

Notes to the Financial Statements

For the year ended 31 March 2003

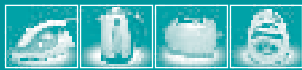
1. GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated in Bermuda under the Companies Act 1981 of Bermuda as an exempted company with limited liability 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 became the holding company of the companies now comprising the Group on 6 January 2003. This was accomplished by acquiring the entire issued share capital of Better Electrical Products Company Limited ("BEPCL"), which is, as at 31 March 2003, the intermediate holding company of the other subsidiaries, namely Better Electrical Products (HK) Company Limited ("BEP(HK)") and Bailingda Industrial (Shenzhen) Co., Limited ("BEP(China)"), further details of which are set out in Note 13 to the financial statements. In consideration of such acquisition, the Company (i) allotted and issued an aggregate of 150,000,000 shares of HK\$0.01 each in the share capital of the Company, credited as fully paid to Target World Enterprises Limited as to 75,000,000 shares and Best Practice Enterprises Limited as to 75,000,000 shares at the respective directions of the former shareholders of BEPCL, and (ii) credited, as fully paid up at par, the then existing 10,000,000 nil paid shares then held as to 5,000,000 shares by Target World Enterprises Limited and as to 5,000,000 shares by Best Practice Enterprises Limited.

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 Note 20 to these financial statements and the prospectus dated 18 February 2003 issued by the Company.

The Group Reorganisation has been accounted for as a reorganisation of companies under common control. Accordingly, the Company together with its subsidiaries are regarded and accounted for as a continuing group in the preparation of the Group's financial statements. On this basis, the Company is treated as the holding company of the Group throughout the years presented rather than from the subsequent date of acquisition of its present subsidiaries on 6 January 2003. The consolidated financial statements of the Group for the years ended 31 March 2002 and 2003 include the results of the Company and its subsidiaries with effect from 1 April 2001 or since their respective dates of incorporation/establishment where this is a shorter period. The consolidated balance sheets as at 31 March 2002 and 2003 have been prepared on the basis as if the current structure of the Group had been in existence at those dates. All significant intra-group transactions have been eliminated on consolidation.



Notes to the Financial Statements

For the year ended 31 March 2003

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all Statements of Standard Accounting Practice (“SSAPs”) and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

In the current year, the Group has adopted the following SSAPs which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34	:	Employee benefits

The new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. The adoption of these new and revised SSAPs has not resulted in any major changes to the Group’s accounting policies that affect the amounts reported for the current or prior periods. A summary of the significant accounting policies followed by the Group in the preparation of the financial statements is set out below:

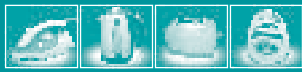
a. Basis of measurement

The measurement basis used in the preparation of the financial statements is historical cost.

b. Subsidiaries

A subsidiary is an entity in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of the board of directors. In the Company’s balance sheet, investments in subsidiaries are stated at cost less any provision for impairment losses.

The consolidated financial statements comprise the consolidation of the financial statements of the Company and its subsidiaries as at 31 March 2003 and of the results for the year then ended. All significant intra-group transactions have been eliminated on consolidation.



Notes to the Financial Statements

For the year ended 31 March 2003

2. ACCOUNTING POLICIES (continued)

c. Tangible fixed assets and depreciation

An item of tangible fixed asset is recognised as an asset when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset to the Group can be measured reliably.

Tangible fixed assets are stated at cost less accumulated depreciation and impairment. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Depreciation is provided on the straight-line method so as to write down the cost of fixed assets to their estimated realisable value over their anticipated useful lives at the following annual rates:

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

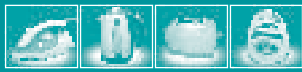
Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

d. Inventories

Inventories are valued at the lower of cost and net realisable value. Cost of raw materials is determined on the first-in, first-out basis. Cost of work-in-progress and finished goods includes materials, labour and appropriate portions of attributable overheads. Net realisable value represents the estimated selling price less all further costs to completion and direct selling costs.

e. Current assets and liabilities

Current assets are expected to be realised within twelve months of the balance sheet date or in the normal course of the Group's operating cycle. Current liabilities are expected to be settled within twelve months of the balance sheet date or in the normal course of the Group's operating cycle.



Notes to the Financial Statements

For the year ended 31 March 2003

2. ACCOUNTING POLICIES (continued)

f. Translation of foreign currencies

Transactions in foreign currencies during the year are translated into Hong Kong dollars at rates of exchange ruling at the dates of the transactions or forward contract rates where applicable. Monetary assets and liabilities in foreign currencies are translated into Hong Kong dollars at rates of exchange ruling at the balance sheet date or forward contract rates where applicable. All gains and losses on translation of foreign currencies are dealt with in the income statement.

