

# Report of the Directors

The board of directors (the "Board") presents herewith its 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 2005.

## CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda on 19 October 2000.

## 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 loss from operations by products and by geographical area of principal markets (determined on the basis of destination of delivery of products) is set out in Note 4 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 Board considers that the disclosure of such information is not meaningful.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2005 are set out in the consolidated income statement on page 18 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2005.

## 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 of Hong Kong Limited (the "Stock Exchange") on 3 March 2003, after deducting listing expenses, amounted to approximately HK\$23,300,000.

As at 31 March 2005, approximately HK\$8,500,000 had been applied to repay part of the bank borrowings of the Group used to fund the capital contribution to Bailingda Industrial (Shenzhen) Co., Limited, the Company's wholly owned subsidiary in the PRC, and approximately HK\$14,800,000 had been applied to acquire plant and machinery and moulds. Therefore, the listing proceeds were fully utilized in accordance with the plans detailed in the prospectus.

## TANGIBLE FIXED ASSETS

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

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### RELATED PARTY TRANSACTIONS

Details of related party transactions, which also constituted connected transactions under Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), are set out in Note 23 to the financial statements.

### SHARE CAPITAL AND SHARE OPTION SCHEME

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

### 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 2005 amounted to approximately HK\$27,922,000 (2004: HK\$63,923,000) consisting of contributed surplus of approximately HK\$63,884,000 (2004: HK\$63,884,000) and accumulated loss of approximately HK\$35,962,000 (2004: retained profits of HK\$39,000).

### 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 year ended 31 March 2005 and up to the date of this report were:

#### Executive directors

Mr. Chan Tat (*Chairman and Managing Director*)

Mr. Poon Tat Hang (*Deputy Chairman*)

Mr. Lee Kam Hung

Mr. Sin Cheuk Lok, Christopus

Resigned on 27 June 2005

Mr. Kwong Tat Wai, David

Appointed on 11 July 2005

#### Non-executive director

Madam Hong Jing Yu

#### Independent non-executive directors

Mr. Hong Yee Kwong, Paul

Mr. Wong Tik Tung

Appointed on 28 September 2004

Mr. Lam King Pui

Appointed on 28 September 2004

Mr. Woo Kwok Yin

Resigned on 28 September 2004

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### **DIRECTORS** (continued)

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 86, 87 and 88 of the Company's bye-laws, Mr. Kwong Tat Wai, David, Mr. Wong Tik Tung and Mr. Lam King Pui will retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

The Company has received from each independent non-executive director a confirmation of his independence pursuant to the new independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers the independent non-executive directors to be independent.

### **DIRECTORS' SERVICE CONTRACTS**

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 by the Company within one year 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.

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### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2005, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

#### Long positions in underlying shares

Pursuant to the Company's share option scheme, the Company has granted options on the Company's ordinary shares in favour of certain directors, the details of which are as follows:

Name of Directors	Date of Grant	Exercise Period	Exercise Price <i>HK\$</i>	Number of shares subject to outstanding options as at 31.3.2005	Approximate percentage of the Company's issued share capital
Mr. Chan Tat	13.08.2003	13.08.2003 to 02.03.2013	0.69	1,000,000	0.41%
Mr. Lee Kam Hung	13.08.2003	18.08.2003 to 02.03.2013	0.69	500,000	0.21%
Mr. Sin Cheuk Lok Christopus	13.08.2003	18.08.2003 to 02.03.2013	0.69	500,000	0.21%

No share option was exercised by the above directors to subscribe for shares in the Company during the year.

The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

Save as disclosed above, as at 31 March 2005, none of the directors or chief executives 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 recorded in the register maintained 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.

Other than the share options 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.

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### SUBSTANTIAL SHAREHOLDERS

As at 31 March 2005, the interests and short positions of shareholders (other than a director or chief executive) in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO were as follows:

#### Long position in shares

Name of Shareholders	Capacity	Long Positions in shares (Corporate Interest)	Approximate percentage of the Company's issued share capital
Best Practice Enterprises Limited ( <i>Note 1</i> )	Trustee	86,360,000	35.98%
Target World Enterprises Limited ( <i>Note 2</i> )	Trustee	86,290,000	35.95%
HSBC International Trustee Limited ( <i>Note 3</i> )	Trustee	172,650,000	71.93%

#### Notes:

- 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. All the units issued by SC Unit Trust are held by the trustee of the SC Trust, namely HSBC International Trustee Limited. The SC Trust is a discretionary trust and the discretionary objects of the trust include Miss Chan Sin Mui, Selina, daughter of Mr. Chan Tat and Madam Hong Jing Yu, and the issue of Miss Chan Sin Mui, Selina.
- 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. All the units issued by MK Unit Trust are held by the trustee of the MK Trust, namely HSBC International Trustee Limited. The MK Trust is a discretionary trust and the discretionary objects of the trust include Mr. Chan Man Kei, son of Mr. Chan Tat and Madam Hong Jing Yu and the issue of Mr. Chan Man Kei.
- Best Practice Enterprises Limited and Target World Enterprises Limited are both owned as to 100% by HSBC International Trustee Limited.

Save as disclosed above, as at 31 March 2005, no person (other than a director or chief executive) had any interest or short position in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2005.

### 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.

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### 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:

	Percentage of the Group's total	
	Turnover	Cost of purchases
The largest customer	8.9%	–
Five largest customers in aggregate	37.0%	–
The largest supplier	–	11.9%
Five largest suppliers in aggregate	–	33.4%

At no time during the year did 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) have any interest in any of the five largest customers and suppliers of the Group.

### CORPORATE GOVERNANCE

In the opinion of the Board, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules (in force prior to the amendments effective on 1 January 2005) throughout the year ended 31 March 2005, except that the independent non-executive directors of the Company were not appointed for specific terms but were subject to retirement by rotation at the annual general meeting in accordance with the Company's bye-laws.

### MODEL CODE

The Company has adopted the Model Code as the Company's code of conduct and rules governing dealing by all directors in the securities of the Company.

All directors complied with the required standard regarding directors' securities dealings set out in the Model Code during the year.

### AUDIT COMMITTEE

The audit committee of the Company was established in June 2003. 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 three independent non-executive directors, namely Mr. Hong Yee Kwong, Paul, Mr. Wong Tik Tung and Mr. Lam King Pui. The audited financial statements as at and for the year ended 31 March 2005 have been reviewed by the audit committee.

The audit committee has met twice to discuss and review the Company's interim and annual reports and financial statements in respect of the year ended 31 March 2005 and provided advice and recommendations to the Board.

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### 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 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, 25 July 2005