BEP INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code : 2326)

08

Annual Report

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CORPORATE INFORMATION

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Zhang Xi *(Chairman)* (Appointed on 9 October 2007)
Mr. Chen Yang (Appointed on 9 October 2007)
Mr. Cai Duanhong (Appointed on 9 October 2007)
Ms. Zhang Yu (Appointed on 31 March 2008)
Mr. Chan Tat (Resigned on 29 October 2007)
Mr. Poon Tat Hang (Resigned on 7 August 2007)
Mr. Lee Kam Hung (Resigned on 29 October 2007)
Mr. Chan Man Kei (Resigned on 29 October 2007)

NON-EXECUTIVE DIRECTOR

Madam Hong Jing Yu (Resigned on 29 October 2007)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hong Po Kui, Martin (Appointed on 9 October 2007)
Mr. Wong Man Hin, Raymond (Appointed on 9 October 2007)
Mr. Yam Tak Fai, Ronald (Appointed on 9 October 2007)
Mr. Hong Yee Kwong, Paul (Resigned on 29 October 2007)
Mr. Lam King Pui (Resigned on 29 October 2007)
Mr. Wu Tai Cheung (Resigned on 29 October 2007)

AUDIT COMMITTEE

Mr. Yam Tak Fai, Ronald *(Chairman)* (Appointed on 9 October 2007)
Mr. Wong Man Hin, Raymond (Appointed on 9 October 2007)
Mr. Hong Po Kui, Martin (Appointed on 9 October 2007)
Mr. Lam King Pui (Resigned on 29 October 2007)
Mr. Hong Yee Kwong, Paul (Resigned on 29 October 2007)
Mr. Wu Tai Cheung (Resigned on 29 October 2007)

REMUNERATION COMMITTEE

Mr. Hong Po Kui, Martin *(Chairman)* (Appointed on 9 October 2007)
Mr. Wong Man Hin, Raymond (Appointed on 9 October 2007)
Mr. Yam Tak Fai, Ronald (Appointed on 9 October 2007)
Mr. Zhang Xi (Appointed on 9 October 2007)
Mr. Hong Yee Kwong, Paul (Resigned on 29 October 2007)
Mr. Lam King Pui (Resigned on 29 October 2007)
Mr. Wu Tai Cheung (Resigned on 29 October 2007)

COMPANY SECRETARY

Mr. Lee Kwok Wan (Appointed on 15 May 2008)
Ms. Lai Ngai Ping (Resigned on 15 May 2008)
Mr. Poon Tat Hang (Resigned on 31 August 2007)

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN HONG KONG

Units 909-912
9th Floor, Fo Tan Industrial Centre
26-28 Au Pui Wan Street
Fo Tan, Shatin
New Territories
Hong Kong

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Secretaries Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

COMPANY HOMEPAGE

http://www.bep.com.hk

STOCK CODE

2326

CHAIRMAN'S STATEMENT

SUMMARY OF RESULTS

The consolidate turnover of the Group for the year ended 31 March 2008 decreased by approximately 10% to approximately HK$345,331,000 (2007: HK$385,393,000). Loss for the year was approximately HK$35,956,000 as compared to profit of HK$13,483,000 in the previous financial year.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 March 2008 (2007: nil).

APPOINTMENT OF THE NEW BOARD

As disclosed in the announcement of the Company dated 7 October 2007, the appointment of the new board become effective commencing from 9 October 2007 immediately after the unconditional mandatory cash offers were made.

REVIEW OF OPERATIONS

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

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

PROSPECTS AND OUTLOOK

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

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

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders for their confidence in the Group, our worldwide customers for their trust and support in our products and services through the years, our staff for their dedication as well as our bankers and business associates for their continuing support.

Zhang Xi
Chairman

Hong Kong, 29 July 2008

LIQUIDITY AND FINANCIAL RESOURCES, GEARING AND FOREIGN CURRENCY EXPOSURES

As at 31 March 2008, the Group had total bank borrowings of approximately HK$4,432,000 (2007: HK$25,355,000) and, amount due to ultimate holding company of HK$5,000,000 (with fair value at initial recognition of HK$4,669,000). Cash and bank balances amounted to approximately HK$5,855,000 (2007: HK$9,639,000). The gearing ratio, expressed as a percentage of bank borrowings and amount due to ultimate holding company to total equity, was approximately 36.7% (2007: 50.0%). The Group also made use of factoring and export bills discount facilities to finance its operations during the year.

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

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

CAPITAL EXPENDITURE

Capital expenditure for the year ended 31 March 2008 totalled approximately HK$5,278,000 (2007: HK$6,014,000) which mainly consisted of investments in new equipment and moulds.

CHARGE ON GROUP'S ASSETS

During the year, the Group executed a debenture, which was essentially a pledge of all assets of the Group, in favour of a bank to secure banking facilities.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2008, the Group employed approximately 1,750 full time staff in Hong Kong and the PRC. The Group remunerates its employees based on their performance, experience and prevailing market salaries while performance bonuses are granted on a discretionary basis. Other employee benefits include insurance and medial cover, subsidized educational and training programmes, mandatory provident fund scheme as well as a share option scheme.

DIRECTORS' PROFILE

Biographical details of the Directors are set out as follows:

DIRECTORS

Executive Directors

Mr. Zhang Xi ("Mr. Zhang"), aged 40, is the Group's chairman and a member of the remuneration committee of the Company. Mr. Zhang obtained a bachelor degree in economics from the University of Xiamen, People's Republic of China ("PRC") in 1990. He has extensive experience in private equity investments in the PRC. Mr. Zhang set up Great Time Holdings Limited in Hong Kong in 1999, the principal business of which includes investments in a mechanical electrical engineering company in Fuzhou, China, which is engaged in manufacturing of power machine equipment, electrical equipment, food processing equipment, the design and process of the relevant components and after-sale services and in a high technology company in Beijing, which is engaged in research, development and manufacturing of smart construction materials. Mr. Zhang is currently the controlling shareholder and an executive director of Fulbond Holdings Limited, and the brother-in-law of Mr. Cai Duanhong.

Mr. Chen Yang ("Mr. Chen"), aged 28, has extensive experience in economic research, investment planning and related public relations. He has since May 2007 been a corporate investment manager of Fulbond Holdings Limited, a company listed on the main board of the Stock Exchange. He previously worked at The World Bank in Washington D.C., U.S. to analyze the tax reforms in developing countries with a special focus on the PRC's situation. Before he studied abroad, Mr. Chen served as the assistant to executive president of Peking University Founder Group Corporation where his responsibilities include coordinating investment activities and public relations for the executive president. Mr. Chen obtained a bachelor of arts degree from Nanjing University in July 2002, a postgraduate diploma in economics from Southwest China Normal University in July 2004, and a master degree in public administration from Columbia University, United States of America in October 2006.