The results of foreign subsidiary are translated into Hong Kong dollars at the average exchange rates for the year. Balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The resulting exchange differences are dealt with as a movement in reserves.

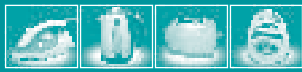
g. Leased assets

Assets held under finance leases and hire purchase contracts have been capitalised. The interest element of the rental payments is charged to the income statement over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. Depreciation is provided in accordance with the Group's depreciation policy. All other leases are accounted for as operating leases and rentals payable are charged to the income statement on a straight-line basis over the terms of the leases.

h. Impairment losses

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use and its net selling price.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.



Notes to the Financial Statements

For the year ended 31 March 2003

2. ACCOUNTING POLICIES (continued)

i. Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed.

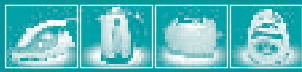
Deferred taxation is provided on material timing differences, using the liability method, to the extent that there is a reasonable probability that a liability will arise in the foreseeable future.

j. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event which will result in a probable outflow of economic benefits that can be reasonably estimated.

k. Employee benefits

- (i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully in the employees when contributed into the MPF Scheme.
- (iii) Employees in the Group's subsidiary established in the People's Republic of China ("PRC") are required to participate in a defined contribution retirement scheme operated by local municipal government. The PRC subsidiary is required to contribute certain percentages of the employee payroll to the scheme in accordance with the relevant regulations in the PRC and such contributions are charged to the income statement as incurred.
- (iv) When the Group grants employees options to acquire shares of the Company at nil consideration, no employee benefit cost or obligation is recognised at the date of grant. When the options are exercised, equity is increased by the amount of the proceeds received.



Notes to the Financial Statements

For the year ended 31 March 2003

2. ACCOUNTING POLICIES (continued)

k. Employee benefits (continued)

- (v) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

l. Recognition of revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- i. Revenue from the sale of products is recognised on the transfer of ownership when the significant risks and rewards of ownership have been transferred to the buyers, which generally coincides with the time of shipment.
- ii. Bank interest income is recognised on a time-apportioned basis on the principal outstanding and at the rates applicable.
- iii. Claims and sundry income are recognised when received.

m. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

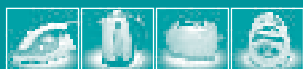
n. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

o. Research and development

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed as incurred.



Notes to the Financial Statements

For the year ended 31 March 2003

2. ACCOUNTING POLICIES (continued)

o. Research and development (continued)

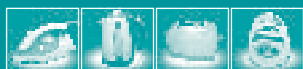
Deferred development costs are amortised using the straight-line basis over the commercial lives of the underlying products of not exceeding five years, commencing from the date when the products are put into commercial production.

3. TURNOVER AND REVENUES

The Group is principally engaged in the design, manufacture and sale of home electrical appliances with production facilities based in the PRC. All of the Group's operations are classed as continuing. Turnover represents sale of products at invoiced value, net of discounts and returns. All significant intra-group transactions have been eliminated on consolidation.

An analysis of the Group's turnover and revenues is as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover		
Sale of products	<u>288,455</u>	<u>324,261</u>
Other revenues		
Bank interest income	38	53
Sundry income	<u>414</u>	<u>932</u>
	<u>452</u>	<u>985</u>
Total revenues	<u><u>288,907</u></u>	<u><u>325,246</u></u>



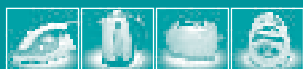
Notes to the Financial Statements

For the year ended 31 March 2003

3. TURNOVER AND REVENUES (continued)

An analysis of the Group's turnover and profit from operations by products and by geographical area of principal markets of the Group is as follows:

	2003 HK\$'000	2002 HK\$'000
Turnover by products:		
Irons	110,922	129,965
Kettles	162,300	173,993
Heaters	9,248	8,926
Others	5,985	11,377
	<u>288,455</u>	<u>324,261</u>
Total turnover	<u>288,455</u>	<u>324,261</u>
Contribution to trading results by products:		
Irons	11,923	14,791
Kettles	19,569	21,076
Heaters	155	497
Others	62	694
	<u>31,709</u>	<u>37,058</u>
Profit from operations	<u>31,709</u>	<u>37,058</u>
Turnover by geographical area of principal markets determined on the basis of destination of delivery of products:		
Europe	172,955	211,052
Asia and Middle East	9,289	13,231
Australia and New Zealand	34,267	26,291
North America	63,709	63,718
Others	8,235	9,969
	<u>288,455</u>	<u>324,261</u>
Total turnover	<u>288,455</u>	<u>324,261</u>
Contribution to trading results by geographical area of principal markets:		
Europe	20,645	24,577
Asia and Middle East	316	1,317
Australia and New Zealand	3,199	3,001
North America	6,967	7,101
Others	582	1,062
	<u>31,709</u>	<u>37,058</u>
Profit from operations	<u>31,709</u>	<u>37,058</u>

**Notes to the Financial Statements**

For the year ended 31 March 2003

3. TURNOVER AND REVENUES (continued)

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.

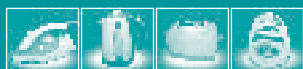
4. PROFIT FROM OPERATIONS

Profit from operations is stated after charging/(crediting):

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Staff costs (excluding directors' remuneration)		
Salaries and wages	23,530	9,720
Retirement scheme contributions	444	413
	<u>23,974</u>	<u>10,133</u>
Auditors' remuneration	527	240
Depreciation of owned tangible fixed assets	9,822	9,148
Loss on disposal of tangible fixed assets	–	47
Provision for defective goods replacement costs	–	1,700
Operating lease rentals in respect of land and buildings	3,660	3,660
Cost of inventories expensed	229,709	257,632
Reversal of provision for defective goods replacement costs (included in other income)	<u>(1,389)</u>	<u>–</u>

5. FINANCE COSTS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Bank charges	702	1,109
Interest on bank loans and overdrafts		
– wholly repayable within five years	412	806
Hire purchase interest	–	2
	<u>1,114</u>	<u>1,917</u>



Notes to the Financial Statements

For the year ended 31 March 2003

6. TAXATION

	2003 HK\$'000	2002 HK\$'000
Provision for Hong Kong profits tax for the year	2,434	2,909
Deferred taxation (<i>Note 19</i>)	—	214
	<u>2,434</u>	<u>3,123</u>

Hong Kong profits tax has been provided at a rate of 16% (2002: 16%) on the estimated assessable profits arising in Hong Kong for the year.

No provision for overseas taxation has been made in the financial statements. BEP(China), the Group's wholly-owned subsidiary established in the PRC, is entitled to exemption from PRC foreign enterprise income tax for the first two profitable years and a 50% reduction from normal PRC foreign enterprise income tax (effectively 7.5%) for the three years immediately following (2002: Nil).

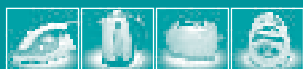
There was no material unprovided deferred taxation as at 31 March 2003 (2002: Nil).

7. DIVIDENDS

	2003 HK\$'000	2002 HK\$'000
Interim dividend declared and paid (<i>Note (i)</i>)	12,000	39,500
Final dividend proposed after the balance sheet date of HK2 cents per share (<i>Note (ii)</i>)	4,800	—
	<u>16,800</u>	<u>39,500</u>

Notes:

- (i) No dividend has been paid or declared by the Company since the date of its incorporation. The dividends were paid by BEPCL and BEP(HK), wholly-owned subsidiaries of the Company, to their then shareholders prior to the Group Reorganisation, further details of which are disclosed in Note 1 to the financial statements.
- (ii) At a meeting held on 20 June 2003, the directors proposed a final dividend of HK 2 cents per ordinary share in respect of the year ended 31 March 2003. This proposed final dividend has not been recognised as a liability in these financial statements.



Notes to the Financial Statements

For the year ended 31 March 2003

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 March 2003 is based on the Group's net profit attributable to shareholders of approximately HK\$28,161,000 (2002: HK\$32,018,000) and on the weighted average of 200,400,000 (2002: 196,800,000) ordinary shares deemed to be in issue on the assumption that the Group Reorganisation had been completed on 1 April 2001.

No diluted earnings per share has been disclosed as there were no dilutive potential ordinary shares in existence for the two years ended 31 March 2003.

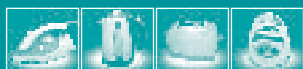
9. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

	2003 HK\$'000	2002 HK\$'000
<i>Independent non-executive directors:</i>		
– Fees	60	–
<i>Executive and other non-executive directors:</i>		
– Fees	30	–
– Salaries, other allowances and benefits in kind	3,888	3,731
– Retirement scheme contributions	36	36
	<u>4,014</u>	<u>3,767</u>

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2003	2002
HK\$ Nil – HK\$1,000,000	5	5
HK\$1,000,001 – HK\$1,500,000	2	2
	<u>7</u>	<u>7</u>

There were no arrangements under which the directors have waived or agreed to waive any emoluments.



