
Net (decrease) increase in cash and cash equivalents	(1,125,099)	(517,625)	1,770,
Effect of exchange rate changes on cash and cash equivalents held in foreign currencies	(232)	53,386	307,
Cash and cash equivalents, beginning of year	9,707,588	8,582,257	8,118,
	-----	-----	-----
Cash and cash equivalents, end of year	8,582,257	8,118,018	10,195,
	=====	=====	=====
Supplemental disclosure of cash flow information			
Cash paid during the year for:			
Interest paid	494,310	614,269	692,
Income tax paid, net of refund	153,008	37,321	155,
Non-cash investing and financing activities			
Property, plant and machinery acquired under capital leases	188,718	98,462	374,
Interest income	202,155	312,768	139,
Provision for FIN 48 uncertain tax positions upon adoption at April 1, 2007	--	--	2,164,

See notes to these consolidated financial statements

F-5

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

1 Description of business and significant accounting policies

Bonso Electronics International Inc. ("the Company") and its subsidiaries (collectively, the "Group") are engaged in the designing, manufacturing and selling of a comprehensive line of electronic scales and weighing instruments, electronic consumer products and telecommunication products.

The consolidated financial statements have been prepared in United States dollars and in accordance with generally accepted accounting principles in the United States of America. The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant estimates made by management include provisions made against inventories and trade receivable, and the valuation of long-lived assets. Actual results could differ from those estimates.

The Group sustained operating losses in fiscal years ended March 31, 2007 and 2008, including a net loss of \$8,549,913 for the fiscal year ended March 31, 2008.

Notwithstanding the operating losses sustained in the last two fiscal years, the accompanying consolidated financial statements have been prepared on a going concern basis. Management believes the Group will have sufficient working capital to meet its financing requirements based upon their experience and their assessment of the Group's projected performance, credit facilities and banking relationships.

The significant accounting policies are as follows:

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries after elimination of inter-company accounts and transactions.

Acquisitions of companies have been consolidated from the date on which control of the net assets and operations was transferred to the Group.

Acquisitions of companies are accounted for using the purchase method of accounting. Goodwill represents the excess of the purchase cost over the fair value of assets acquired less liabilities assumed of acquired companies.

(b) Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments with original maturities of three months or less. Cash equivalents are stated at cost, which approximates fair value because of the short-term maturity of these instruments.

F-6

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

1 Description of business and significant accounting policies (Continued)

(c) Inventories

Inventories are stated at the lower of cost or net realizable value with cost determined on a first-in, first-out basis. Net realizable value is the price at which inventories can be sold in the normal course of business after allowing for the costs of completion and disposal. The Company routinely reviews its inventories for their saleability and for indications of obsolescence to determine if inventory carrying values are higher than market value. Some of the significant factors the Company considers in estimating the market value of its inventories include the likelihood of changes in market and customer demand and expected changes in market prices for its inventories.



## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

(d) Trade receivables

Provision is made against trade receivables to the extent that collection is considered to be doubtful.

(e) Investments

Investment in a capital guaranteed fund is classified as held-to-maturity and recorded at amortized cost, while investment in a private company is recorded at cost less any impairment in the consolidated balance sheets. These investments are subject to impairment test (Note 4).

(f) Deferred income taxes

Amounts in the consolidated financial statements related to income taxes are calculated using the principles of SFAS No. 109, "Accounting for Income Taxes". SFAS No. 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the temporary differences between the financial reporting basis and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Future tax benefits, such as net operating loss carry forwards, are recognized as deferred tax assets. Recognized deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

(g) Brand name

Brand name acquired as part of the purchase of a business is capitalized based on the estimated fair value as at the date of acquisition and amortized using the straight-line method over the related estimated useful life of 15 years. Brand name is assessed for impairment according to the policy described in note 1(j).

(h) Other intangible asset

Other intangible asset represents taxi licenses which are stated at cost and are amortized on a straight-line basis over the related granted useful life of 50 years, representing the shorter of their remaining term of the license period or the expected useful life to the Group. Taxi licenses entitled the Group to operate 5 taxis for 50 years in Shenzhen, the People's Republic of China ("PRC"). The purpose of holding these licenses is to generate higher income yield.

Taxi licenses are assessed for impairment according to the policy described in note 1(j).

F-7

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

1 Description of business and significant accounting policies (Continued)

(i) Property, plant and equipment

(i) Property, plant and equipment are stated at cost less accumulated

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

depreciation. Leasehold land and buildings are depreciated on a straight-line basis over 15 to 50 years, representing the shorter of the remaining term of the lease or the expected useful life to the Group.

- (ii) Other fixed assets are carried at cost and depreciated using the straight-line method over their expected useful lives to the Group. The principal annual rates used for this purpose are:

Plant and machinery	- 14% to 33.3%
Furniture, fixtures and equipment	- 20%
Motor vehicles	- 20%

- (iii) The cost of major improvements and betterments is capitalized, whereas the cost of maintenance and repairs is expensed in the year incurred.

- (iv) Any gain or loss on disposal is included in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

- (j) Long-lived assets including goodwill and other acquired intangible assets

Long-lived assets held and used by the Group and intangible assets, excluding goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Group evaluates recoverability of assets to be held and used by comparing the carrying amount of an asset to future net undiscounted cash flows to be generated by the asset. If such assets are considered to be impaired, the impairment loss is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets calculated using a discounted future cash flows analysis. Provisions for impairments made on other long-lived assets are disclosed in the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

Goodwill is subject to an annual impairment review. The evaluation of goodwill for impairment involves two steps: (1) the identification of potential impairment by comparing the fair value of a reporting unit with its carrying amount, including goodwill and (2) the measurement of the amount of goodwill loss by comparing the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill and recognizing a loss by the excess of the latter over the former. The Company measures fair value based upon a discounted future cash flows analysis. Based on the assessment for the year ended March 31, 2008, a provision of \$842,821 was made by the Group on impairment of goodwill (2007: nil; 2006: \$258,141).

F-8

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

- 1 Description of business and significant accounting policies (Continued)

- (k) Revenue recognition

No revenue is recognized unless there is persuasive evidence of an arrangement, the price to the buyer is fixed or determinable, delivery has occurred and collectibility of the sales price is reasonably assured. Revenue is recognized when title and risk of loss transfers to the customer, which is generally when the product is shipped to the customer

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

from our facility. Shipping costs billed to our customers are included within revenue. Associated costs are classified in cost of goods sold.

The Company provides to certain customers an additional two percent of the quantity of certain products ordered in lieu of a warranty, which are recognized as cost of sales when these products are shipped to customers from our facility. In addition, certain products sold by the Company are subject to a limited product quality warranty. The Company accrues for estimated incurred but unidentified quality issues based upon historical activity and known quality issues if a loss is probable and can be reasonably estimated. The standard limited warranty period is one to three years. Quality returns, refunds, rebates and discounts are recorded net of sales at the time of sale and estimated based on past history. All sales are based upon firm orders with fixed terms and conditions, which generally cannot be modified. Historically, we have not experienced material differences between our estimated amounts of quality returns, refunds, rebates and discounts and the actual results. In all contracts, there is no price protection or similar privilege in relation to the sale of goods.