Mr. Cai Duanhong ("Mr. Cai"), aged 41, appointed an executive director on 9 October 2007, he has extensive experience in property development and investment in the PRC. Mr. Cai is the brother-in-Law of Mr. Zhang. Mr. Cai is an executive director of Fulbond Holdings Limited, a company listed on the Main Board of the Stock Exchange.

Ms. Zhang Yu ("Ms. Zhang"), aged 35, is experienced in import and export trade and real estate development and sales in mainland China. She studied music education division of Xuzhou Higher Education College and graduated in 1990. Ms. Zhang is the sister of Mr. Zhang Xi, an executive director, the Chairman of the Company and the sole shareholder of Big Jump Investments Limited, the controlling shareholder of the Company. She is also the sister-in-law of Mr. Cai Duanhong.

Independent Non-Executive Directors

Mr. Hong Po Kui, Martin ("Mr. Hong"), aged 58, is a practicing solicitor and a notary public in Hong Kong. He has been practicing as a solicitor of the High Court of Hong Kong for 30 years and is the senior partner of Messrs. Lau, Chan & Ko, Solicitors. He also holds a bachelor degree in science from University of New South Wales in Australia. Mr. Hong is an independent non-executive director of Simsen International Corporation Limited and Fulbond Holdings Limited (both companies listed on the main board of the Stock Exchange) and Sau San Tong Holdings Limited (a company listed on the growth enterprise market of the Stock Exchange). Mr. Hong was an independent non-executive director of Tse Sui Luen Jewellery (International) Limited, a company listed on the main board of the Stock Exchange during the period from July 1991 to January 2005 and re-designated as a non-executive director for the period from January to August 2005. He is the Commissioner of Hong Kong Road Safety Patrol.

Mr. Yam Tak Fai, Ronald ("Mr. Yam"), aged 50, is a partner in RSM Nelson Wheeler, Certified Public Accountants in Hong Kong. Mr. Yam is a member of the Institute of Chartered Accountants of England and Wales, a fellow member of the Association of Chartered Certified Accountants, Hong Kong Institute of Certified Public Accountants and The Taxation Institute of Hong Kong. Mr. Yam has 30 years' experience in accounting and auditing, and is currently a holder of a Practising Certificate issued by Hong Kong Institute of Certified Public Accountants. He commenced accounting practice in 1977 and became a partner of RSM Nelson Wheeler in January 1999. Mr. Yam is an independent non-executive director of Fulbond Holdings Limited, a company listed on the main board of the Stock Exchange. He was an independent non-executive director of Sungreen International Holdings Limited, a company listed on the growth enterprise market of the Stock Exchange, during the period from February 2005 to September 2005.

Mr. Wong Man Hin, Raymond ("Mr. Wong"), aged 41, is a member of American Institute of Certified Public Accountants, a Certified Management Accountant (CMA) and holds a certificate in financial management (CFM). Mr. Wong holds a bachelor degree in chemical engineering and a master degree in economics. Mr. Wong is an executive director and deputy chairman of Raymond Industrial Limited, a company listed on the main board of the Stock Exchange. He is also the independent non-executive director of Fulbond Holdings Limited and Era Information & Entertainment Limited, companies listed on the main board and the growth enterprise market of the Stock Exchange respectively.

DIRECTORS' REPORT

The directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2008.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, manufacture and sale of home electrical appliances.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2008 are set out in the consolidated income statement on page 18.

The directors do not recommend the payment of a dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements during the year in the share capital are set out in note 23 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

Under The Companies Act 1981 of Bermuda, contributed surplus is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

The Company's reserves available for distribution to shareholders at the balance sheet date amounted to HK$2,369,000 (2007: HK$7,911,000) consisting of contributed surplus of HK$63,884,000 (2007: HK$63,884,000) less accumulated losses of HK$61,515,000 (2007: HK$55,973,000).

DIRECTORS AND SERVICE CONTRACTS

The directors during the year and up to the date of this report were:

Executive directors:

Zhang Xi	(appointed on 9 October 2007)
Chen Yang	(appointed on 9 October 2007)
Cai Duanhong	(appointed on 9 October 2007)
Zhang Yu	(appointed on 31 March 2008)
Chan Tat	(resigned on 29 October 2007)
Chan Man Kei	(resigned on 29 October 2007)
Lee Kam Hung	(resigned on 29 October 2007)
Poon Tat Hang	(resigned on 7 August 2007)

Non-executive director:

Hong Jing Yu	(resigned on 29 October 2007)

Independent non-executive directors:

Hong Po Kui, Martin	(appointed on 9 October 2007)
Yam Tak Fai, Ronald	(appointed on 9 October 2007)
Wong Man Hin, Raymond	(appointed on 9 October 2007)
Hong Yee Kwong, Paul	(resigned on 29 October 2007)
Lam King Pui	(resigned on 29 October 2007)
Wu Tai Cheung	(resigned on 29 October 2007)

In accordance with Bye-law 86(2) of the Company's Bye-laws, all directors, being appointed as executive directors and independent non-executive directors during the year, holds such office until the forthcoming annual general meeting, being eligible, offer themselves for re-election.

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Company considers such directors to be independent.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 31 to the consolidated financial statements, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTINUING CONNECTED TRANSACTIONS

During the year, the Group entered into the following related party transactions, which also constituted continuing connected transactions as defined under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

(i) Pursuant to a tenancy agreement dated 14 October 2004, Super Light Manufacturing Products (Shenzhen) Company Limited, a wholly-foreign owned enterprise established in the People's Republic of China (the "PRC") and ultimately owned and controlled by Mr. Chan Tat, a former director of the Company, leased to the Group portions of an industrial complex located at Huang Ma Bu Village, Xi Xiang Town, Bao An District, Shenzhen, Guangdong Province, the PRC (the "Industrial Complex") for a term of three years commencing from 1 November 2004 and expiring on 31 October 2007 at a monthly rent of RMB260,000, exclusive of management fee and utility charges. The tenancy agreement has been renewed on 1 November 2007 for another one year at a monthly rent of RMB250,000, exclusive of management fee and utility charges. The directors consider that such rentals were calculated by reference to open market rentals.

(ii) Pursuant to a tenancy agreement dated 24 October 2006, Manwise Investment Company Limited, a company owned and controlled by Mr. Chan Tat and Madam Hong Jing Yu, former directors of the Company, leased to the Group four workshop units as office premises located at Room 909-912, 9th Floor, Fo Tan Industrial Centre, 26-28 Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong (the "Premises") for a term of two years commencing from 1 November 2006 and expiring on 31 October 2008 at a monthly rent of HK$45,000, inclusive of rates and management fee. The directors consider that such rentals were calculated by reference to open market rentals.

