BONSO ELECTRONICS INTERNATIONAL INC
Form 6-K
January 20, 2009

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

For: January 16, 2009

BONSO ELECTRONICS
INTERNATIONAL INC.

(Translation of Registrant's name into English)

Unit 1915-1916, 19/F, Delta House
3 On Yiu Street, Shek Mun,
Shatin, Hong Kong
(Address of principal executive offices)

[Indicate by check mark whether the Registrant files or will file annual reports under cover of Form 20-F or Form 40-F.]

Form 20-F [X]   Form 40-F [ ]

[Indicate by check mark whether the Registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.]

Yes [ ]   No [X]

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Consolidated Financial Statements

BONSO ELECTRONICS INTERNATIONAL INC.
CONSOLIDATED BALANCE SHEET

(In U.S. Dollars)	September 30, 2008 (Unaudited)
Assets	
Current assets	
Cash and cash equivalents	11,742,683
Trade receivables, net	7,508,758
Inventories, net	14,402,188
Tax recoverable	774,051
Other receivables, deposits and prepayments	2,787,229
Total current assets	37,214,909
Deferred income tax assets - non current	21,776
Other non-current assets	--
Brand name and other intangible assets net	500,520
Property, plant and equipment, net	8,486,456
Total assets	46,223,661
Liabilities and shareholders' equity	
Current liabilities	
Bank overdraft	484,715
Notes payable	7,545,628

Accounts payable	7,747,099
Accrued charges and deposits	3,014,840
Short-term loans	3,754,400
Income tax payable	24,423
Current portion of long lease obligations	146,611

Total current liabilities	22,717,716	

Long-term debt and capital lease obligations, net of current maturities	114,337	
Income tax liabilities	2,595,135	
Deferred income tax	4,460	

Total liabilities	25,431,648	

Preferred stock par--value $0.01 per share		
- authorized shares - 10,000,000		
- issued and outstanding shares: September 30, 2008 and March 31, 2008		--
Common stock par value $0.003 per share		
- authorized shares 23,333,334		--
- issued and outstanding shares: September 30, 2008 and March 31, 2008 - 5,577,639	16,729	
Additional paid-in capital	21,764,788	
Treasury stock	(1,440,374)	
Retained earning	(686,268)	
Accumulated other comprehensive income	1,137,138	

	20,792,013	

Total liabilities and shareholder's equity	46,223,661	
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BONSO ELECTRONICS INTERNATIONAL INC.
CONSOLIDATED INCOME STATEMENT

(In Thousand of U.S. Dollars)	Six months ended
	2008
	(Unaudited)
Net sales	30,100
Cost of sales	(24,309)

Gross margin	5,791
Selling expenses	1,026

Salaries and related costs	2,474
Research and development expenses	291
Administration and general expenses	1,428
Amortization of Brand Name	--
Income from operations	572
Interest Income	64
Other income	62
Interest Expenses	(193)
Foreign exchange gains \(Loss)	(55)
Income/(loss) before income taxes and minority interest	450
Income tax expense	(6)
Net income/(loss) before minority interest	444
Minority interests	--
Net income/(loss)	444
Earnings per share (in U.S.Dollars per share)	
Basic	0.08
Diluted	0.08
Weighted average shares (Basic)	5,577,639
Adjusted weighted average shares (diluted)	5,577,639

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Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Six Month Period ended September 30, 2008 compared to the Six Month period ended September 30, 2007

Net Sales. During the six-month period ended September 30, 2008, our sales decreased 15.5% from approximately $35,607,000 for the six-month period ended September 30, 2007 to approximately $30,100,000. The decreased sales were primarily the result of a decrease in sales for our telecommunications products offset by an increase in sales of our scales products. Sales from our scales products increased by approximately $608,000 from approximately $22,644,000 for the six-month period ended September 30, 2007 to approximately $23,252,000 for the six-month period ended September 30, 2008. Sales from our telecommunications products decreased by approximately $6,115,000 from approximately $12,963,000 for the period ended September 30, 2007 to approximately $6,848,000 for the period ended September 30, 2008.

Cost of Sales. During the six-month period ended September 30, 2008, cost of sales decreased to approximately $24,309,000 from approximately $31,184,000 during the six-month period ended September 30, 2007, an decrease of approximately $6,875,000 or 22.0%. The decrease in cost of sales was primarily the result of decreased sales together with decreased cost of materials.

Gross Margin. As a result, gross margin as a percentage of revenue increased to 19.2% during the six-month period ended September 30, 2008 as compared to 12.4% during the same period in the prior year.

Selling Expenses. Selling expenses decreased by 12.8% from approximately $1,176,000 for the six-month period ended September 30, 2007 to approximately $1,026,000 for the six-month period ended September 30, 2008. The decrease was primarily the result of decreased sales. Selling expenses increased as a percentage of revenue to 3.4% during the six-month period ended September 30, 2008 as compared to 3.3% during the period in the prior year.

Salaries And Related Costs. Salaries and related costs decreased by 16.7% from approximately $2,970,000 for the six-month period ended September 30, 2007 to approximately $2,474,000 for the six-month period ended September 30, 2008. This decrease was primary due to the decrease in number of employees at the factory during the six month period ended September 30, 2008.

Research And Development. Research and development expenses increased by 9.4% from approximately $266,000 for the six-month period ended September 30, 2007 to approximately $291,000 for the six-month period ended September 30, 2008. The increase was primarily due to increase salaries to our engineers at the factory, and increase in development costs for scale products. Research and development as a percentage of revenue increased to 1.0% during the six month period ended September 30, 2008 as compared to 0.7% during the six month period ended September 30, 2007.

