

Report of the Directors

The directors have pleasure in submitting their first annual report together with the audited financial statements of BEP International Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 March 2003.

GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The Company was incorporated as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda on 19 October 2000. Pursuant to a group reorganisation scheme (the "Group Reorganisation") in preparation for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company acquired the entire issued share capital of Better Electrical Products Company Limited and became the holding company of the companies now comprising the Group on 6 January 2003. The Company's shares were successfully listed on the Stock Exchange on 3 March 2003.

Further details relating to the Group Reorganisation are set out in Notes 1 and 20 to the financial statements and the prospectus dated 18 February 2003 issued by the Company (the "Prospectus"), and details of the basis of presentation of the financial statements are set out in Note 1 to the financial statements.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in Note 13 to the financial statements. There were no changes in the nature of the Group's principal activities during the year.

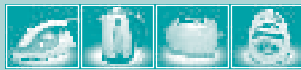
The Group is principally engaged in the design, manufacture and sale of home electrical appliances with production facilities based in the People's Republic of China ("PRC"). Turnover represents sale of products at invoiced value, net of discounts and returns. An analysis of the Group's turnover and profit from operations by products and by geographical area of principal markets of the Group (determined on the basis of destination of delivery of products) is set out in Note 3 to the financial statements.

Save for plant and machinery, moulds and inventories of the Group, which are located in the PRC, substantially all of the Group's assets and liabilities are located in Hong Kong. Analysis of assets and liabilities by products have not been presented as the Group's assets (except for trade debtors) and liabilities were unallocated in view of the nature of the Group's business that its products are manufactured from common raw materials and parts. Accordingly, the directors consider that the disclosure of such information is not meaningful.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2003 are set out in the consolidated income statement on page 18 of this annual report.

As stated in the Prospectus, a special dividend of approximately HK\$12,000,000 was declared and paid by two wholly-owned subsidiaries of the Company to their then shareholders prior to the Group Reorganisation, further details of which are set out in Note 1 to the financial statements.



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RESULTS AND APPROPRIATIONS (continued)

The directors now recommend the payment of a final dividend of HK\$0.02 per share, totalling HK\$4,800,000, in respect of the year ended 31 March 2003 and payable to shareholders whose name appear on the Register of Members on 8 August 2003. The Register of Members will be closed from 11 August 2003 to 13 August 2003, both days inclusive, during which no share transfer will be effected. To qualify for the final dividend, transfers to be dealt with must be lodged at the Company's Share Registrar, Secretaries Limited, G/F, Bank of East Asia View Centre, 56 Gloucester Road, Wanchai, Hong Kong before 4:00 p.m. on 8 August 2003.

SUMMARY FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the four years ended 31 March 2003 is set out on page 47 of this annual report.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the issue of new shares at the time of its listing on the Stock Exchange on 3 March 2003, after deducting listing expenses, amounted to approximately HK\$23.3 million. As stated in the Prospectus, the directors intended that such net proceeds would be applied as follows:

- as to approximately HK\$14.2 million to acquire plant and machinery to increase the Group's production capacity; and
- as to the balance of approximately HK\$8.5 million to repay part of the bank borrowings of the Group used to fund the capital contribution to Bailingda Industrial (Shenzhen) Co., Limited, the Group's wholly-owned subsidiary established in the PRC.

Upon the listing of the Company's shares on the Stock Exchange and up to 31 March 2003, approximately HK8.5 million was applied to repay part of the bank borrowings of the Group used to fund the capital contribution to Bailingda Industrial (Shenzhen) Co., Limited. The remaining proceeds not yet utilised were placed on short-term deposits with a bank in Hong Kong. The directors are of the opinion that the remaining unutilised proceeds will be applied to their intended uses as set out above.

TANGIBLE FIXED ASSETS

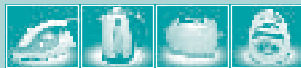
Movements in tangible fixed assets of the Group during the year are set out in Note 12 to the financial statements.

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in Note 23 to the financial statements.

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of the movements in the Company's share capital and details of the Company's share option scheme are set out in Notes 20 and 21 to the financial statements respectively.



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RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 22 to the financial statements.

The Company's reserves available for distribution to shareholders as at 31 March 2003 consisted of contributed surplus of approximately HK\$63,884,000 and retained profits of approximately HK\$4,807,000. As the Group Reorganisation was completed on 6 January 2003 and the Company remained inactive during the period from 16 October 2000 (date of incorporation) to 31 March 2002, there was no reserve available for distribution to shareholders as at 31 March 2002.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in Note 10 to the financial statements.

DIRECTORS

The directors of the Company during the period from 19 October 2000 (date of incorporation) to 31 March 2003 and up to the date of this report were:

Executive directors

Mr. Chan Tat (<i>Chairman and Managing Director</i>)	Appointed on 26 October 2000
Mr. Lo Stephen Yiu Hee (<i>Deputy Chairman</i>)	Appointed on 26 October 2000
Mr. Lee Kam Hung	Appointed on 26 October 2000
Mr. Sin Cheuk Lok, Christopus	Appointed on 26 October 2000

Non-executive director

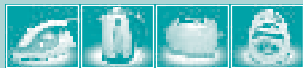
Madam Hong Jing Yu	Appointed on 26 October 2000
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Independent non-executive directors

Mr. Hong Yee Kwong, Paul	Appointed on 13 May 2002
Mr. Woo Kwok Yin	Appointed on 13 December 2000
Mr. Poon Tak Yan	Appointed on 13 December 2000 and resigned on 8 May 2002

The directors of the Company, including the non-executive director and the independent non-executive directors but not including the Chairman and/or Managing Director, are subject to retirement by rotation and re-election in accordance with the provisions of the Company's Bye-laws.