The independent non-executive directors have reviewed the continuing connected transactions and confirmed that these transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on terms no less favourable to the Group than terms available from independent third parties; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2008, the interests and short positions of the directors or chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code in the Rules Governing the Listing of Securities on the Stock Exchange for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

Name of director	Long position/ short position	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Executive director:				
Zhang Xi	Long position	Interest of controlled corporation (note)	3,453,000,000	71.17%

Note: These shares are held by Big Jump Investments Limited, a company which is wholly and beneficially owned by Zhang Xi.

Save as disclosed above, as at 31 March 2008, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTIONS

On 6 January 2003, the shareholders of the Company approved and adopted a share option scheme (the "Scheme") for a period of ten years commencing from the date of listing of the Company's shares on the Stock Exchange on 3 March 2003. The purpose of the Scheme is to provide employees of the Group, including any executive directors of the Company and its subsidiaries, with the opportunity to acquire proprietary interests in the Company and to encourage employees to work towards enhancing the value of the Company and its shares.

Under the Scheme, the Board may, at its discretion, invite any employees of the Group, including any executive directors of the Company and its subsidiaries, to take up options to subscribe for the Company's shares. Consideration of HK$1 is payable on the grant of an option. The exercise price of the options may be determined by the Board in its absolute discretion but must not be less than the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares on the date of grant. The options vest immediately from the date of grant and may be exercised in accordance with the terms of the Scheme at any time during the period to be determined and notified by the Board to each grantee but in any event such period may not be more than ten years after it has been granted.

SHARE OPTIONS (CONTINUED)

The total number of shares issued and to be issued upon exercise of options granted and to be granted to each grantee in any 12-month period up to and including the date of further grant must not exceed 1% of the shares in issue. Any further grant of options in excess of the above limit is subject to shareholders' approval in a general meeting. The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be issued under the Scheme and any other share option scheme adopted by the Company must not exceed 30% of the shares in issue from time to time.

The movements of the options granted to certain directors of the Company under the Scheme were as follows:

		Number of share options		
Name of director	**Exercise price** HK$	**Outstanding as at 1.4.2007**	**Exercised during the year**	**Outstanding as at 31.3.2008**
Chan Tat (Note a)	0.69	1,000,000	(1,000,000)	–
Lee Kam Hung (Note a)	0.69	500,000	(500,000)	–
		1,500,000	(1,500,000)	–

The movements of the options granted to certain employees of the Group under the Scheme were as follows:

		Number of share options		
Date of grant	**Exercise price** HK$	**Outstanding as at 1.4.2007**	**Exercised during the year**	**Outstanding as at 31.3.2008**
13.8.2003	0.69	1,100,000	(1,100,000)	–

Notes:

(a) These directors resigned on 29 October 2007.

(b) The above options were granted for an exercise period of ten years from the date of grant of the options.

(c) No option was lapsed or cancelled during the year.

(d) The weighted average closing price per share (before subdivision of shares) immediately before the dates on which the options were exercised was HK$0.18.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

Other than option holdings disclosed above, at no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

Other than the interests and short positions disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 31 March 2008.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for 26% and 72% respectively of the Group's total turnover for the year.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for 15% and 40% respectively of the Group's total purchases for the year.

None of the directors, their associates, or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest customers and suppliers.

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the directors are reviewed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. No director or any of his associates, and executive is involved in dealing his own remuneration.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme is set out in note 24 to the consolidated financial statements.

ANNUAL CONFIRMATION OF INDEPENDENCE

The Company has received the annual confirmation of independence from each of the independent non-executive directors as required under Rule 3.13 of the Listing Rules. The Company considered all independent non-executive directors to be independent.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company, and within the knowledge of directors, the Company has maintained a sufficient public float not less than 25% of Company's issued shares as required under the Listing rules throughout the year ended 31 March 2008.

POST BALANCE SHEET EVENT

Details of significant event occurring after the balance sheet date are set out in note 32 to the consolidated financial statements.

AUDITOR

During the year, Messrs. HLB Hodgson Impey Cheng, who acted as auditor of the Company for the past three years, resigned and Messrs. Deloitte Touche Tohmatsu was appointed as auditor of the Company. A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Zhang Xi
Chairman

Hong Kong
29 July 2008

CORPORATE GOVERNANCE REPORT

The Board recognizes the importance of good corporate governance. To this end, the Board has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules. In the opinion of the Board, the Company complied with the provisions of the Code throughout the year except for Code Provision A4.2 which stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. In addition, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

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

BOARD OF DIRECTORS

During the year, Poon Tat Hang was resigned as an executive director on 7 August 2007. Chan Tat, Chan Man Kei and Lee Kam Hung were resigned as executive directors, Hong Jing Yu was resigned as non-executive director and Hong Yee Kwong, Paul, Lam King Pui and Wu Tai Cheung were resigned as independent non-executive directors on 29 October 2007. Save as Zhang Xi, Chen Yang and Cai Duanhong were appointed as executive directors and Hong Po Kui, Martin, Yam Tak Fai, Ronald and Wong Man Hin, Raymond were appointed as independent non-executive directors on 9 October 2007. Zhang Yu was appointed as an executive director on 31 March 2008 and such Newly appointed director was not said the of any attend to eligible.

The Board met 8 times during the year. The individual attendance of the Directors at these meetings is as follows:

Name of director	**Number of attendances**
Executive directors	
Zhang Xi *(Chairman)*	4/8
Chen Yang *(Chief Executive Officer)*	4/8
Cai Duanhong	4/8
Chan Tat	5/8
Poon Tat Hang	5/8
Chan Man Kei	5/8
Lee Kam Hung	5/8
Non-executive director	
Hong Jing Yu	5/8
Independent non-executive directors	
Hong Po Kui, Martin	4/8
Yam Tak Fai, Ronald	4/8
Wong Man Hin, Raymond	4/8
Hong Yee Kwong, Paul	5/8
Lam King Pui	5/8
Wu Tai Cheung	5/8

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The chairman and chief executive officer of the Company are Mr. Zhang Xi and Mr. Chen Yang respectively. Their roles are divided such that the chairman is responsible for managing the Board and the chief executive officer is responsible for managing the day-to-day operations of the Group.

BOARD COMMITTEES

The Board has established two committees, namely the Audit Committee and Remuneration Committee, with specific written terms of reference.

AUDIT COMMITTEE

The Audit Committee is responsible for assisting the Board in applying financial reporting and internal control principles and in maintaining an appropriate relationship with the Company's auditors.

The Audit Committee comprises the three independent non-executive directors. It held 3 meetings during the year. The individual attendance of the members of the Audit Committee at these meetings is as follows:

Name of member	Number of Attendances
Yam Tak Fai, Ronald *(Chairman)*	1/3
Wong Man Hin, Raymond	1/3
Hong Po Kui, Martin	1/3
Lam King Pui	2/3
Hong Yee Kwong, Paul	2/3
Wu Tai Cheung	2/3

The work performed by the Audit Committee during the year included:

- Reviewed the annual report
- Reviewed the interim report
- Met with the Company's auditors to discuss the accounting policies of the Group and the scope of the audit
- Reviewed the remuneration of the Company's auditors in respect of audit and non-audit services
- Reviewed the effectiveness of the Group's internal control systems

Save as Yam Tak Fai, Ronald, Wong Man Hin, Raymond, and Hong Po Kui, Martin were appointed on 9 October 2007, during the year, Lam King Pin, Hong Yee Kwong, Paul and Wu Tai Cheung were resigned on 29 October 2007.

