Notes to the Financial Statements

For the year ended 31 March 2005

1. CORPORATE INFORMATION

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

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 (the "PRC").

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public 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 of Hong Kong Limited (the "Stock Exchange").

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 2005 and of the results for the year then ended. All significant intra-group transactions have been eliminated on consolidation.

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.

Notes to the Financial Statements

For the year ended 31 March 2005

2. ACCOUNTING POLICIES (continued)

c. Tangible fixed assets and depreciation (continued)

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.

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. Monetary assets and liabilities in foreign currencies are translated into Hong Kong dollars at rates of exchange ruling at the balance sheet date. All gains and losses on translation of foreign currencies are dealt with in the income statement.

The results of foreign subsidiaries 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.

Notes to the Financial Statements

For the year ended 31 March 2005

2. ACCOUNTING POLICIES (continued)

g. Assets under leases

(i) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income statement on a straight-line basis over the lease periods.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets and the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in liabilities. The finance charges are charged to the income statement over the lease periods. Depreciation is provided in accordance with the Group's depreciation policy (Note 2(c)).

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.

i. Income tax

The charge for taxation in the income statement for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Notes to the Financial Statements

For the year ended 31 March 2005

2. ACCOUNTING POLICIES (continued)

i. Income tax (continued)

Deferred tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse 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 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.

(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.

Notes to the Financial Statements

For the year ended 31 March 2005

2. ACCOUNTING POLICIES (continued)

l. Revenue recognition

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) Sundry income is recognised when received.

m. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the income statement in the year in which they are incurred.

n. 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.

o. 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 to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the Financial Statements

For the year ended 31 March 2005

3. TURNOVER AND REVENUE

Turnover represents sale of products at invoiced value, net of discounts and returns. An analysis of the Group's turnover and revenue is as follows:

	2005 HK$'000	2004 HK$'000
Turnover		
Sale of products	204,472	209,429
Other revenue		
Bank interest income	38	68
Sundry income	177	241
	215	309
Total revenue	204,687	209,738

4. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by geographical segment. In determining the Group's geographical segments, revenue is attributed to the segments based on the destination of delivery of products, and assets are attributed to the segments based on the location of the assets. No further business segment information is presented as over 90% of the Group's revenue and assets are attributable to the design, manufacture and sale of home electrical appliances.

	2005 HK$'000	2004 HK$'000
Turnover by geographical area of principal markets determined on the basis of destination of delivery of products:		
Europe	132,585	119,052
North America	36,462	51,833
Australia and New Zealand	14,762	18,726
Asia and Middle East	6,634	6,777
Others	14,029	13,041
Total turnover	204,472	209,429

Notes to the Financial Statements

For the year ended 31 March 2005

4. SEGMENT INFORMATION (continued)

	2005 HK$'000	2004 HK$'000
Contribution to trading results by geographical area of principal markets:		
Europe	**(14,304)**	(6,043)
North America	**(3,969)**	268
Australia and New Zealand	**(2,670)**	(1,086)
Asia and Middle East	**(2,193)**	(2,063)
Others	**(2,259)**	(1,495)
Loss from operations	**(25,395)**	(10,419)
Turnover by products:		
Kettles	**81,474**	101,884
Irons	**87,309**	78,815
Coffee related accessory products	**22,874**	17,577
Heaters	**9,936**	7,711
Others	**2,879**	3,442
Total turnover	**204,472**	209,429
Contribution to trading results by products:		
Kettles	**(11,390)**	(6,130)
Irons	**(7,491)**	(3,807)
Coffee related accessory products	**(4,322)**	1,080
Heaters	**(1,967)**	(991)
Others	**(225)**	(571)
Loss from operations	**(25,395)**	(10,419)

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.

Notes to the Financial Statements

For the year ended 31 March 2005

5. LOSS FROM OPERATIONS

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

	2005 HK$'000	2004 HK$'000
Staff costs (including directors' remuneration)		
Salaries and wages	27,483	28,660
Retirement scheme contributions	433	401
	27,916	29,061
Auditors' remuneration	310	549
Depreciation of owned tangible fixed assets	11,728	10,548
Operating lease rentals in respect of land and buildings	3,479	3,584
Cost of inventories expensed	202,283	190,266
Gain on disposal of tangible fixed assets	(30)	–

6. FINANCE COSTS

	2005 HK$'000	2004 HK$'000
Bank charges	726	636
Interest on bank loans and overdrafts		
– wholly repayable within five years	386	202
	1,112	838

7. INCOME TAX

Hong Kong profits tax is calculated at a rate of 17.5% (2004: 17.5%) on the estimated assessable profit arising in Hong Kong for the year. No provision for Hong Kong profits tax has been made in the financial statements for the year ended 31 March 2005 as the Group has no assessable profit for the current year (2004: Nil).