(l) Research and development costs

Research and development costs include salaries, utilities, and contractor fees that are directly attributable to the conduct of research and development progress primarily related to the development of new design of products. Research and development costs are expensed in the financial period during which they are incurred.

(m) Advertising

Advertising costs are expensed as incurred and are included within selling expenses. (2008: \$119,398; 2007: \$142,642; 2006: \$255,006)

(n) Income taxes

On April 1, 2007, the Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes -- An Interpretation of FASB Statement No. 109", or FIN 48 (Note 9). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Only tax positions that meet the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized upon adoption of FIN 48. The Company's accounting policy is to treat interest and penalties as a component of income taxes.

F-9

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

1 Description of business and significant accounting policies (Continued)

(o) Foreign currency translations

(i) The Group's functional currency is United States dollar. The financial

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

statements of foreign subsidiaries where United States dollar is the functional currency and which have certain transactions denominated in non-United States dollar currencies are translated into United States dollar at the exchange rates existing on that date. The translation of local currencies into United States dollars creates transaction adjustments which are included in net income (loss). Exchange differences are recorded in the Statements of Income (Loss) and Comprehensive Income (Loss).

(ii) The financial statements of foreign subsidiaries, where the non-United States dollar currencies are the functional currencies, are translated into United States dollars using exchange rates in effect at period end for assets and liabilities and average exchange rates during each reporting period for statement of income. Adjustments resulting from translation of these financial statements are reflected as a separate component of shareholders' equity in accumulated other comprehensive income.

(p) Stock options and warrants

Stock options have been granted to employees, directors and non-employee directors. Upon exercise of the options, the holder can acquire share of common stock of the Company at an exercise price determined by the board of directors. The options are exercisable based on the vesting terms stipulated in the option agreements or plan.

Prior to 1 April 2006, the Company applies Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for its employee stock options. Under APB Opinion No. 25, as the exercise price of all the options issued by the Company was equal to or higher than the market price of the underlying stock on the date of grant, no compensation expense has been recognized for the year ended March 31, 2006.

Effective April 1, 2006, the Company adopted the SFAS No. 123(R) in accounting for its employee stock option. Under the provisions of SFAS No. 123(R), the Company is required to measure the cost of employee services received in exchange for stock-based compensation measured at the fair value of the award as of the grant date. According to the modified prospective application method, the Company applies SFAS No. 123(R) for: (1) new awards granted after April 1, 2006, and (2) any portion of awards that were granted after April 1, 1995 and have not vested by April 1, 2006. As the Company did not have any unvested stock-based compensation as of April 1, 2006, the adoption of SFAS No. 123(R) did not have any impact on the Company's financial statements.

F-10

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

1 Description of business and significant accounting policies (Continued)

(q) Recent accounting pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 provides guidance on the measurement of fair value in US GAAP and expands fair value measurement disclosures. SFAS No. 157 is applicable whenever other accounting pronouncements require or

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

permit fair value measurements and does not expand the use of fair value in any new circumstances. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is in the process of assessing the impact of the recent accounting pronouncement. In February 2008, the FASB issued FASB Staff Position ("FSP") 157-2, Effective Date of FASB Statement No. 157. FSP 157-2 provides a one-year deferral of the effective date of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed in financial statements at fair value on a recurring basis. The deferral is not available, however, to entities that issued interim or annual financial statements reflecting the measurement and disclosure provisions of SFAS No. 157 before February 12, 2008.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We do not expect the adoption of SFAS No. 159 to have a material impact on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), "Business combinations" ("SFAS No. 141(R)"). SFAS No. 141(R) requires an acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. SFAS No. 141(R) is effective for fiscal years beginning on or after December 15, 2008. We do not expect the adoption of SFAS No. 141(R) to have a material impact on our consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, "Non-controlling Interests in consolidated Financial Statements, an amendment of ARB No.51" ("SFAS No. 160"). SFAS No. 160 clarifies that a non-controlling or minority interest in a subsidiary is considered an ownership interest and, accordingly, requires all entities to report such interests in subsidiaries as equity in the consolidated financial statements. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008. We do not expect the adoption of SFAS No. 160 to have a material impact on our consolidated financial statements.

F-11

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

1 Description of business and significant accounting policies (Continued)

(q) Recent accounting pronouncements (Continued)

In December 2007, the SEC issued Staff Accounting Bulletin (SAB) No. 110, codified as SAB Topic 14, "Share-based payment." SAB No. 110 states that the SEC staff will continue to accept, under certain circumstances, the use of the simplified method in developing an estimate of expected term of

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

"plain vanilla" share options in accordance with Statement of Financial Accounting Standard No. 123 (revised 2004) and SAB No. 107 beyond December 31, 2007. The adoption of SAB No. 110 did not require any adjustments to our consolidated financial statements for the year ended March 31, 2008.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133" ("SFAS No. 161"). SFAS No. 161 requires disclosures of how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS No. 161 is effective for fiscal years beginning after November 15, 2008, with early adoption permitted. We do not expect the adoption of SFAS No. 161 to have a material impact on our consolidated financial statements.

In April 2008, the FASB finalized Staff Position No. 142-3, "Determination of the Useful Life of Intangible Assets" ("FSP 142-3"). The position amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, "Goodwill and Other Intangible Assets". The position applies to intangible assets that are acquired individually or with a group of other assets and both intangible assets acquired in business combinations and asset acquisitions. FSP 142-3 is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The Company is in the process of assessing the impact of the recent accounting pronouncement.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" ("SFAS No. 162"). SFAS No. 162 defines the order in which accounting principles that are generally accepted should be followed. SFAS No. 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles. We do not expect the adoption of SFAS No. 162 to have a material impact on our consolidated financial statements.

In May 2008, the FASB finalized Staff Position No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)" ("FSP APB 14-1"). The position clarifies that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) are not addressed by APB Opinion No. 14 "Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants". FSP APB 14-1 further specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity's nonconvertible debt borrowing rate when interest cost is recognized in subsequent period. FSP APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. As of the date of this annual report, we do not have any convertible debt instruments that may be settled in cash upon conversion and FSP APB 14-1 does not have any impact on us.