Notes to the Financial Statements

For the year ended 31 March 2003

9. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT (continued)

The five highest paid employees of the Group during the year ended 31 March 2003 included 4 (2002: 4) directors, whose remunerations have been disclosed above. Details of the remuneration of the remaining 1 (2002: 1) highest paid, non-director employee of the Group during the year ended 31 March 2003 are as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Basic salaries, other allowances and benefits in kind	442	438
Retirement scheme contributions	<u>12</u>	<u>12</u>
	<u><u>454</u></u>	<u><u>450</u></u>

The remunerations of the remaining 1 (2002: 1) highest paid, non-director employee were within the band of nil to HK\$1,000,000.

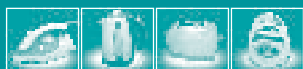
No emoluments were paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10. RETIREMENT BENEFITS SCHEME

Prior to 1 December 2000, the Group participated in a defined contribution scheme which was operated by an independent administrator for all qualified employees. Contributions to this scheme were made by both the employer and employees at rates of 5% to 15% on the employees' salaries. Forfeited contributions for the year ended 31 March 2002 of HK\$598,000 were used to reduce the existing level of contributions. There were no unutilised forfeited contributions as at 31 March 2003.

Since 1 December 2000, the Group operates the MPF Scheme for all of its employees in Hong Kong. Both the Group (employer) and its employees make monthly contributions to the MPF Scheme at 5% of the employees' basic salaries in accordance with the rules of the MPF Scheme. The contributions of employer and employees are subject to cap of monthly basic salaries of HK\$20,000 and thereafter contributions are voluntary. The employer's contributions are charged to the income statement as they become payable. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully in the employees when contributed into the MPF Scheme.

Employees in the Group's PRC subsidiary are required to participate in a defined contribution retirement scheme operated by local municipal government. The PRC subsidiary is required to contribute 7% of the employee payroll to the scheme in accordance with the relevant regulations in the PRC and such contributions are charged to the income statement as incurred. There were no forfeited contributions used to reduce future contributions as at 31 March 2003.



Notes to the Financial Statements

For the year ended 31 March 2003

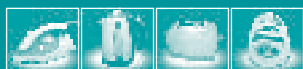
11. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated net profit attributable to shareholders includes a profit of approximately HK\$4,807,000 (2002: HK\$Nil) which has been dealt with in the financial statements of the Company.

12. TANGIBLE FIXED ASSETS

The Group

	Plant and machinery <i>HK\$'000</i>	Moulds <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
At cost:							
As at 1 April 2002	34,482	29,364	889	1,403	3,113	1,756	71,007
Additions	8,433	4,901	–	192	–	379	13,905
As at 31 March 2003	<u>42,915</u>	<u>34,265</u>	<u>889</u>	<u>1,595</u>	<u>3,113</u>	<u>2,135</u>	<u>84,912</u>
Accumulated depreciation:							
As at 1 April 2002	17,919	22,903	786	1,284	2,565	1,184	46,641
Charge for the year	3,543	5,296	85	125	383	390	9,822
As at 31 March 2003	<u>21,462</u>	<u>28,199</u>	<u>871</u>	<u>1,409</u>	<u>2,948</u>	<u>1,574</u>	<u>56,463</u>
Net book value:							
As at 31 March 2003	<u>21,453</u>	<u>6,066</u>	<u>18</u>	<u>186</u>	<u>165</u>	<u>561</u>	<u>28,449</u>
As at 31 March 2002	<u>16,563</u>	<u>6,461</u>	<u>103</u>	<u>119</u>	<u>548</u>	<u>572</u>	<u>24,366</u>

**Notes to the Financial Statements**

For the year ended 31 March 2003

13. INVESTMENTS IN SUBSIDIARIES

As at 31 March 2003, the Company had the following subsidiaries:

Name	Place of incorporation/ establishment and principal operations	Principal activities	Issued and fully paid up share capital/ registered capital	Percentage of equity attributable to the Company
BEPCL	British Virgin Islands ("BVI")/Hong Kong	Investment holding	US\$10,000	100% (direct)
BEP(HK)	Hong Kong	Design, manufacture and sale of home electrical appliances	HK\$10,000	100% (indirect)
BEP(China)	PRC (<i>Note</i>)	Manufacture of home electrical appliances	US\$6,000,000	100% (indirect)

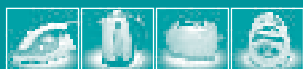
Note: BEP (China) is a wholly foreign-owned enterprise established in the PRC. The PRC statutory financial statements of BEP (China) for the year ended 31 December 2002 were not audited by HLB Hodgson Impey Cheng.