Administration And General Expenses. Administration and general expenses decreased by 10.6% from approximately $1,598,000 for the six-month period ended September 30, 2007 to approximately $1,428,000 for the six-month period ended September 30, 2008. This decrease was primarily the result of decreased expenses in legal and professional fees, and bank charges.

Amortization Of Brand Names. During the six-month period ending September 30, 2008, there is no amortization charge for brand name as the brand name was fully impaired as of March 31, 2008, and was written off in the financial statements for that fiscal year. We amortized approximately $100,000 relating to the brand names acquired upon the acquisitions of Korona and Gram Precision during the six-month period ending September 30, 2007. Brand names are amortized using the straight-line method over the related estimated useful life of 15 years.

Income From Operations. As a result of the above changes, income from operations was approximately $572,000 for the six-month period ended September 30, 2008, compared to loss from operations of approximately $1,687,000 for the six-month period ended September 30, 2007, a increase of approximately $2,259,000 or 133.9%.

Interest Income. Interest income decreased by 14.7% from approximately $75,000 for the six-month period ended September 30, 2007 to approximately $64,000 for the six-month period ended September 30, 2008. This decrease was primarily the result of reduced interest rates, compared to the prior year, in our interest bearing bank accounts.

Other Income. Other income decreased 76.5% from approximately $264,000 for the six-month period ended September 30, 2007 to approximately $62,000 for the six-month period ended September 30, 2008. The increase was primarily due to decrease in the disposal of fixed assets.

Interest Expenses. Interest expenses decreased 36.5% from approximately $304,000 for the six-month period ended September 30, 2007 to approximately $193,000 for the six-month period ended September 30, 2008. The decrease was primarily the result of reduced interest rates, compared to the prior year, as a result of the use of the Company's banking facilities.

Foreign Exchange Gains/(Loss). Foreign exchange gain/(loss) decreased from a gain of approximately $305,000 for the six-month period ended September 30, 2007 to a loss of approximately $55,000 for the six-month period ended September 30, 2008. The foreign exchange loss increase was primarily attributable to the depreciation of the Canadian Dollar and the Euro against the United States Dollar.

Income Tax Expense. Income tax expense increased 100.0% from approximately $3,000 for the six-month period ended September 30, 2007 to approximately $6,000 for the six-month period ended September 30, 2008. The increase was primarily the result of income tax income of one of the subsidiaries in year 2007.

Net Income. As a result of the above changes, net income increased from a loss of approximately $1,350,000 for the six-month period ended September 30, 2007 to a net gain of approximately $444,000 for the six-month period ended September 30, 2008, an increase of $1,794,000 or 132.9%.

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 and to fund increases in inventory.

As of September 30, 2008 we had $11,742,683 in cash and cash equivalents as compared to $10,195,362 as of March 31, 2008. Working capital at September 30, 2008 was $14,497,193 compared to $12,899,791 at 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 in the foreseeable future.

Stock Repurchase Program

On September 19, 2007, the Company's Board of Directors authorized a new program (the "New Share Repurchase Program") for the Company to repurchase up to $1,500,000 of its common stock. The New Share Repurchase Program does not obligate the Company to acquire any specific number of shares or acquire shares over any specified period of time. During the six months ended September 30, 2008, the Company purchased 61,135 shares of its common stock under the New Share Repurchase Program and the Company may, from time to time, repurchase shares of its Common Stock under this program. The Company had previously authorized a program for the Company to repurchase up to $1,500,000 of its common stock and under this plan, had purchased 321,852 shares valued at $1,440,374. This authorization to repurchase shares under the New Share Repurchase Program increases the aggregate amount available for repurchase under the New Share Repurchase Program and the previous program to $1,559,626.

Subsequent Events

On December 19, 2008, the Company completed the sale of it 51% interest in its subsidiary, Gram Precision Scales Inc. ("Gram"), to a company controlled by the president of Gram ("the Gram Sale"). A copy of the Share Purchase Agreement is attached hereto as an exhibit. Under the terms of the Share Purchase Agreement the Company has agreed to forgive approximately $3.3 million (US) that was owed by Gram to the Company, and has received a promissory note in the amount of $1.7 million (US). The total amount owed to the Company by Gram was approximately $5.0 million immediately prior to the Gram Sale. The terms of the Gram Sale made the transaction effective as of November 1, 2008. The Company completed the Gram Sale in order to eliminate the ongoing operating losses of this subsidiary from its operations. The Company is assessing the net effect of this transaction on its financial statements.

The Company intends to sell its interest in its German subsidiary, Korona Haushaltswaren GmbH & Co KG ("Korona"), and the Company is currently in discussions with a potential buyer. This action is being taken in order to reduce the ongoing losses that the Company has suffered with the inclusion of Korona's operations in the Company's profit and loss. Management is optimistic that it will be able to conclude the sale of Korona, but there can be no assurance that it will be able to do so.

Exhibits

4.7 Stock Purchase Agreement for the sale of the Company's 51% equity interest in Gram Precisions Scales Inc. effective November 1, 2008

99.1 Press Release dated January 7, 2009

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BONSO ELECTRONICS INTERNATIONAL, INC.
(Registrant)

Date: January 16, 2009

By: /s/ Albert So

Albert So, Financial Controller