F-12

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

2 Allowance for doubtful accounts

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Changes in the allowance for doubtful accounts comprise:

	2006	2007	2008
	-----	-----	-----
	\$	\$	\$
Balance, April 1	399,006	227,001	108,151
Exchange adjustment	(21,415)	9,268	15,829
Additions charged to expense	223,388	134,931	869,995
Write-off	(373,978)	(263,049)	(116,345)
	-----	-----	-----
Balance, March 31	227,001	108,151	877,630
	=====	=====	=====

### 3 Inventories

(a) The components of inventories are as follows:

	2007	2008
	-----	-----
	\$	\$
Raw materials	5,951,366	3,866,827
Work in progress	4,232,035	3,898,639
Finished goods	4,814,387	3,625,852
	-----	-----
	14,997,788	11,391,318
	=====	=====

During the years ended March 31, 2006, 2007 and 2008, based upon material composition and expected usage, management wrote off obsolete inventories of \$170,592, \$261,242 and \$2,457,510, respectively, which were charged to the consolidated statement of income (loss).

### 4 Investments

Investments are related to a 7% zero coupon capital guaranteed fund with maturity on October 11, 2007 and an investment in a private company principally engaged in the biochemistry industry in the United States of America. The purpose of holding the investments is to generate higher income yield.

The investment in the capital guaranteed fund was matured and fully repaid in October 2007.

The private biochemistry has incurred continuous operating losses and had net liabilities position in the past two years. The Company's investment will be worthless without further funding or merger; therefore, the Company concluded a full impairment of this investment during the year.

### 5 Property, plant and equipment, net

During the years ended March 31, 2006, 2007 and 2008, depreciation expenses charged to the consolidated statements of income (loss) amounted to \$2,379,919, \$2,347,569 and \$2,562,122, respectively. As at March 31, 2006, 2007 and 2008, fully depreciated assets that were still in use by the Group amounted to \$1,410,769, \$3,457,543 and \$5,451,641, respectively.

Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

5 Property, plant and equipment, net (Continued)

During the year ended March 31, 2008, the Group sold one of its properties located in Hong Kong with a net book value of \$1,751,530 to a third party at a consideration of \$4,875,513 and made a gain of \$3,123,983.

6 Interests in subsidiaries

Particulars of principal subsidiaries as of March 31, 2007 and 2008 are as follows:

Name of company -----	Place of incorporation and kind of legal entity -----	Particulars of issued capital/ registered capital -----	Percentage of capital held by the Company		Principal
			2007 ----	2008 ----	
Bonso Electronics Limited * ("BEL")	Hong Kong, limited liability company	HK\$5,000,000 (US\$641,026)	100%	100%	Trading o telecommu products
Bonso Investment Limited	Hong Kong, limited liability company	HK\$3,000,000 (US\$384,615)	100%	100%	Investmen
Bonso Electronics (Shenzhen) Co. Limited ("BESCL")	PRC, limited liability company	HK\$97,519,772 (US\$12,502,535)	100%	100%	Productio and telec products
Bonso Advanced Technology Limited *	Hong Kong, limited liability company	HK\$1,000,000 (US\$128,205)	100%	100%	Investmen
Bonso Advanced Technology (Xin Xing) Limited #	PRC, limited liability company	HK\$13,853,728 (US\$1,776,119)	-	100%	Investmen
Korona Haushaltswaren GmbH & Co. KG ("Korona")	Germany, limited liability partnership	EUR511,292 (US\$795,485)	100%	100%	Trading o
Gram Precision Scales Inc. ("Gram")	Canada, limited liability company	US\$3,276	51%	51%	Trading o

\* Shares directly held by the Company



# Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

# Newly set up during the year ended March 31, 2008

F-14

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

7 Goodwill, brand name and other intangible asset

Goodwill, brand name and other intangible assets are analyzed as follows:

	Goodwill March 31		Brand name March 31		Other i M
	2007	2008	2007	2008	200
	\$	\$	\$	\$	
Cost	842,821	842,821	3,000,000	3,000,000	544,26
Less: accumulated amortization	--	--	(1,202,608)	(1,402,608)	(28,22
Less: impairment loss for the year	--	(842,821)	--	(1,597,392)	--
	842,821	--	1,797,392	--	516,04
	=====	=====	=====	=====	=====

As of March 31, 2008, there were indicators that the goodwill associated with Gram might not be recoverable. These indicators, amongst others, included declines in the current and projected operating results and cash flows in Gram, and the slowdown of the worldwide economies in the second half of fiscal 2008 since the emergence of the subprime related problems, caused management to carry out an impairment review of the goodwill. Management evaluated the recoverability in accordance with SFAS No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142). Based on the analysis, management determined that goodwill of \$842,821 associated with Gram should be fully impaired as of March 31, 2008.

As of March 31, 2008, management noted declines in the current and projected operating results and cash flows of Korona. Together with certain other indicators, like drop in selling prices of Korona branded products, management was of the view that the carrying value of the Korona brand name might not be recoverable, and therefore, performed an impairment review on the brand name. Management evaluated the recoverability of the brand name in accordance with the requirements under SFAS No. 142 and SFAS No. 144, "Accounting for the impairment of long-lived assets". Based upon the analysis, management determined that the brand name of \$1,597,392 should be fully impaired as of March 31, 2008.

Amortization expense in relation to brand name was \$200,000 for each of the years ended March 31, 2006, 2007 and 2008.

Amortization expense in relation to other intangible asset was \$13,548 for each of the years ended March 31, 2006, 2007 and 2008.

As of March 31, 2008, future minimum amortization expenses in respect of other intangible assets are as follows:

	\$
2009	13,548

Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

2010	13,548
2011	13,548
2012	13,548
2013	13,548
Thereafter	434,754
	-----
Total	\$502,494
	=====

F-15

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

8 Banking facilities

As of March 31, 2008, the Group had general banking facilities for bank overdrafts, letters of credit, notes payable, short-term loans and long-term loans. The facilities are interchangeable with total amounts available of \$31,115,325 (2007: \$30,017,128). The general banking facilities utilized by the Group are denominated in United States dollars, Hong Kong dollars, European dollars and Canadian dollars.

The Group's general banking facilities, expressed in United States dollars, are further detailed as follows:

	Amount available March 31		Amount utilized March 31		Terms of banking March 31 Interest rate
	2007 \$	2008 \$	2007 \$	2008 \$	
Import and export Facilities					
Letters of credit	18,589,744	19,230,769	3,736,526	3,863,465	
Including sub-limit of:					
Notes payable	17,564,103	17,564,103	3,736,526	3,863,465	HIBOR +1.5%
Short-term loans	4,745,640	5,134,250	3,576,366	3,894,159	*Eonia+1.15% to +1.95%
Other facilities					
Factoring	4,964,102	4,964,102	-	-	HIBOR +1.5%
Bank overdrafts	1,717,642	1,786,204	459,710	811,354	Prime rate +0.5% to +1% Or HIBOR+2.25%

Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

-----	-----	-----	-----
30,017,128	31,115,325	7,772,602	8,568,978
=====	=====	=====	=====

\* EONIA stands for Euro Overnight Index Average.