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for assisting the Board in determining and monitoring the Group's remuneration policy for directors and senior management. It comprises the three independent nonexecutive directors. It met once during the year to review the remuneration of directors and senior management. The individual attendance of the members of the Remuneration Committee at the meeting is as follows:

Name of member	Number of Attendances
Hong Po Kui, Martin *(Chairman)*	1/1
Wong Man Hin, Raymond	1/1
Yam Tak Fai, Ronald	1/1
Zhang Xi	1/1
Hong Yee Kwong, Paul	1/1
Lam King Pui	1/1
Wu Tai Cheung	1/1

NOMINATION OF DIRECTORS

During the year, Hong Yee Kwong, Paul, Lam King Pui and Wu Tai Cheung were resigned on 29 October 2007. Save as Hong Po Kui, Martin, Wong Man Hin, Raymond, Yam Tak Fai, Ronald and Zhang Xi were appointed as members on 9 October 2007.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding directors' securities transactions. Specific enquiry has been made of all directors who have confirmed in writing their compliance with the required standards set out in Model Code during the year.

AUDITOR'S REMUNERATION

The following fees were paid or payable to the Company's auditor during the year:

	HK$'000
Fees for audit services:	680

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE SHAREHOLDERS OF
BEP INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of BEP International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 18 to 53 which comprise the consolidated balance sheet as at 31 March 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of The Companies Act of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 March 2008 and of the loss and cash flows of the Group for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 July 2008

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000
Turnover	6	**345,331**	385,393
Cost of sales		**(337,107)**	(340,282)
Gross profit		**8,224**	45,111
Other income		**1,316**	393
Selling and distribution costs		**(10,009)**	(7,778)
Administrative expenses		**(26,683)**	(20,798)
Claims for employees' overtime compensations	7	**(12,702)**	–
Finance costs	8	**(2,142)**	(3,081)
(Loss) profit before taxation	9	**(41,996)**	13,847
Taxation	11	**6,040**	(364)
(Loss) profit for the year		**(35,956)**	13,483
		HK cents	HK cents
(Loss) earning per share	13		
– Basic		**(0.74)**	0.28
– Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET

At 31 March 2008

	Notes	2008 HK$'000	2007 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	14	**23,043**	26,019
Deferred tax assets	22	**3,661**	–
		26,704	26,019
Current assets			
Inventories	15	**53,916**	54,960
Trade and other receivables	16	**32,751**	43,143
Bank balances and cash	17	**5,855**	9,639
		92,522	107,742
Current liabilities			
Trade and other payables	18	**84,020**	57,264
Obligation under a finance lease	19	**111**	–
Bank borrowings	20	**4,432**	25,355
		88,563	82,619
Net current assets		**3,959**	25,123
Total assets less current liabilities		**30,663**	51,142
Non-current liabilities			
Amount due to ultimate holding company	21	**4,669**	–
Obligation under a finance lease	19	**266**	–
Deferred tax liabilities	22	**–**	446
		4,935	446
		25,728	50,696
Capital and reserves			
Share capital	23	**2,426**	2,400
Reserves		**23,302**	48,296
Total equity		**25,728**	50,696

The consolidated financial statements on pages 18 to 53 were approved and authorised for issue by the Board of Directors on 29 July 2008 and are signed on its behalf by:

Zhang Xi
Chairman

Chen Yang
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2008

	Share capital HK$'000	**Share premium** HK$'000	**Merger reserve** HK$'000 (Note)	**Capital reserve** HK$'000	**Translation reserve** HK$'000	**Accumulated profits (losses)** HK$'000	**Total** HK$'000
At 1 April 2006	2,400	22,524	(1,522)	–	1,363	10,260	35,025
Exchange difference arising on translation of foreign operations recognised directly in equity	–	–	–	–	2,188	–	2,188
Profit for the year	–	–	–	–	–	13,483	13,483
Total recognised income for the year	–	–	–	–	2,188	13,483	15,671
At 31 March 2007	2,400	22,524	(1,522)	–	3,551	23,743	50,696
Exchange difference arising on translation of foreign operations recognised directly in equity	–	–	–	–	8,863	–	8,863
Loss for the year	–	–	–	–	–	(35,956)	(35,956)
Total recognised income and expense for the year	–	–	–	–	8,863	(35,956)	(27,093)
Sub-total	2,400	22,524	(1,522)	–	12,414	(12,213)	23,603
Fair value adjustment on amount due to ultimate holding company	–	–	–	331	–	–	331
Issue of shares upon exercise of share options	26	1,768	–	–	–	–	1,794
At 31 March 2008	**2,426**	**24,292**	**(1,522)**	**331**	**12,414**	**(12,213)**	**25,728**

Note: On 6 January 2003, the Company became the holding company of the companies now comprising the Group pursuant to a group reorganisation scheme (the "Group Reorganisation") at the time of listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The merger reserve of the Group represents the difference between the nominal value of the shares of Better Electrical Products Company Limited ("BEPCL") acquired pursuant to the Group Reorganisation over the nominal value of the Company's shares issued in exchange therefor.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2008

	2008 HK$'000	2007 HK$'000
Cash flows from operating activities		
(Loss) profit before taxation	**(41,996)**	13,847
Adjustments for:		
Depreciation of property, plant and equipment	**10,952**	11,093
Interest expenses	**1,043**	1,901
Gain on disposal of property, plant and equipment	**(193)**	–
Interest income	**(71)**	(64)
Operating cash flows before movement in working capital	**(30,265)**	26,777
Decrease (increase) in inventories	**4,714**	(2,885)
Decrease (increase) in trade and other receivables	**13,328**	(10,293)
Decrease in derivative financial instruments	**–**	180
Increase in trade and other payables	**25,945**	2,854
Cash generated from operations	**13,722**	16,633
Hong Kong Profits Tax refunded	**1,933**	–
Net cash from operating activities	**15,655**	16,633
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	**193**	–
Interest received	**71**	64
Purchase of property, plant and equipment	**(5,278)**	(6,014)
Net cash used in investing activities	**(5,014)**	(5,950)
Cash flows from financing activities		
Bank borrowings raised	**133,730**	91,805
Advance from ultimate holding company	**5,000**	–
Issue of shares upon exercise of share options	**1,794**	–
Bank borrowings repaid	**(154,653)**	(97,746)
Interest paid	**(1,043)**	(1,901)
Repayment of finance lease	**(67)**	–
Net cash used in financing activities	**(15,239)**	(7,842)
Net (decrease) increase in cash and cash equivalents	**(4,598)**	2,841
Cash and cash equivalents at beginning of the year	**9,639**	4,610
Effect of foreign exchange rate changes	**814**	2,188
Cash and cash equivalents at end of the year	**5,855**	9,639
Represented by:		
Bank balances and cash	**5,855**	9,639

1. GENERAL

The Company is an exempted company incorporated in Bermuda with limited liability and its shares are listed on the Stock Exchange. The directors regard ultimate holding company as at 31 March 2008 to be Big Jump Investments Limited, a company incorporated in the British Virgin Islands. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The consolidated financial statements are presented in Hong Kong dollars which is the functional currency of the Company.