	2003 HK\$'000
Unlisted shares, at cost	<u><u>65,484</u></u>

The amounts due from subsidiaries as shown on the Company's balance sheet are unsecured, interest-free and have no fixed terms of repayment.

14. INVENTORIES

	The Group	
	2003 HK\$'000	2002 HK\$'000
Raw materials, at cost	23,789	18,999
Work-in-progress, at cost	3,288	4,756
Finished goods, at cost	<u>7,360</u>	<u>8,430</u>
	<u><u>34,437</u></u>	<u><u>32,185</u></u>



Notes to the Financial Statements

For the year ended 31 March 2003

15. TRADE AND OTHER RECEIVABLES

	The Group	
	2003 HK\$'000	2002 HK\$'000
Trade debtors	11,544	9,769
Bills receivable	922	1,010
Deposits paid	2,248	1,532
Sundry debtors and prepayments	1,108	4,829
	<u>15,822</u>	<u>17,140</u>

The ageing analysis of trade debtors is as follows:

	2003 HK\$'000	2002 HK\$'000
0 – 30 days	11,487	9,584
31 – 60 days	42	110
61 – 180 days	15	75
	<u>11,544</u>	<u>9,769</u>

In general, the Group's credit policy is as follows:

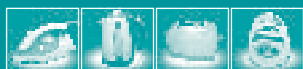
- (i) Trade debts which are settled by letters of credit are due at sight or in accordance with the respective terms of the letters of credit normally ranging from 30 to 120 days. For other trade debts, the Group provides a credit period normally ranging from 7 to 33 days to its customers.
- (ii) Bills receivable are due at sight or in accordance with the respective terms of the bills normally ranging from 30 to 120 days.

16. CASH AND BANK BALANCES

As at 31 March 2003, the cash and bank balances denominated in Renminbi amounted to approximately HK\$3,126,000 (2002: HK\$141,000) which remained not freely convertible into foreign currencies.

17. BANKING FACILITIES

As at 31 March 2003, the Group's general banking facilities are secured by corporate guarantees given by the Company and its direct wholly-owned subsidiary, BEPCL.

**Notes to the Financial Statements**

For the year ended 31 March 2003

18. TRADE AND OTHER PAYABLES

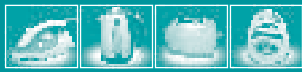
	The Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade creditors	19,675	19,209
Bills payable	–	246
Trade deposits received	482	630
Sundry creditors and accruals	3,781	3,947
	<u>23,938</u>	<u>24,032</u>

The ageing analysis of trade creditors is as follows:

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	18,979	18,068
31 – 60 days	551	694
61 – 180 days	145	447
	<u>19,675</u>	<u>19,209</u>

19. DEFERRED TAXATION

	The Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Movements in deferred taxation comprise:		
Balance as at 1 April 2002/2001	1,750	1,536
Transferred from income statement (<i>Note 6</i>)	–	214
	<u>1,750</u>	<u>1,750</u>
Balance as at 31 March 2003/2002	<u>1,750</u>	<u>1,750</u>
<i>Representing:</i>		
Depreciation allowances in excess of related depreciation	<u>1,750</u>	<u>1,750</u>



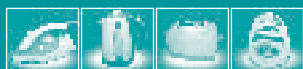
Notes to the Financial Statements

For the year ended 31 March 2003

20. SHARE CAPITAL

The following movements in the Company's authorised and issued share capital took place during the period from 19 October 2000 (date of incorporation) to 31 March 2003:

- (a) On 19 October 2000 (date of incorporation), the authorised share capital of the Company was HK\$100,000 divided into 1,000,000 ordinary shares of HK\$0.10 each, all of which were allotted and issued nil paid on 26 October 2000.
- (b) On 11 April 2002, by a written resolution, the then shareholders of the Company resolved to subdivide every issued and unissued share of HK\$0.10 each in the share capital of the Company to 10 shares of HK\$0.01 each.
- (c) On 6 January 2003, the authorised share capital of the Company was increased from HK\$100,000 to HK\$100,000,000 by the creation of additional 9,990,000,000 shares of HK\$0.01 each.
- (d) On 6 January 2003, pursuant to the Group Reorganisation, further details of which are set out in Note 1 to the financial statements, as consideration for the acquisition by the Company of the entire issued share capital of BEPCL, the Company (i) allotted and issued an aggregate of 150,000,000 shares of HK\$0.01 each in the share capital of the Company, credited as fully paid to Target World Enterprises Limited as to 75,000,000 shares and Best Practice Enterprises Limited as to 75,000,000 shares at the respective directions of the former shareholders of BEPCL, and (ii) credited, as fully paid up at par, the then existing 10,000,000 nil paid shares then held as to 5,000,000 shares by Target World Enterprises Limited and as to 5,000,000 shares by Best Practice Enterprises Limited.
- (e) Pursuant to written resolutions of the shareholders of the Company passed on 6 January 2003 and 12 February 2003, a total of 36,800,000 shares of HK\$0.01 each were allotted as fully paid at par to the holders of the shares whose names appeared on the register of members of the Company in proportion to their then respective shareholdings in the Company as at the close of business on 5 January 2003, by way of capitalisation of an amount of HK\$368,000 standing to the credit of the share premium account of the Company, conditional upon the share premium account being credited as a result of the new issue and placing of shares to the public as detailed in note (f) below.
- (f) On 27 February 2003, a total of 43,200,000 shares of HK\$0.01 each were issued to the public at a price of HK\$0.70 per share for total cash issue proceeds of approximately HK\$30,240,000 before related listing expenses. The excess of the issue proceeds at par value of the shares issued amounted to approximately HK\$29,808,000 and was credited to the share premium account of the Company.

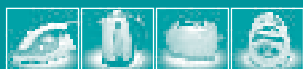
**Notes to the Financial Statements**

For the year ended 31 March 2003

20. SHARE CAPITAL (continued)

A summary of the above movements in the issued share capital of the Company is as follows:

	<i>Notes</i>	Number of shares issued	Par value <i>HK\$'000</i>
Shares of HK\$0.10 each allotted and issued nil paid and balance as at 31 March 2002	<i>20(a)</i>	1,000,000	–
Subdivision of every issued and unissued share of HK\$0.10 each into 10 shares of HK\$0.01 each	<i>20(b)</i>	<u>9,000,000</u>	<u>–</u>
Number of shares of HK\$0.01 each		10,000,000	–
Consideration for the acquisition of the entire issued share capital of BEPCL by:	<i>20(d)</i>		
(i) allotment and issue of 150,000,000 shares credited as fully paid		150,000,000	1,500
(ii) credit as fully paid up at par the then existing 10,000,000 nil paid shares		<u>–</u>	<u>100</u>
		160,000,000	1,600
Capitalisation issue credited as fully paid conditional upon the share premium account of the Company being credited as a result of the new issue and placing of shares to the public	<i>20(e)</i>	36,800,000	–
New issue and placing of shares to the public	<i>20(f)</i>	43,200,000	432
Capitalisation of the share premium account	<i>20(e)</i>	<u>–</u>	<u>368</u>
Issued share capital as at 31 March 2003		<u><u>240,000,000</u></u>	<u><u>2,400</u></u>



Notes to the Financial Statements

For the year ended 31 March 2003

21. SHARE OPTION SCHEME

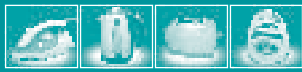
On 6 January 2003, the shareholders of the Company approved and adopted a share option scheme (the "Scheme") for a period of ten years commencing from the date of listing of the Company's shares on the Stock Exchange on 3 March 2003. Under the Scheme, the board of directors of the Company (the "Board") 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.

22. RESERVES

The Company and its subsidiaries

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i> <i>(Note 22(a))</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance as at 1 April 2001	–	11,471	50,170	61,641
Net profit for the year	–	–	32,018	32,018
Dividends paid	–	(11,471)	(28,029)	(39,500)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance as at 31 March 2002	–	–	54,159	54,159
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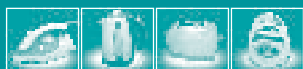
Notes to the Financial Statements

For the year ended 31 March 2003

22. RESERVES (continued)

The Company and its subsidiaries (continued)