F-16

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

8 Banking facilities (Continued)

The amounts of banking facilities utilized by the Group are denominated in the following currencies:

	Amount utilized	
	March 31	
	2007	2008
	-----	-----
	\$	\$
Euro	3,576,366	3,894,159
Hong Kong dollars	2,957,631	3,863,465
United States dollars	778,895	300,192
Canadian dollars	459,710	511,162
	-----	-----
	7,772,602	8,568,978
	=====	=====

The Prime Rate, HIBOR rate and EONIA were 5.25%, 2.4% and 3.9% per annum, respectively, as of March 31, 2008. The Prime Rate is determined by the Hong Kong Bankers Association and is subject to revision from time to time. Interest rates are subject to change if the Company defaults on the amount due under the facility or draws in excess of the facility amounts, or at the discretion of the banks, which ranges from 4% to 6% in addition to the US and Hong Kong Prime Rate, respectively.

The banking facilities are collateralized by guarantees of \$5,766,607 (2007: \$4,276,218) by two banks, which in turn, received a fee from the Company for the provision of such collateralized guarantees.

The weighted average interest rates of short-term borrowings of the Group are as follows:

	Year ended March 31	
	2007	2008
	-----	-----
Bank overdrafts	6.48%	5.76%
Notes payable	5.62%	3.39%
Short-term loans	4.88%	5.72%

F-17

# Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

## 9 Taxation

- (a) The companies comprising the Group are subject to tax on an entity basis on income arising in or derived from Hong Kong, the PRC, Germany, the United States and Canada. The tax rate of the subsidiaries operating in Hong Kong was 17.5% for the three years ended March 31, 2008. The subsidiary of the Group in Germany was registered as a partnership in Germany, which was subject to a statutory tax rate of 14.17% during the three years ended March 31, 2008. The Group is not subject to income taxes in the British Virgin Islands. The statutory tax rate in Canada and USA was 36% and 15%, respectively, for the three years ended March 31, 2008.
- (b) On March 16, 2007, the PRC Enterprise Income Tax Law, (the "EIT Law"), was enacted by the PRC government. The EIT Law, effective January 1, 2008, imposes a uniform tax rate of 25% for both domestic and foreign-invested enterprises and revokes the then current tax exemption, reduction and preferential treatments applicable to foreign-invested enterprises. However, there is a transition period for enterprises, whether foreign-invested or domestic, that were receiving preferential tax treatments granted by relevant tax authorities at the time the EIT Law became effective. Under the grandfathering rules of the EIT Law, enterprises that are subject to an enterprise income tax ("EIT") rate lower than 25% may continue to enjoy the lower rate and gradually transition to the new tax rate within five years after the effective date of the EIT Law. Enterprises that are currently entitled to exemptions or reductions from the standard income tax rate for a fixed term may continue to enjoy such treatment until the fixed term expires.

During the period from January 1, 2008 to March 31, 2008, the Company's subsidiaries operating in the PRC were subject to the EIT Law and a standard tax rate of 25% was adopted. These PRC subsidiaries may be entitled to the grandfathering incentives if the PRC government has finally confirmed such grandfathering incentive in the BaoAn area where the Company's PRC subsidiaries operate. For the years ended December 31, 2006 and 2007, the Company's PRC subsidiaries were subject to a tax rate of 10% and 15%, respectively.

- (c) Income is subject to taxation in the various countries in which the Company and its subsidiaries operate. The income (loss) before income taxes by geographical location was as follows:

	2006	2007	2008
	-----	-----	-----
	\$	\$	\$
Hong Kong	1,055,120	854,807	849,199
PRC	1,194,690	1,303,303	(3,137,058)
Germany	(234,314)	(296,834)	(2,682,668)
Canada	(590,296)	(1,153,894)	(2,208,563)
Others	(809,598)	(1,160,814)	(1,704,977)
	-----	-----	-----
Total	615,602	(453,432)	(8,884,067)
	=====	=====	=====

Others mainly include the profit (loss) from BVI and the United States.

Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

9 Taxation (Continued)

(d)

	2006 \$	2007 \$	2008 \$
Deferred income tax	21,194	10,802	113,690
Current income tax (expense)/ benefit	(152,668)	(928,313)	220,464
	-----	-----	-----
Total income tax (expense)/ benefit	(131,474)	(917,511)	334,154
	=====	=====	=====

The components of the income tax (expense)/ benefit by geographical location are as follows:

	2006 \$	2007 \$	2008 \$
Hong Kong	(89,035)	(797,225)	419,782
PRC	(36,842)	(126,617)	(72,213)
Others	(5,597)	6,331	(13,415)
	-----	-----	-----
Total	(131,474)	(917,511)	334,154
	=====	=====	=====

(e)

	2007 \$	2008 \$
Deferred income tax assets	87,369	191,618
Deferred income tax liabilities	13,901	4,460

Deferred tax assets comprised the following:

	2007 \$	2008 \$
Tax loss carry forwards	1,167,987	2,997,132
Others	87,369	191,618
Less: Valuation allowance	(1,167,987)	(2,997,132)
	-----	-----
	87,369	191,618
Less: current portion	--	--
	-----	-----
Non-current portion	87,369	191,618
	=====	=====

As of March 31, 2008 and 2007, the Group had accumulated tax losses amounting to \$11,603,130 and \$5,845,998 (the tax effect thereon is \$2,997,132 and \$1,167,987) respectively, subject to the approval of the tax authorities, which may be carried forward and applied to reduce future taxable income which is earned in or derived from Hong Kong, Germany,

Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Canada and other countries. Realization of deferred tax assets associated with tax loss carry forwards is dependent upon generating sufficient taxable income prior to their expiration. A valuation allowance is established against such tax losses when management believes it is more likely than not that a portion may not be utilized. As of March 31, 2008, the Group's accumulated tax losses have no definite period of expiration, except for tax losses of \$2,591,798 which expires in 2013.

F-19

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

9 Taxation (Continued)

(f) Changes in the valuation allowance consist of:

	2007	2008
	\$	\$
Balance, April 1	700,966	1,167,987
Charged to income tax expense	467,021	1,829,145
	-----	-----
Balance, March 31	1,167,987	2,997,132
	=====	=====

(g) The actual income tax expense attributable to earnings for the years ended March 31, 2006, 2007 and 2008 differed from the amounts computed by applying the Hong Kong statutory tax rate in accordance with the relevant income tax law as a result of the following:

	2006	2007	2008
	\$	\$	\$
Income tax (expense) credit calculated at domestic tax rates applicable to loss/ profit in the respective countries	(52,128)	205,583	1,823,145
Profit not subject to income tax	183,211	154,349	787,145
Expenses not deductible for income tax purposes	(52,648)	(73,283)	(753,145)
Over-provision for income tax in prior years	6,623	--	--
Tax losses utilized	5,093	--	--
Increase in valuation allowance (Provision made)/ reversal of provision as a result of development of tax rules	(221,625)	(467,021)	(1,829,145)
	-----	-----	-----
Total income tax expense	(131,474)	(917,511)	334,145
	=====	=====	=====

(h) Effective April 1, 2007, the Company adopted FIN 48. As a result of the adoption of FIN 48, the Company recognized a \$1,169,777 increase in the liability for unrecognized tax benefits and penalties of \$994,310, which were accounted for as a reduction to the April 1, 2007 balance of retained earnings.