The Company is an investment holding company. Its principal subsidiaries are engaged in the design, manufacture and sale of home electrical appliances.

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

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

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

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

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

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

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

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

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

* IFRIC represents the International Financial Reporting Interpretations Committee.

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

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

3. RESTATEMENT OF COMPARATIVE FIGURES

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

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for an interest-free advance granted by the ultimate holding company which was adjusted to fair value at initial recognition and in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-company transactions, balances, income and expenses within the Group are eliminated on consolidation.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when goods are delivered and title has been passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment losses. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly classified into loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on loans and receivables below).

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at each balance sheet date. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of loans and receivables, the estimated future cash flows of loans and receivables have been impacted.

Objective evidence of impairment could include significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period ranging from 30 days to 120 days and observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of loans and receivables is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities, including trade and other payables, amount due to ultimate holding company and bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees after 7 November 2002 and vested before 1 April 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the consolidated income statement in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all further costs to completion and costs to be incurred in selling and distribution.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Short-term employee benefits

When an employee has rendered service to the Group during the year, the Group recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability (accrued expense), after deducting any amount already paid; and as an expense, unless another standard requires or permits the inclusion of the benefits in the cost of an asset.

Retirement benefit schemes

Payments to state-managed retirement benefit scheme or the Mandatory Provident Fund ("MPF") Scheme are charged as expenses when employees have rendered services entitling them to contributions.

5. KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make estimates and assumptions about the carrying amounts of liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of liabilities within the next financial year, are discussed below.

Claims for employees' overtime compensation

In assessing the amount provided for claims for employees' overtime compensations, the management estimates the overtime compensations expected to be paid in respect of the third batch of claims which has not yet been judged and concluded by the People's Court of Baoan City, Shenzhen, the PRC ("Baoan People's Court") and the potential claims from other employees by taking into account the 50% Settlement Basis (defined in note 7) for the first and second batches of claims and legal advice from the Company's PRC lawyers. The total amount provided as at 31 March 2008 in relation to the third batch of claims and potential claims is RMB6,458,000 (equivalent to HK$7,167,000).

In cases where the actual settlement amounts for the third batch of claims and the potential claims are more or less than estimated, further provision or reversal may arise, which would be recognised in the consolidated income statement for the period in which such additional provision or reversal takes place. Details are set out in notes 7 and 29.

6. SEGMENT INFORMATION

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

Geographical segments

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

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

6. SEGMENT INFORMATION (CONTINUED)

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

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

6. SEGMENT INFORMATION (CONTINUED)

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

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

Business segments

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

7. CLAIMS FOR EMPLOYEES' OVERTIME COMPENSATIONS

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

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

7. CLAIMS FOR EMPLOYEES' OVERTIME COMPENSATIONS (CONTINUED)

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

Apart from the aforesaid three batches of claims, the directors of the Company are aware that the Group has underpaid overtime compensations to other employees in the PRC before 30 June 2007. Up to the date of approval of these consolidated financial statements, the Group did not receive any claims for underpayment of overtime compensations from such other employees. According to the legal advice of the Company's PRC lawyers, the Group's PRC employees can claim the underpayment of overtime compensations for a period of not more than two years from the date they make their claims to the Group and the previous three batches of claims will be referred to by the Baoan People's Court in subsequent claims, if any. As a result, a provision of potential claims for underpayment of employees' overtime compensations of RMB4,383,000 (equivalent to HK$4,864,000) has been made for the year ended 31 March 2008.

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

8. FINANCE COSTS

	2008	2007
	HK$'000	HK$'000
Interest on bank borrowings wholly repayable within five years	**1,027**	1,901
Finance lease charges	**16**	–
Bank charges	**1,099**	1,180
	2,142	3,081

9. (LOSS) PROFIT BEFORE TAXATION

	2008 HK$'000	2007 HK$'000
(Loss) profit before taxation has been arrived at after charging:		
Auditor's remuneration	728	310
Decrease in fair value of derivative financial instruments	–	131
Depreciation of property, plant and equipment		
– owned by the Group	10,896	11,093
– held under a finance lease	56	–
Minimum lease payments under operating leases in respect of:		
– rented premises	4,087	3,695
– motor vehicle	50	–
Net foreign exchange loss	–	463
Staff costs		
– directors' remuneration (note 10)	2,952	3,288
– staff salaries and wages	48,280	32,176
– claims for employees' overtime compensations	12,702	–
– retirement benefits scheme contributions	310	344
	64,244	35,808
and after crediting:		
Gain on disposal of property, plant and equipment	193	–
Interest income	71	64
Net foreign exchange gain	773	–

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of emoluments paid by the Group to each of the directors are as follows:

For the year ended 31 March 2008

	Notes	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors:					
Zhang Xi	(a)	–	299	4	303
Chen Yang	(a)	–	299	4	303
Cai Duanhong	(a)	–	299	4	303
Zhang Yu	(b)	–	1	–	1
Chan Tat	(c)	–	762	–	762
Chan Man Kei	(c)	–	–	–	–
Lee Kam Hung	(c)	–	955	7	962
Poon Tat Hang	(d)	–	–	–	–
Non-executive director:					
Hong Jing Yu	(c)	69	–	–	69
Independent non-executive directors:					
Hong Po Kui, Martin	(a)	48	–	–	48
Yam Tak Fai, Ronald	(a)	48	–	–	48
Wong Man Hin, Raymond	(a)	48	–	–	48
Hong Yee Kwong, Paul	(c)	35	–	–	35
Lam King Pui	(c)	35	–	–	35
Wu Tai Cheung	(c)	35	–	–	35
		318	2,615	19	2,952

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

For the year ended 31 March 2007

	Notes	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors:					
Chan Tat	(c)	–	1,430	–	1,430
Chan Man Kei	(c)	–	50	3	53
Lee Kam Hung	(c)	–	648	12	660
Poon Tat Hang	(d)	–	773	12	785
Non-executive director:					
Hong Jing Yu	(c)	120	–	–	120
Independent non-executive directors:					
Hong Yee Kwong, Paul	(c)	80	–	–	80
Lam King Pui	(c)	80	–	–	80
Wu Tai Cheung	(c)	80	–	–	80
		360	2,901	27	3,288

Notes:

(a) These directors were appointed on 9 October 2007.
(b) The director was appointed on 31 March 2008.
(c) These directors resigned on 29 October 2007.
(d) The director resigned on 7 August 2007.