	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i> <i>(Note 22(b))</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance as at 1 April 2002	–	–	54,159	54,159
Merger reserve arising on the Group Reorganisation <i>(Note 20(d))</i>	–	(1,522)	–	(1,522)
Share premium arising on new issue and placing of shares to the public <i>(Note 20(f))</i>	29,808	–	–	29,808
Listing expenses	(6,916)	–	–	(6,916)
Capitalisation issue <i>(Note 20(e))</i>	(368)	–	–	(368)
Net profit for the year	–	–	28,161	28,161
Dividends paid	–	–	(12,000)	(12,000)
Balance as at 31 March 2003	<u>22,524</u>	<u>(1,522)</u>	<u>70,320</u>	<u>91,322</u>
<i>Representing:</i>				
2003 proposed final dividend	–	–	4,800	4,800
Others	22,524	(1,522)	65,520	86,522
Balance as at 31 March 2003	<u>22,524</u>	<u>(1,522)</u>	<u>70,320</u>	<u>91,322</u>



Notes to the Financial Statements

For the year ended 31 March 2003

22. RESERVES (continued)

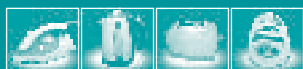
The Company

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i> <i>(Note 22(c))</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance as at 1 April 2001 and 31 March 2002	—	—	—	—
Contributed surplus arising on the Group Reorganisation <i>(Note 20(d))</i>	—	63,884	—	63,884
Share premium arising on new issue and placing of shares to the public <i>(Note 20(f))</i>	29,808	—	—	29,808
Listing expenses	(6,916)	—	—	(6,916)
Capitalisation issue <i>(Note 20(e))</i>	(368)	—	—	(368)
Net profit for the year	—	—	4,807	4,807
Balance as at 31 March 2003	<u>22,524</u>	<u>63,884</u>	<u>4,807</u>	<u>91,215</u>
<i>Representing:</i>				
2003 proposed final dividend	—	—	4,800	4,800
Others	22,524	63,884	7	86,415
Balance as at 31 March 2003	<u>22,524</u>	<u>63,884</u>	<u>4,807</u>	<u>91,215</u>

Notes:

- (a) Pursuant to the memorandum of agreement of transfer of business effective as from 1 April 1999 (the "Business Transfer Memorandum"), the business of manufacture and sale of home electrical appliances (the "Business") previously carried on by the Business Vendors (as defined therein and comprise Mr. Chan Tat ("Mr. Chan") and Madam Hong Jing Yu ("Madam Hong"), and Better Electrical Products Factory Limited, Cli-Claque Company Limited, Man Lok Knitting Factory Limited and Manwise Investment Company Limited, all of which are companies incorporated in Hong Kong and beneficially owned by Mr. Chan and Madam Hong) was transferred to BEPCL (the "Transfer of Business"), in consideration of the allotment and issue of 10,000 shares of US\$1 each in the share capital of BEPCL credited as fully paid to Mr. Chan as to 6,000 shares and Madam Hong as to 4,000 shares at the direction of the Business Vendors. The difference between the fair value of the separable net assets of the Business transferred and the nominal amount of the share capital issued by BEPCL as consideration for the Transfer of Business, was treated as contributed surplus of BEPCL.

The balance of contributed surplus of the Group as at 1 April 2001 comprised the contributed surplus of BEPCL, less subsequent distribution by BEPCL by payment of dividends to its then shareholders. As BEPCL was incorporated under the International Business Companies Act of the BVI, the surplus of BEPCL, representing the excess of its total assets over the sum of its total liabilities, plus its capital, was available for distribution. The contributed surplus of BEPCL formed part of the surplus of BEPCL, and the contributed surplus of BEPCL had been fully distributed as at 31 March 2002.



Notes to the Financial Statements

For the year ended 31 March 2003

22. RESERVES (continued)

- (b) The merger reserve of the Group represents the difference between the nominal value of the shares of BEPCL acquired pursuant to the Group Reorganisation on 6 January 2003 over the nominal value of the Company's shares issued in exchange therefor.
- (c) The contributed surplus of the Company represents the difference between the fair value of the shares of BEPCL acquired pursuant to the Group Reorganisation on 6 January 2003 over the nominal value of the Company's shares issued in exchange therefor.

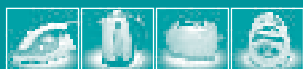
Under the Companies Act 1981 of Bermuda, a company may make distributions to its shareholders out of contributed surplus under certain circumstances as prescribed by section 54 thereof.

- (d) 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.