A reconciliation of the beginning and ending balance of unrecognized tax benefits is as follows:

Balance as of April 1, 2007	\$1,906,916
Decreases related to prior year tax positions	(306,091)
	-----

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Balance as of March 31, 2008 \$1,600,825  
=====

Consistent with the provisions of FIN 48, the Company reclassified income tax liabilities of \$737,139 as of April 1, 2007 from current to non-current liabilities because payment is not anticipated within one year of the balance sheet date.

F-20

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

9 Taxation (Continued)

(h) (Continued)

The Company's accounting policy is to treat interest and penalties as a component of income taxes. As of March 31, 2008, the Company had accrued penalties related to uncertain tax positions of \$994,310.

The Company files income tax returns in Hong Kong, the PRC and various foreign tax jurisdictions. There are a couple of subsidiaries which operate within each of the Company's major jurisdictions resulting in a range of open tax years. The open tax years for the Company and its significant subsidiaries range between fiscal 2000 and fiscal 2008. The provisions made as a result of these open tax cases are subject to the final agreement with the tax authorities.

10 Leases

(a) Capital leases

Plant and machinery include the following amounts for capitalized leases:

	March 31	
	2007	2008
	\$	\$
Cost	1,830,356	661,374
Less: accumulated depreciation	(594,052)	(364,029)
	1,236,304	297,345
	1,236,304	297,345

During the years ended March 31, 2006, 2007 and 2008, the Group entered into additional capital lease obligations amounting to \$188,718, \$154,983 and \$360,691, respectively.

Future minimum payments under capital leases as of March 31, 2008 with an initial term of more than one year are as follows:

	\$
Total minimum lease payments	360,691
Less: amount representing interest	(13,309)
	347,382
Present value of net minimum lease payments (including current portion of \$176,930 as of March 31, 2008)	347,382

	=====
Future minimum payments under capital leases	
2008	176,930
2009	131,790
2010	51,971
Thereafter	-
	-----
	360,691
	=====

F-21

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

10 Leases (Continued)

(b) Operating leases

As of March 31, 2008, future minimum lease payments in respect of non-cancellable operating leases for factory, office premises and staff quarters in Hong Kong, the PRC, Germany, the United States, the United Kingdom and Canada are as follows:

	\$
2009	1,177,208
2010	1,188,999
2011	422,849
2012	115,138
Thereafter	45,063
	-----
	2,949,257
	=====

Rental expense for all operating leases amounted to \$688,469, \$1,239,366 and \$1,273,389 for the years ended March 31, 2006, 2007 and 2008, respectively.

11 Commitments

Capital expenditure contracted at the balance sheet but not yet provided for is as follows:

	2007	2008
	\$	\$
Land use right	1,472,325	350,758
	=====	=====

In November 2006, the Group entered into a land use right purchase agreement with Xincheng Hi-Tech Industrial Estate to acquire the right to use a piece of land of approximately 146,673 square meters for future expansion of production capacity in XinXing of Guangdong, PRC. The total consideration was \$1,472,325. A deposit of approximately \$610,000 was paid in July 2007, while the remaining was paid in October 2007. During the year ended March 31, 2008, the Group prepaid \$150,325 for the acquisition of the right to use another piece of land in XinXing, the total consideration for which will be \$501,083. This prepayment was classified as other non-current asset in the consolidated balance sheet.



F-22

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

12 Shareholders' equity

(a) Repurchase of common stock

In August of 2001, the Company's Board of Directors authorized a program for the Company to repurchase up to \$500,000 of its common stock. This repurchase program does not obligate the Company to acquire any specific number of shares or acquire shares over any specified period of time. No stocks had been repurchased since then up to November 16, 2006. The Board of Directors believed that the common stock was undervalued, and that the repurchase of common stock would be beneficial to the Company's shareholders. On November 16, 2006, the Company's Board of Directors authorized another \$1,000,000 for the Company to repurchase its common stock under the same repurchase program. This authorization to repurchase shares increases the amount authorized for repurchase from \$500,000 to \$1,500,000. During the fiscal year ended March 31, 2007, 260,717 (\$1,328,560) shares were purchased under this program. No shares had been repurchased during the fiscal year ended March 31, 2008. The Company may from time to time repurchase shares of its common stock under this program.

(b) Preferred stock

The Company had authorized share capital of \$100,000 or 10,000,000 shares of preferred stock, with par value of \$0.01 each, divided into 2,500,000 shares each of class A preferred stock, class B preferred stock, class C preferred stock and class D preferred stock. Shares may be issued within each class from time to time by the Company's Board of Directors in its sole discretion without the approval of the shareholders with such designations, power, preferences, rights, qualifications, limitation and restrictions as the Board of Directors shall fix and as have not been fixed in the Company's Memorandum of Association. The Company had not issued any shares of preferred stock as of March 31, 2008.

(c) Dividends

Dividends of \$0.05, \$nil and \$nil per share were declared by the Company for the fiscal years ended March 31, 2006, 2007 and 2008, respectively.

F-23

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

13 Stock option and bonus plans

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

- (a) On September 7, 2004, our stockholders adopted the 2004 Stock Bonus Plan (the "Stock Bonus Plan") which authorizes the issuance of up to five hundred thousand (500,000) shares of the Company's common stock in the form of stock bonus.

The purpose of this Stock Bonus Plan is to (i) induce key employees to remain in the employment of the Company, or of any subsidiary of the Company; (ii) encourage such employees to secure or increase their stock ownership in the Company; and (iii) reward employees, non-employee directors, advisors and consultants for services rendered or to be rendered to or for the benefit of the Company, or any of its subsidiaries. The Company believes that Stock Bonus Plan will promote continuity of management and increase incentive and personal interest in the welfare of the Company.

The Stock Bonus Plan shall be administered by a committee appointed by the Board of Directors which consists of at least two but not more than three members of the Board, one of who shall be a non-employee of the Company. The existing Committee members are Mr. Anthony So and Mr. Woo Ping Fok. The Committee has the authority, in its sole discretion: (i) to determine the parties to receive bonus stock, the times when they shall receive such awards, the number of shares to be issued, and the time, terms and conditions of the issuance of any such shares; (ii) to construe and interpret the terms of the Stock Bonus Plan; (iii) to establish, amend and rescind rules and regulations for the administration of the Stock Bonus Plan; and (iv) to make all other determinations necessary or advisable for administering the Stock Bonus Plan.

On March 23, 2004, our stockholders adopted the 2004 Stock Option Plan (the "2004 Plan") which provides for the grant of up to six hundred thousand (600,000) shares of the Company's common stock in the form of stock options, subject to certain adjustments as described in the Plan.