Employees

The five highest paid individuals of the Group included two (2007: three) directors, details of whose remuneration are set out above. The emoluments of the remaining three (2007: two) highest paid employees are as follows:

	2008 HK$'000	2007 HK$'000
Salaries and allowances	**1,306**	1,305
Retirement benefits scheme contributions	**36**	24
	1,342	1,329

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Employees (continued)

Emoluments of these employees were within the following band:

	Number of employees	
	2008	2007
Nil-HK$1,000,000	**3**	2

11. TAXATION

	2008	2007
	HK$'000	HK$'000
The credit (charge) comprises:		
Hong Kong Profits Tax		
Over (under) provision in prior year	**1,933**	(379)
Deferred taxation (note 22)	**4,107**	15
	6,040	(364)

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

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

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

11. TAXATION (CONTINUED)

Taxation credit (charge) for the year can be reconciled to the (loss) profit before taxation per the consolidated income statement as follows:

	2008 **HK$'000**	2007 HK$'000
(Loss) profit before taxation	**(41,996)**	13,847
Tax credit (charge) at the domestic income tax rate of 17.5% (2007: 17.5%)	**7,349**	(2,423)
Tax effect of expenses that are not deductible for taxation purposes	**(993)**	(649)
Tax effect of income that is not taxable for taxation purposes	**82**	2,483
Tax effect of tax losses not recognised	**(1,878)**	(2,113)
Utilisation of tax losses previously not recognised	**867**	5,865
Effect of different tax rate	**49**	(443)
Over(under)provision in prior year	**1,933**	(379)
Others	**(1,369)**	(2,705)
Taxation credit (charge) for the year	**6,040**	(364)

12. DIVIDENDS

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

13. (LOSS) EARNING PER SHARE

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

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

A reconciliation of the restatement of earning per share for 2007 to adjust for the subdivision of shares as mentioned in note 23 is as follows:

	HK cents
As originally stated	5.62
Subdivision of shares	(5.34)
As restated	0.28

14. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Moulds HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Construction in progress HK$'000	Total HK$'000
COST								
At 1 April 2006	54,795	57,736	918	2,324	2,933	2,564	–	121,270
Additions	591	5,239	–	179	–	5	–	6,014
At 31 March 2007	55,386	62,975	918	2,503	2,933	2,569	–	127,284
Currency realignment	5,385	4,936	–	101	–	22	–	10,444
Additions	750	3,977	–	8	558	29	400	5,722
Disposals	–	–	–	–	(678)	–	–	(678)
At 31 March 2008	61,521	71,888	918	2,612	2,813	2,620	400	142,772
DEPRECIATION								
At 1 April 2006	34,028	48,059	903	2,142	2,702	2,338	–	90,172
Provided for the year	3,471	7,164	8	227	115	108	–	11,093
At 31 March 2007	37,499	55,223	911	2,369	2,817	2,446	–	101,265
Currency realignment	3,672	4,412	–	89	–	17	–	8,190
Provided for the year	3,432	7,179	7	43	193	98	–	10,952
Eliminated on disposals	–	–	–	–	(678)	–	–	(678)
At 31 March 2008	44,603	66,814	918	2,501	2,332	2,561	–	119,729
CARRYING VALUES								
At 31 March 2008	16,918	5,074	–	111	481	59	400	23,043
At 31 March 2007	17,887	7,752	7	134	116	123	–	26,019

Depreciation is provided to write off the cost of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method at the following rates per annum:

Plant and machinery	10%
Moulds	30%
Furniture and fixtures	25%
Office equipment	25%
Motor vehicles	20-25%
Computer equipment	25%

The carrying value of motor vehicles of HK$481,000 (2007: HK$116,000) includes an amount of HK$388,000 (2007: nil) in respect of asset held under a finance lease.

15. INVENTORIES

	2008 HK$'000	2007 HK$'000
Raw materials	**10,528**	34,524
Work in progress	**34,509**	11,146
Finished goods	**8,879**	9,290
	53,916	54,960

16. TRADE AND OTHER RECEIVABLES

	2008 HK$'000	2007 HK$'000
Trade debtors	**22,077**	32,762
Trade deposits paid	**2,343**	3,454
Value added tax recoverable	**5,371**	5,530
Sundry debtors and prepayments	**2,960**	1,397
	32,751	43,143

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

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

Trade debts which were settled by letters of credit were due at sight or in accordance with the respective terms of the letters of credit normally ranging from 30 to 120 days. For other trade debts, the Group provided a credit period normally ranging from 30 to 90 days to its customers. Before accepting any new customers, the management will internally assess the credit quality of the potential customer and define appropriate credit limits. The management has assessed the credit quality of trade debtors that are neither past due nor impaired and considered no impairment is necessary in view of their goods repayment history and low default rates.

Included in the Group's trade debtors are debtors with aggregate carrying amount of HK$3,368,000 (2007: HK$289,000) which are past due at the reporting date for which the Group has not provided for impairment loss as majority of the balances have been subsequently recovered. The Group does not hold any collateral over these balances.

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

The aged analysis of trade debtors which are past due but not impaired is as follows:

	2008 **HK$'000**	2007 HK$'000
91-180 days	**14**	289
181-365 days	**3,065**	–
Over 1 year	**289**	–
	3,368	289

Included in trade debtors are bills discounted with recourse amounting to HK$3,883,000 (2007: HK$5,927,000). As the Group still retains risk and rewards of ownership of these bills by exposing to the credit risk of the receivables, the Group continues to recognise the full carrying amount of the receivables and has recognised the cash received as a secured borrowing (see note 20).

17. BANK BALANCES AND CASH

The bank balances carry interest at market rates which range from 0.10% to 3.50% (2007: 0.72% to 2.63%) per annum. At 31 March 2008, a subsidiary of the Company maintains bank balances and cash denominated in Renminbi, the functional currency of that subsidiary, of HK$373,000 (2007: HK$1,638,000) which are not freely convertible into foreign currencies.

18. TRADE AND OTHER PAYABLES

	2008 **HK$'000**	2007 HK$'000
Trade creditors	**63,884**	48,589
Claims for employees' overtime compensations (note 7)	**12,702**	–
Other payables and accruals	**5,424**	5,298
Trade deposits received	**2,010**	3,377
	84,020	57,264

18. TRADE AND OTHER PAYABLES (CONTINUED)

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

	2008 **HK$'000**	2007 HK$'000
0-30 days	**18,323**	48,238
31-60 days	**23,839**	43
61-180 days	**18,806**	308
Over 180 days	**2,916**	–
	63,884	48,589

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

19. OBLIGATION UNDER A FINANCE LEASE

During the year, the Group entered into a finance lease to acquire a motor vehicle. The lease term is 3 years and the interest rate is fixed at 12% per annum.