In accordance with Articles 87 and 88 of the Company's Bye-laws, Mr. Lee Kam Hung and Mr. Sin Cheuk Lok, Christopus will retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.



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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management are set out on pages 7 to 9 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Chan Tat entered into a service contract with the Company for a term of three years commencing from 6 January 2003 and which after the expiration of two years, can be terminated by either party giving the other party not less than three month's written notice. Each of Mr. Lo Stephen Yiu Hee, Mr. Lee Kam Hung and Mr. Sin Cheuk Lok, Christopus entered into a service contract with the Company for a term of three years commencing from 6 January 2003 and which after the expiration of one year, can be terminated by either party giving the other party not less than three month's written notice.

Save as aforesaid, none of the directors proposed for re-election at the forthcoming annual general meeting has entered into any service contract with any member of the Group which is not determinable without payment of compensation, other than statutory obligations.

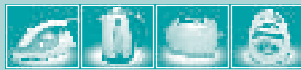
DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in Note 23 to the financial statements, no contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any directors of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES

Interests in shares of the Company

As at 31 March 2003, none of the directors and their respective associates are interested in the securities of the Company and its associated corporations (as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) as recorded in the register maintained by the Company under section 29 of the SDI Ordinance, or as otherwise notified to the Company and the Stock Exchange.



Report of the Directors

DIRECTORS' INTERESTS IN SECURITIES (continued)

Interest in share options to acquire shares of the Company

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. Under the Scheme, the board of directors of the Company (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. 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 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. Initially, however, options to subscribe for shares under the Scheme must not exceed 10% of the shares in issue as at the date of listing of the Company's shares on the Stock Exchange. As at 31 March 2003, no options have been granted or agreed to be granted under the Scheme since its adoption.

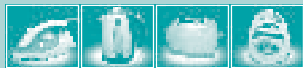
As at 31 March 2003, none of the directors and chief executive of the Company had any interests in the shares of the Company and its associated corporations (as defined in the SDI Ordinance), and none of the directors and chief executive or their spouses or children under eighteen years of age had any rights to subscribe for shares of the Company, or had exercised any such rights during the year ended 31 March 2003.

At no time during the year ended 31 March 2003 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

As at 31 March 2003, the register of substantial shareholders, other than a director or chief executive of the Company, maintained under section 16(1) of the SDI Ordinance, showed that the Company has been notified of the following substantial shareholders' interests, representing 10% or more of the Company's issued share capital:

Name	Number of shares held	Percentage of interest
Target World Enterprises Limited (<i>Note 1</i>)	84,000,000	35%
Best Practice Enterprises Limited (<i>Note 2</i>)	84,000,000	35%



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SUBSTANTIAL SHAREHOLDERS (continued)

Notes:

1. Target World Enterprises Limited is the trustee of the MK Unit Trust holding property under the MK Unit Trust for the trustee of the MK Trust, which is a holder of units issued by the MK Unit Trust. The MK Trust is a discretionary trust and the discretionary objects of the trust include Mr. Chan Man Kei, son of Mr. Chan and Madam Hong, the issue of Mr. Chan Man Kei and Oxfam, Hong Kong.
2. Best Practice Enterprises Limited is the trustee of the SC Unit trust holding property under the SC Unit Trust for the trustee of the SC Trust which is a holder of units issued by the SC Unit Trust. The SC Trust is a discretionary trust and the discretionary objects of the trust include Miss Chan Sin Mui, Selina, daughter of Mr. Chan and Madam Hong, the issue of Miss Chan Sin Mui, Selina and Friends of the Earth (Charity) Limited.

Save as disclosed above, the Company has not been notified of any interests representing 10% or more of the Company's issued share capital.

MANAGEMENT CONTRACTS

No contracts of significance concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from 3 March 2003 (the listing date) to 31 March 2003.

PRE-EMPTIVE RIGHTS

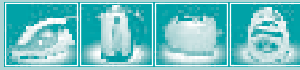
There are no provisions for pre-emptive rights under the Company's Bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's turnover and purchases attributable to the major customers and suppliers during the financial year is as follows:

	Turnover	Percentage of the Group's total Cost of purchases
The largest customer	19%	—
Five largest customers in aggregate	55%	—
The largest supplier	—	15%
Five largest suppliers in aggregate	—	41%

At no time during the year have the directors, their respective associates and any shareholder of the Company (which, to the best knowledge of the directors, owns more than 5% of the Company's issued share capital) had any interest in any of the five largest customers and suppliers of the Group.



Report of the Directors

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules during the period from 3 March 2003 (the listing date) to 31 March 2003, except that independent non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the provisions of the Company's Bye-laws.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to review the Company's interim and annual reports and financial statements. The audit committee comprises the two independent non-executive directors, namely Mr. Woo Kwok Yin and Mr. Hong Yee Kwong, Paul.

AUDITORS

The accompanying financial statements were audited by HLB Hodgson Impey Cheng. A resolution for the re-appointment of HLB Hodgson Impey Cheng as the auditors of the Company for the ensuing year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Chan Tat

Chairman and Managing Director

Hong Kong, 20 June 2003