The purpose of the 2004 Plan is to secure key employees to remain in the employment of the Company and to encourage such employees to secure or increase on reasonable terms their common stock ownership in the Company. The Company believes that the 2004 Plan promotes continuity of management and increased incentive and personal interest in the welfare of the Company.

The 2004 Plan is administered by a committee appointed by the Board of Directors which consists of at least two but not more than three members of the Board, one of who shall be a non-employee of the Company. The current committee members are Anthony So and Woo Ping Fok. The committee determines the specific terms of the options granted, including the employees to be granted options under the plan, the number of shares subject to each option grant, the exercise price of each option and the option period, subject to the requirement that no option may be exercisable more than 10 years after the date of grant. The exercise price of an option may be less than fair market value of the underlying shares of Common Stock. No options granted under the plan will be transferable by the optionee other than by will or the laws of descent and distribution and each option will be exercisable, during the lifetime of the optionee, only by the optionee.

The exercise price of an option granted pursuant to the 2004 Plan may be paid in cash, by the surrender of options, in common stock, in other property, including a promissory note from the optionee, or by a combination of the above, at the discretion of the Committee.

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

### 13 Stock option and bonus plans (Continued)

#### (a) (Continued)

In October 1996, the Board of Directors approved the 1996 Stock Option Plan and 1996 Non-Employee Directors' Stock Option Plan. Under the 1996 Stock Option Plan, the Company may grant options of common stock to certain employees and directors of the Company for a maximum of 900,000 shares. The 1996 Stock Option Plan is administered by a committee appointed by the Board of Directors which determines the terms of options granted, including the exercise price, the option periods and the number of shares to be subject to each option. The exercise price of options granted under the 1996 Stock Option Plan may be less than the fair market value of the common shares on the date of grant. The maximum term of options granted under the 1996 Stock Option Plan is 10 years. The right to acquire the common shares is not assignable except for certain conditions stipulated in the 1996 Stock Option Plan.

Under the 1996 Non-Employee Directors' Stock Option Plan, the non-employee directors are automatically granted stock options on the third business day following the day of each annual general meeting of the Company to purchase an aggregate of 600,000 shares of common stock. The exercise price of all options granted under the 1996 Non-Employee Directors' Stock Option Plan shall be one hundred percent of the fair market value per share of the common shares on the date of grant. The maximum term of options granted under the 1996 Non-Employee Directors' Stock Option Plan is 10 years. No stock option may be exercised during the first six months of its term except for certain conditions provided in the 1996 Non-Employee Directors' Stock Option Plan. The right to acquire the common shares is not assignable except for under certain conditions stipulated in the 1996 Non-Employee Directors' Stock Option Plan.

In April 2003, the Company issued options to certain directors and non-employee directors of the Company to purchase an aggregate of 372,500 shares of common stock of the Company at an exercise price of \$1.61. The options shall expire on March 31, 2013 and can be exercised at any time after granting. The exercise prices of these options were equal to the fair market value at the time of grant. No such options have been exercised during the years ended March 31, 2006, 2007 and 2008.

In March 2004, the Company issued options to certain non-employee directors of the Company to purchase an aggregate of 40,000 shares of common stock of the Company at an exercise price of \$6.12. The options shall expire on March 25, 2014 and can be exercised at any time after granting. The exercise prices of these options were equal to the fair market value at the time of grant. No such options have been exercised during the years ended March 31, 2006, 2007 and 2008.

F-25

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

13 Stock option and bonus plans (Continued)

(a) (Continued)

In September 2004, the Company issued options to certain non-employee directors of the Company to purchase an aggregate of 40,000 shares of common stock of the Company at an exercise price of \$6.20. The options shall expire on September 12, 2014 and can be exercised at any time after granting. The exercise prices of these options were equal to the fair market value at the time of grant. No such option was exercised during the years ended March 31, 2006, 2007 and 2008.

In December 2005, the Company issued options to certain non-employee directors of the Company to purchase an aggregate of 30,000 shares of common stock of the Company at an exercise price of \$4.50. The options shall expire on December 4, 2015 and can be exercised at any time after granting. The exercise prices of these options were equal to the fair market value at the time of grant. No such options had been exercised during the years ended March 31, 2006, 2007 and 2008.

On November 16, 2006, the Board of Directors of the Company voted to rescind the Company's 1996 Non-Employee Directors' Stock Option Plan (the "Non-Employee Directors' Plan"). All options previously granted under the Non-Employee Directors' Plan continue in full force and effect pursuant to their terms of grant.

During the year ended 31 March 2008, no shares or share options were granted.

(b) The stock options summary as of March 31, 2008 is as follows:

	Number of options	Weighted average exercise price
Balance, March 31, 2005	1,074,500	\$ 4.13
Granted	30,000	\$ 4.50
	-----	-----
Balance, March 31, 2006	1,104,500	\$ 4.13
Granted	--	--
	-----	-----
Balance, March 31, 2007	1,104,500	\$ 4.13
Granted	--	--
	-----	-----
Balance, March 31, 2008	1,104,500	\$ 4.13
	=====	=====

# Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

(Expressed in United States Dollars)

13 Stock option and bonus plans (Continued)

(c) The following table summarizes the information about all stock options of the Company outstanding as at March 31, 2008:

Weighted average exercise price -----	Number outstanding at March 31, 2008 -----	Weighted average remaining life (years) -----	Exercisable shares at March 31, 2008 -----
\$1.61	342,500	5.0	342,500
\$2.50	168,000	4.0	168,000
\$2.55	10,000	3.6	10,000
\$3.65	196,000	3.1	196,000
\$4.50	30,000	7.8	30,000
\$6.12	40,000	6.0	40,000
\$6.20	40,000	6.5	40,000
\$7.875	30,000	2.8	30,000
\$8.00	228,000	1.8	228,000
\$8.125	20,000	1.8	20,000
	-----		-----
\$4.131	1,104,500 =====	3.9	1,104,500 =====

The intrinsic value of options outstanding and exercisable was \$1,967,290, \$1,218,160 and \$157,550 on March 31, 2006, 2007 and 2008. The intrinsic value represents the pre-tax intrinsic value (the difference between the closing stock price of the Company's common stock on balance sheet date and the exercise price for both the outstanding and exercisable options) that would have been received by the option holders if all options had been exercised on March 31, 2006, 2007 and 2008.

New shares will be issued by the Company upon future exercise of stock options.

(d) Prior to 1 April 2006, the Company applied Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for its employee stock options. Under APB Opinion No. 25, as the exercise price of all the options issued by the Company was equal to or higher than the market price of the underlying stock on the date of grant, no compensation expense has been recognized for the year ended March 31 2006.