	Minimum lease payments		**Present value of minimum lease payments**	
	2008 **HK$'000**	2007 HK$'000	**2008** **HK$'000**	2007 HK$'000
Amount payable under finance lease Within one year	**124**	–	**111**	–
In more than one year but not more than two years	**124**	–	**111**	–
In more than two years but not more than five years	**166**	–	**155**	–
	414	–	**377**	–
Less: Future finance charges	**(37)**	–	**N/A**	N/A
Present value of lease obligation	**377**	–	**377**	–
Less: Amount due for settlement within one year (shown under current liabilities)			**(111)**	–
Amount due for settlement after one year			**266**	–

The Group's obligation under a finance lease is secured by the lessor's charge over the leased asset.

20. BANK BORROWINGS

	2008	2007
	HK$'000	HK$'000
Loans related to bills discounted with recourse (note 16)	**3,883**	5,927
Trust receipts and import loans	**549**	12,228
Short term loans	**–**	7,200
	4,432	25,355

The bank borrowings are secured by debentures on all assets of the Company and its wholly-owned subsidiaries, BEPCL and Better Electrical Products (HK) Company Limited ("BEP(HK)"); pledge of shares of its wholly-owned subsidiary, Bailingda Industrial (Shenzhen) Co., Limited ("BEP(China)"); and corporate guarantees given by the Company and BEPCL, interest bearing at 1.25% per annum above London Interbank Offered Rate/Hong Kong Interbank Offered Rate, ranging from 3.23% to 6.40% (2007: 5.15% to 5.86%) per annum, and repayable within one year.

21. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

In March 2008, the Company's ultimate holding company, advanced a sum of HK$5,000,000 to the Company. Such advance is unsecured, interest-free and due on 30 April 2009.

The fair value at initial recognition, amounting to HK$4,669,000, was determined based on the present value of the estimated future cash flows discounted using an interest rate of 6.4%, which is similar to the effective interest rate of bank borrowings.

22. DEFERRED TAXATION

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation	**Claims for employees' overtime compensation**	**Tax losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2006	(461)	–	–	(461)
Credit to income for the year	15	–	–	15
At 31 March 2007	(446)	–	–	(446)
Credit to income for the year	1,594	2,287	226	4,107
At 31 March 2008	**1,148**	**2,287**	**226**	**3,661**

22. DEFERRED TAXATION (CONTINUED)

The Group has not recognised deferred tax asset in respect of tax losses of HK$67,465,000 (2007: HK$62,515,000) due to the unpredictability of future profit streams. A deferred tax asset has been recognised in respect of HK$1,292,000 (2007: nil) of tax losses.

Included in the tax losses are losses of HK$5,264,000 (2007: HK$11,044,000) that will expire in the year of 2011 (2007: 2011), other tax losses of HK$63,493,000 (2007: HK$51,471,000) have not been agreed by Inland Revenue Department.

Deferred taxation of HK$64,000 has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to the undistributed accumulated profits earned by the subsidiary in the PRC starting from 1 January 2008 under the New Law of the PRC which requires withholding tax upon the distribution of such profits to the shareholders, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

23. SHARE CAPITAL

	Number of shares	**Amount**
		HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 1 April 2007	10,000,000,000	100,000
Subdivision of shares	190,000,000,000	–
Ordinary shares of HK$0.0005 each at 31 March 2008	200,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 1 April 2007	240,000,000	2,400
Issue of shares upon exercise of share options	2,600,000	26
Subdivision of shares	4,609,400,000	–
Ordinary shares of HK$0.0005 each at 31 March 2008	4,852,000,000	2,426

Pursuant to an ordinary resolution passed at special general meeting of the Company held on 17 January 2008, the authorised share capital of the Company of HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each was and hereby subdivided into 200,000,000,000 shares of HK$0.0005 each by subdividing every issued and unissued share of HK$0.01 in the capital of the Company into 20 shares of HK$0.0005 each ("Subdivided Shares") and that all the Subdivided Shares rank pari passu in all respects.

24. SHARE OPTION SCHEME

On 6 January 2003, the shareholders of the Company approved and adopted a share option scheme (the "Scheme") for a period of ten years commencing from the date of listing of the Company's shares on the Stock Exchange on 3 March 2003. The purpose of the Scheme is to provide employees of the Group, including any executive directors of the Company and its subsidiaries, with the opportunity to acquire proprietary interests in the Company and to encourage employees to work towards enhancing the value of the Company and its shares.

Under the Scheme, the Board may, at its discretion, invite any employees of the Group, including any executive directors of the Company and its subsidiaries, to take up options to subscribe for the Company's shares. Consideration of HK$1 is payable on the grant of an option. The exercise price of the options may be determined by the Board in its absolute discretion but must not be less than the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares on the date of grant. The options vest immediately from the date of grant and may be exercised in accordance with the terms of the Scheme at any time during the period to be determined and notified by the Board to each grantee but in any event such period may not be more than ten years after it has been granted.

The total number of shares issued and to be issued upon exercise of options granted and to be granted to each grantee in any 12-month period up to and including the date of further grant must not exceed 1% of the shares in issue. Any further grant of options in excess of the above limit is subject to shareholders' approval in a general meeting. The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be issued under the Scheme and any other share option scheme adopted by the Company must not exceed 30% of the shares in issue from time to time.

The movements of the options granted under the Scheme were as follows:

		Number of share options		
Date of grant	**Exercise price** HK$	**Outstanding at 1.4.2007**	**Exercised during the year**	**Outstanding at end 31.3.2008**
For the year ended 31 March 2008				
13 August 2003	0.69	2,600,000	(2,600,000)	–
Exercisable at the end of the year				–
Holders of the share options are analysed as follows:				
Directors		1,500,000	(1,500,000)	–
Employees		1,100,000	(1,100,000)	–
		2,600,000	(2,600,000)	–

24. SHARE OPTION SCHEME (CONTINUED)

Date of grant	Exercise price HK$	Number of share options outstanding at 1.4.2006 and 31.3.2007
For the year ended 31 March 2007		
13 August 2003	0.69	2,600,000
Exercisable at the end of the year		2,600,000
Holders of the share options are analysed as follows:		
Directors		1,500,000
Employees		1,100,000
		2,600,000

The above options were granted for an exercise period of ten years from the date of grant of the options.

In respect of the share options exercised during the year, the weighted average share price (before subdivision of shares) at the dates of exercise was HK$0.18 (2007: nil).

25. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of bank borrowings and amount due to ultimate holding company disclosed in notes 20 and 21 and equity attributable to shareholders of the Company, comprising issued share capital, reserves and accumulated losses/profits.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

26. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2008	2007
	HK$'000	HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**30,275**	45,855
Financial liabilities		
Financial liabilities at amortised cost	**88,074**	77,321

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, amount due to ultimate holding company, obligation under a finance lease and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

A subsidiary of the Group has foreign currency denominated monetary assets and liabilities, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2008		2007	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Euro	**–**	**–**	3	61
Hong Kong dollars	**14**	**–**	6,624	–
Japanese dollars	**12**	**–**	12	–
Pound	**442**	**–**	89	–
Renminbi	**–**	**1,602**	–	931
United States dollars	**25,051**	**12,736**	38,832	29,673

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

26. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Sensitivity analysis

The Group is mainly exposed to United States dollars. Under the linked exchange rate system, the financial impact on exchange difference between Hong Kong dollars and United States dollars will be immaterial and therefore no sensitivity analysis has been prepared.

Cash flow interest rate risk

The Group has cash flow interest rate risk on floating-rate bank borrowings and bank balances. The Group currently does not have any policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate and London Interbank Offered Rate arising from its floating rate borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for bank balances and floating-rate bank borrowings at the balance sheet date. The analysis is prepared assuming the amount of asset and liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 March 2008 would increase/decrease by HK$7,000 (2007: decrease/increase in profit by HK$78,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and bank balances.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

26. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's concentration of credit risk by geographical locations is mainly in Europe. The trade debtors located in Europe accounted for 88% (2007: 70%) of the Group's total trade debtors as at 31 March 2008. The Group also has concentration of credit risk by customers as 43% (2007: 41%) and 86% (2007: 85%) of the total trade debtors was due from the Group's largest customer and the five largest customers respectively.

26. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 March 2008, the Group has available unutilised overdraft and short-term bank loan facilities of approximately HK$5,000,000 (2007: HK$5,000,000) and HK$53,368,000 (2007: HK$32,445,000) respectively.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay and includes both interest and principal cash flows.

Liquidity table

	Effective interest rate	Within 1 year	More than 1 year but less than 5 years	Total undiscounted cash flows	Carrying amounts
	%	HK$'000	HK$'000	HK$'000	HK$'000
2008					
Trade and other payables	**–**	**78,596**	**–**	**78,596**	**78,596**
Amount due to ultimate holding company	**6.4**	**–**	**5,000**	**5,000**	**4,669**
Obligation under a finance lease	**12.0**	**124**	**290**	**414**	**377**
Bank borrowings	**3.2**	**4,467**	**–**	**4,467**	**4,432**
		83,187	**5,290**	**88,477**	**88,074**
2007					
Trade and other payables	–	51,966	–	51,966	51,966
Bank borrowings	5.4	25,798	–	25,798	25,355
		77,764	–	77,764	77,321

26. FINANCIAL INSTRUMENTS (CONTINUED)

Fair values

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

27. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into a finance lease arrangement in respect of asset with a total capital value at the inception of the lease of HK$444,000 (2007: nil).

28. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2008	2007
	HK$'000	HK$'000
Rented premises		
Within one year	**2,501**	2,380
In the second to fifth years inclusive	**143**	315
	2,644	2,695
Motor vehicle		
Within one year	**120**	–
In the second to fifth years inclusive	**70**	–
	190	–

Operating lease payments represent rentals payable by the Group for its office and factory premises and motor vehicle. Leases are negotiated for an average term of two years and rentals are fixed over the lease terms.

29. CONTINGENT LIABILITIES

As mentioned in note 7, the third batch of claims for underpayment of employees' overtime compensations has not yet been judged and concluded by the Baoan People's Court. If the Group fails to obtain a 50% Settlement Basis (defined in note 7) on the overtime compensations from the Baoan People's Court, the Group will be required to pay the full amount determined by the Arbitration Committee of approximately RMB4,150,000 (equivalent to HK$4,606,000), of which RMB2,075,000 (equivalent to HK$2,303,000) has been provided by the Directors as at 31 March 2008 based on the legal advice of the Company's PRC lawyers.

As mentioned in note 7, the Group has underpaid overtime compensations to other employees in the PRC before 30 June 2007. Up to the date of approval of these consolidated financial statements, the Group did not receive any claims for underpayment of overtime compensations from such other employees. If all these employees have made their claims to the Group and the Group fails to obtain a 50% Settlement Basis on the overtime compensations from the Baoan People's Court, the Group may be required to pay full amount of estimated overtime compensations of approximately RMB8,766,000 (equivalent to HK$9,728,000), of which RMB4,383,000 (equivalent to HK$4,864,000) has been provided by the Directors as at 31 March 2008 based to the legal advice of the Company's PRC lawyers.

30. RETIREMENT BENEFITS SCHEME

The Group participates in the MPF Scheme implemented by the Hong Kong Government for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of trustee. The retirement benefits cost for the MPF charged to the consolidated income statement represents contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

31. RELATED PARTY TRANSACTIONS

During the year, the Group paid rental expenses of HK$2,446,000 (2007: HK$3,695,000) to related companies which are beneficially owned/controlled by certain director/former directors of the Company.

Compensation of key management personnel

Details of the remuneration of key management personnel during the year are set out as below:

	2008 **HK$'000**	2007 HK$'000
Short-term employee benefits	**3,921**	5,219
Post employment benefits	**55**	86
	3,976	5,305

32. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Baoan People's Court has concluded certain claims for overtime compensations from PRC employees. Details of these cases are set out in notes 7 and 29.

33. SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2008 and 2007 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Attributable equity interest to the Group 2008	2007	Principal activities
BEPCL	British Virgin Islands	US$10,000	**100%**	100%	Investment holding
BEP (HK)	Hong Kong	HK$10,000	**100%**	100%	Design, manufacture and sale of home electrical appliances
BEP (China)*	PRC	US$9,000,000	**100%**	100%	Manufacture of home electrical appliances
BEP Corporate Management Limited	Hong Kong	HK$10,000	**100%**	N/A	Dormant

* The subsidiary is a PRC wholly foreign owned enterprise.

Other than BEPCL which is held directly by the Company, all other subsidiaries are held indirectly by the Company. None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.

FIVE-YEAR FINANCIAL SUMMARY

RESULTS

	Year ended 31 March				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Turnover	209,429	204,472	280,876	385,393	**345,331**
(Loss) profit before taxation	(11,257)	(26,507)	(18,323)	13,847	**(41,996)**
Taxation	617	(462)	–	(364)	**6,040**
(Loss) profit for the year	(10,640)	(26,969)	(18,323)	13,483	**(35,956)**

ASSETS AND LIABILITIES

	At 31 March				
	2004	2005	2006	2007	**2008**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	115,008	104,729	115,265	133,761	**119,226**
Total liabilities	36,054	52,744	80,240	83,065	**93,498**
	78,954	51,985	35,025	50,696	**25,728**
Equity attributable to shareholders of the Company	78,954	51,985	35,025	50,696	**25,728**