23. RELATED PARTY TRANSACTIONS

Apart from those disclosed elsewhere in these financial statements, in the opinion of the directors, the following is a summary of the significant related party transactions which were carried out by the Group in the normal course of its business and on normal commercial terms during the year:

	<i>Notes</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Rental paid to Super Light Manufacturing Products (Shenzhen) Company Limited ("SLMP")	(a)	(3,120)	(3,120)
Rental paid to Manwise Investment Company Limited ("Manwise")	(b)	(540)	(540)
Sale of raw materials to Shenzhen Bailingda Lighters & Electrical Products Co., Limited ("Bailingda")	(c)	–	88,745
Purchases of finished goods from Bailingda	(d)	–	(106,872)
Reimbursements of net profit taken by Bailingda from Mr. Chan and Madam Hong	(e)	–	927



Notes to the Financial Statements

For the year ended 31 March 2003

23. RELATED PARTY TRANSACTIONS (continued)

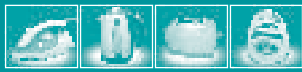
Notes:

- (a) Pursuant to a tenancy agreement dated 30 October 2000, SLMP, a wholly-foreign owned enterprise established in the PRC and ultimately owned and controlled by Mr. Chan, a director of the Company, leased to BEP(HK) portions of an industrial complex located at Huang Ma Bu Village, Xi Xiang Town, Bao An District, Shenzhen, Guangdong Province, the PRC for a term of three years commencing from 1 November 2000 and expiring on 31 October 2003 at a monthly rent of HK\$260,000, exclusive of management fee and utility charges. The rental for the year ended 31 March 2003 amounted to HK\$3,120,000 and the rental for the remaining term of the tenancy agreement amounts to HK\$1,820,000. The directors consider that such rental was calculated by reference to open market rentals.
- (b) The Group paid rent to Manwise, a company owned and controlled by Mr. Chan and Madam Hong, directors of the Company, for the lease of office premises. The directors consider that such rental was calculated by reference to open market rentals.
- (c) The Group sold raw materials to Bailingda, a Sino-foreign co-operative joint venture company established in the PRC and ultimately owned and controlled by Mr. Chan and Madam Hong, directors of the Company, at prices with reference to the prevailing transfer prices as quoted in a document issued and promulgated by the PRC customs from time to time. The directors considered that such sales were made on terms and conditions similar to those offered to other independent third party customers of the Group. As confirmed by the directors, such transactions were discontinued after 1 April 2002 following the commencement of business of BEP(China).
- (d) The Group purchased finished goods from Bailingda at a premium (which was determined for each of the transactions calculated based on the value-added and complexity of the production with reference to the prevailing transfer prices as quoted in a document issued and promulgated by the PRC customs from time to time). The directors considered that such purchases were made on terms and conditions similar to those offered by other independent third party suppliers of the Group. As confirmed by the directors, such transactions were discontinued after 1 April 2002 following the commencement of business of BEP(China).
- (e) The Group received reimbursements from Mr. Chan and Madam Hong for net profit taken by Bailingda in connection with the production of goods for the Group in accordance with the Business Transfer Memorandum effective as from 1 April 1999, pursuant to which Bailingda would supply the Group with products at cost. As confirmed by the directors, such transactions were discontinued after 1 April 2002 following the commencement of business of BEP(China).

24. CONTINGENT LIABILITIES

	The Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Export bills discounted with recourse	<u>6,269</u>	<u>8,473</u>

Save as a corporate guarantee given by the Company to a bank to secure the general banking facilities granted to BEP(HK), a wholly-owned subsidiary of the Company, the Company has no significant contingent liabilities as at 31 March 2003 (2002: Nil).

**Notes to the Financial Statements**

For the year ended 31 March 2003

25. OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

The Group employs off-balance sheet derivative instruments such as foreign exchange forward contracts to manage its foreign exchange exposure. These instruments are used solely to reduce or eliminate the financial risks associated with the Group's liabilities and not for trading or speculative purposes. There were no derivative instruments outstanding as at 31 March 2003 (2002: Nil).

26. COMMITMENTS**(i) Capital commitments**

Capital commitments outstanding as at 31 March 2003 not provided for in the financial statements are as follows:

	The Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised and contracted for in respect of		
– capital contribution to a subsidiary, BEP(China)	–	23,174
– acquisition of plant and machinery	<u>1,423</u>	<u>–</u>
	<u><u>1,423</u></u>	<u><u>23,174</u></u>

(ii) Operating lease commitments

As at 31 March 2003, the total future minimum lease payments under non-cancellable operating leases in respect of rented premises are payable as follows:

	The Group	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	2,135	3,660
Between two to five years	<u>–</u>	<u>2,135</u>
	<u><u>2,135</u></u>	<u><u>5,795</u></u>

The Company did not have any significant commitments as at 31 March 2003 (2002: Nil).

27. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 20 June 2003.