F-27

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

13 Stock option and bonus plans (Continued)

Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

(d) (Continued)

Effective April 1, 2006, the Company adopted the SFAS No. 123(R) in accounting for its employee stock option. Under the provisions of SFAS No. 123(R), the Company is required to measure the cost of employee services received in exchange for stock-based compensation measured at the fair value of the award as of the grant date. According to the modified prospective application method, the Company applies SFAS No. 123(R) for: (1) new awards granted after April 1, 2006 and (2) any portion of awards that were granted after April 1, 1995 and have not vested by April 1, 2006. As the Company did not have any unvested stock-based compensation as of April 1, 2006, the adoption of SFAS No. 123(R) did not have impact on the Company's financial statement. The weighted average fair value of options granted during the years ended March 31, 2006, 2007 and 2008 amounted to \$83,605, \$nil and \$nil respectively.

	2006
	\$
Net income as reported	484,128
Deduct:	
Total stock-based employee compensation expense determined under fair value based method for all stock options, net of related tax effects	(83,605)
	-----
Pro forma net income	400,523
Basic earnings per share	
As reported	\$0.09
Pro forma	\$0.07
Diluted earnings per share	
As reported	\$0.08
Pro forma	\$0.07

The fair value for these options was estimated at the date of grant using a Black-Scholes Option Valuation model. As there was no option granted during the year ended March 31, 2007 and 2008, the following table only indicates the weighted-average assumptions for the year ended March 31, 2006:

	2006
	\$
Weighted risk-free interest rate	4.29%
Dividend yield	2%
Weighted volatility factor of the expected market price of the Company's common share	69.14%
Weighted average expected life of the option	10 years

F-28

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

13 Stock option and bonus plans (Continued)

(d) The weighted volatility factor of the expected market price of the Company's common share is calculated by annualizing the standard deviation

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

of daily changes in price of the Company's common shares based on a period of 360 days.

The calculation of weighted average expected life of the option is based on the historical performance and the anticipated performance of the Company's common share price.

### 14 Related party transactions

- (a) The Group paid emoluments, commissions and/or consultancy fees to its directors as follows:

Year ended March 31 -----	Mr. So Hung Gun, Anthony -----	Ms. Pang Kit Teng, Cathy -----	Mr. Chung Kim Wah ---		
2006	\$583,215 (ii)	\$113,913	\$137,990 (i)		
2007	\$741,947 (ii)	\$68,222 (iv)	\$151,095		
2008	\$705,901 (ii)	Nil	\$150,479		
	Mr. Fok Woo Ping ----	Mr. George O'Leary -----	Mr. J Stewart Jackson -----	Mr. Henry Schlueter -----	
2006	Nil	\$240,000 (v)	Nil	\$23,519 (iii)	
2007	Nil	\$180,000 (iv), (v)	Nil	\$14,571 (iii)	
2008	Nil	Nil	Nil	\$59,365 (iii)	

(i) Included in the emoluments is a housing allowance for \$38,462 for the year ended March 31, 2006 payable to a company in which Mr. Chung Kim Wah has a beneficial interest. No housing allowance was paid on behalf of Mr. Chung Kim Wah for the years ended March 31, 2007 and 2008.

(ii) Apart from the emoluments paid by the Group as shown above, one of the properties of the Group in Hong Kong is also provided to Mr. So Hung Gun, Anthony as part of his compensation.

(iii) The amount for the years ended March 31, 2006, 2007 and 2008 represented professional fees paid to Schlueter & Associates, P.C., and the Group's SEC counsel in which Mr Henry Schlueter is one of the principals.

(iv) Ms. Pang Kit Teng, Cathy and Mr. George O'Leary resigned from their positions as directors of the Company on November 16, 2006.

(v) This represented consultancy fee paid to Mr. George O'Leary for provision of support and marketing services in the United States and director fee since January 17, 2005.

- (b) As of March 31, 2008, BEL had paid deposits of approximately US\$1,528,000 with regard to potential investments in a commercial residential building and a land use right in the PRC. Subsequent to this fiscal year end, Mr. Anthony So, Chairman of Bonso decided to take up BEL's potential investments and paid BEL the full amount of approximately US\$1,528,000 in September 2008. The carrying amount of the deposits approximates their fair value due to their short maturities.

During the year ended March 31, 2007, BEL had paid certain deposits of US\$799,000 for a potential investment in a hotel. Such potential investment was subsequently taken up by Mr. Anthony So and the full amount was paid to BEL in July 2007.

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

15 Employee retirement benefits

- (a) With effect from January 1, 1988, BEL, a wholly-owned foreign subsidiary of the Company in Hong Kong, implemented a defined contribution plan (the "Plan") with a major international insurance company to provide life insurance and retirement benefits for its employees. All permanent full time employees who joined BEL before December 2000, excluding factory workers, are eligible to join the provident fund plan. The eligible employee of the Plan is required to contribute 5% of their monthly salary, while BEL is required to contribute from 5% to 10% based on the eligible employee's salary, depending on the number of years of the eligible employee's service.

The Mandatory Provident Fund (the "MPF") was introduced by the Hong Kong Government, and commenced in December 2000. BEL joined the MPF by implementing a plan with a major international insurance company. All permanent Hong Kong full time employees who joined BEL in or after December 2000, excluding factory workers, are eligible to join the MPF. The eligible employee's and employer's contributions to the MPF are both at 5% of the eligible employee's monthly salary and are subject to a maximum contribution of HK\$1,000 (US\$128) monthly.

Pursuant to the relevant PRC regulations, the Group is required to make contributions for each employee at rates based upon the employee's standard salary base as determined by the local Social Security Bureau, to a defined contribution retirement scheme organized by the local Social Security Bureau in respect of the retirement benefits for the Group's employees in the PRC.

- (b) The contributions to each of the above schemes are recognized as employee benefit expenses when they are due and are charged to the consolidated statement of income (loss). The Group's total contributions to the above schemes for the years ended March 31, 2006, 2007 and 2008 amounted to \$145,719, \$164,348 and \$251,538, respectively. The Group has no other obligation to make payments in respect of retirement benefits of the employees.

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

16 Loss from water damage

In September 2006, a heavy rain caused overflow of a river which is near a



## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

logistic warehouse of the Group in Germany. A loss of approximately \$700,950, mainly representing write-off of equipment and inventories, was recognised as a result of the heavy rain.

### 17 Earnings per share

	Year ended March 31		
	2006	2007	2008
	\$	\$	\$
Net income (loss) applicable to common shareholders	484,128	(1,370,943)	(8,549,913)
Weighted average shares outstanding	5,577,639	5,577,639	5,577,639
Incremental shares from assumed exercise of:			
Stock options	360,005	305,009	194,534
Dilutive potential common shares	360,005	305,009	194,534
Dilutive weighted average shares	5,937,644	5,882,648	5,772,173
Basic earnings per share	0.09	(0.25)	(1.53)
Diluted earnings per share	0.08	(0.25)	(1.53)

Basic earnings per share is computed by dividing net (loss) income available to common shareholders by the weighted average number of shares of common stock issued and outstanding. Diluted earnings per share is computed in a manner consistent with that of basic earnings per share while giving effect to all potentially dilutive shares of common stock that were outstanding during the period, including stock options.

Diluted net loss per share is computed by dividing net loss for each year by the weighted average number of shares of common stock and ordinary share equivalents issued and outstanding. The weighted average number of shares used to compute diluted net loss per share includes the incremental shares of ordinary shares relating to outstanding options, to the extent such incremental shares are dilutive.

The diluted net loss per share is the same as the basic net loss per share for the year ended March 31, 2008 as all 194,534 potential ordinary shares from the exercise of stock options are anti-dilutive and are therefore excluded from the computation of diluted net loss per share.

F-31

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

### 18 Business segment information

- (a) The Group is organized based on the products it offers. Under this organizational structure, the Group's operation can be classified into 3 business segments, Scales, Telecommunication products and Other.

Scales operations principally involve production and marketing of sensor-based scales products. These include bathroom, kitchen, office,

## Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

jewelry, laboratory, postal and industrial scales that are used in consumer, commercial and industrial applications.

Telecommunication products operations principally involve production and modification of two-way radios and cordless telephones that are used in consumer and commercial applications.

The "Other" segment is a residual, which principally includes the activities of (i) tooling and mould charges for scales and telecommunication products, and (ii) sales of scrap materials.

The accounting policies of the Group's reportable segments are the same as those described in the description of business and significant accounting policies.

Summarized financial information by business segment for 2006, 2007 and 2008 is as follows:

	Net sales ----- \$	Operating profit/(loss) ----- \$	Identifiable assets as of March 31 ----- \$	Depreciation and amortization ----- \$
2008 ----				
Scales	43,839,929	(5,662,780)	15,550,710	981,706
Telecommunication products	18,597,938	(2,561,417)	10,426,828	1,092,028
Other	248,634	44,754	58,799	-
	-----	-----	-----	-----
Total operating segments	62,686,501	(8,179,443)	26,036,337	2,073,734
Corporate	-	(3,438,359)	15,749,511	781,924
	-----	-----	-----	-----
Group	62,686,501	(11,617,802)	41,785,848	2,855,658
	=====	=====	=====	=====
2007 ----				
Scales	49,904,959	3,971,549	20,543,345	749,466
Telecommunication products	16,248,261	(1,392,106)	9,107,007	1,037,083
Other	338,160	60,869	-	-
	-----	-----	-----	-----
Total operating segments	66,491,380	2,640,312	29,650,352	1,786,549
Corporate	-	(2,898,638)	17,868,263	851,966
	-----	-----	-----	-----
Group	66,491,380	(258,326)	47,518,615	2,638,515
	=====	=====	=====	=====

F-32

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

18 Business segment information (Continued)

(a) (Continued)

Identifiable      Depreciati

Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

	Net sales	Operating profit/(loss)	assets as of March 31	amortizati
	-----	-----	-----	-----
	\$	\$	\$	
2006				
-----				
Scales	43,553,161	5,545,751	25,951,769	798,6
Telecommunication products	20,750,920	(959,436)	9,084,368	1,110,8
Other	238,882	42,999	--	--
	-----	-----	-----	-----
Total operating segments	64,542,963	4,629,314	35,036,137	1,909,5
Corporate	--	(3,718,271)	14,442,751	760,6
	-----	-----	-----	-----
Group	64,542,963	911,043	49,478,888	2,670,1
	=====	=====	=====	=====

Operating profit by segment equals total operating revenues less expenses directly attributable to the generation of the segment's operating revenues. Operating loss of the corporate segment consists principally of salaries and related costs of administrative staff, and administration and general expenses of the Group. Identifiable assets by segment are those assets that are used in the operation of that segment. Corporate assets consist principally of cash and cash equivalents, deferred income tax assets and other identifiable assets not related specifically to individual segments. Goodwill of \$842,821, \$842,821 and nil arising from the purchase of Gram, is allocated to scales segment as of March 31, 2006, 2007 and 2008, respectively.

- (b) The Group primarily operates in Hong Kong, the PRC, Germany, Canada and the United States. The manufacture of components and their assembly into finished products and research and development are carried out in the PRC. The Hong Kong office is mainly responsible for the purchase of raw materials and arrangement of shipments. Subsidiaries in Germany, Canada and the United States are responsible for the distribution of electronics scales and telecommunication products in Europe and North America. As the operations are integrated, it is not practicable to distinguish the net income derived among the activities in Hong Kong, the PRC, Germany, Canada, the United States and the United Kingdom.

Total property, plant and equipment, net by geographical areas are as follows:

	2007	2008
	\$	\$
Hong Kong	3,585,124	1,931,151
The PRC	7,048,045	7,620,642
Germany	115,655	91,096
Canada	239,497	244,413
United States	50,281	51,522
Poland	571	240
	-----	-----
Total property, plant and equipment	11,039,173	9,939,064
	=====	=====

# Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

(Expressed in United States Dollars)

18 Business segment information (Continued)

(c) The following is a summary of net export sales by geographical areas, which are defined by the final shipment destination, constituting 10% or more of total sales of the Group for the years ended March 31, 2006, 2007 and 2008:

	Year ended March 31				
	2006	%	2007	%	2008
	\$		\$		\$
United States of America	37,352,618	58	36,432,384	55	31,810,515
Germany	13,302,506	21	17,545,242	26	17,283,135
Other EC countries	10,259,900	15	7,219,581	11	8,412,168
Asia and others	3,627,939	6	5,294,173	8	5,180,683
	-----		-----		-----
	64,542,963	100	66,491,380	100	62,686,501
	=====		=====		=====

(d) The details of sales made to customers constituting 10% or more of total sales of the Group are as follows:

		Year ended March 31		
		2006	%	2007
		\$		\$
Sunbeam Products, Inc. (USA)	Business segment sales	10,269,375	16	15,387,967
TTI Tech Co., Ltd.	Tele-communication products	10,264,500	16	7,752,573
Global Link Corporation Ltd.	Tele- communication products	10,462,434	16	8,457,868
		-----		-----
		30,996,309	48	31,598,408
		=====		=====

F-34

Bonso Electronics International Inc.  
Notes to Consolidated Financial Statements  
(Expressed in United States Dollars)

19 Fair value of financial instruments

SFAS No. 107, "Disclosures About Fair Value of Financial Instruments" defines the fair value of a financial instrument at which the instrument could be exchanged in a current transaction between willing parties.

The carrying value of all of the Group's financial instruments classified as current assets or current liabilities are deemed to approximate fair value because of the short maturities of these instruments. These would include cash and cash equivalents, accounts receivable, accounts payable and accrued and other liabilities, which are reflected on the consolidated

Edgar Filing: BONSO ELECTRONICS INTERNATIONAL INC - Form 20-F

balance sheets.

20 Subsequent events

In August 2008, the Group decided to dissolve its wholly-owned subsidiary, Bonso USA Inc., because of poor performance from this subsidiary. The Group would handle all the business of Bonso USA Inc. by its other subsidiaries.