Bailingda Industrial (Shenzhen) Co., Limited ("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 commencing from the year ended 31 March 2003 and a 50% reduction from normal PRC foreign enterprise income tax (effectively 7.5%) for the three years immediately following.

Notes to the Financial Statements

For the year ended 31 March 2005

7. INCOME TAX (continued)

The amount of income tax charged/(credited) to the consolidated income statement represents:

	2005 HK$'000	2004 HK$'000
Current tax		
Provision for PRC enterprise income tax for the year	462	–
Deferred tax *(Note 19)*		
Origination and reversal of temporary differences	–	(718)
Effect of increase in tax rate	–	101
	–	(617)
	462	(617)

A reconciliation between income tax charge/(credit) and accounting loss at the applicable tax rate is as follow:

	2005 HK$'000	2004 HK$'000
Loss before taxation	(26,507)	(11,257)
Notional tax on loss before taxation, calculated at rate of 17.5% (2004: 17.5%)	(4,639)	(1,970)
Tax effect of non-deductible expenses	–	3
Tax effect of non-taxable revenue	(28)	(20)
Tax effect of tax loss not recognised	5,129	1,269
Effect on opening deferred tax balances resulting from an increase in tax rate during the year	–	101
Tax charge/(credit) for the year	462	(617)

8. LOSS PER SHARE

The calculation of basic loss per share for the year ended 31 March 2005 is based on the Group's net loss attributable to shareholders of approximately HK$26,969,000 (2004: HK$10,640,000) and on the weighted average of 240,000,000 ordinary shares (2004: weighted average of 240,000,000 ordinary shares) in issue during the year.

The diluted loss per share for the years ended 31 March 2004 and 2005 has not been disclosed as the exercise of the Company's outstanding options will have an anti-dilutive effect on the basic loss per share.

Notes to the Financial Statements

For the year ended 31 March 2005

9. EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

	2005	2004
	HK$'000	*HK$'000*
Independent non-executive directors		
– Fees	**300**	240
Executive and other non-executive directors		
– Fees	**120**	120
– Salaries, other allowances and benefits in kind	**3,450**	4,421
– Retirement scheme contributions	**37**	35
	3,907	4,816

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

	Number of directors	
	2005	2004
HK$Nil – HK$1,000,000	**8**	6
HK$1,000,001 – HK$1,500,000	**1**	2
	9	8

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

The five highest paid employees of the Group during the year ended 31 March 2005 included 4 (2004: 4) directors, whose remunerations have been disclosed above. Details of the remuneration of the remaining 1 (2004: 1) highest paid, non-director employee of the Group during the year ended 31 March 2005 are as follows:

	2005	2004
	HK$'000	*HK$'000*
Basic salaries, other allowances and benefits in kind	**455**	442
Retirement scheme contributions	**12**	12
	467	454

The remuneration of the remaining 1 (2004: 1) highest paid, non-director employee was 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.

Notes to the Financial Statements

For the year ended 31 March 2005

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. There were no unutilised forfeited contributions as at 31 March 2004 and 2005.

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 2004 and 2005.

11. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The consolidated net loss attributable to shareholders includes a loss of approximately HK$36,001,000 (2004: profit of approximately HK$32,000) which has been dealt with in the financial statements of the Company.

Notes to the Financial Statements

For the year ended 31 March 2005

12. TANGIBLE FIXED ASSETS

The Group

	Plant and machinery	Moulds	Furniture and fixtures	Office equipment	Motor vehicles	Computer equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At cost							
As at 1 April 2004	48,192	41,509	889	2,324	2,848	2,208	97,970
Additions	5,187	8,023	29	–	462	240	13,941
Disposals	–	–	–	–	(377)	–	(377)
As at 31 March 2005	53,379	49,532	918	2,324	2,933	2,448	111,534
Accumulated depreciation							
As at 1 April 2004	25,518	33,949	889	1,682	2,848	1,860	66,746
On disposals written back	–	–	–	–	(377)	–	(377)
Charge for the year	4,521	6,579	7	230	115	276	11,728
As at 31 March 2005	30,039	40,528	896	1,912	2,586	2,136	78,097
Net book value							
As at 31 March 2005	**23,340**	**9,004**	**22**	**412**	**347**	**312**	**33,437**
As at 31 March 2004	22,674	7,560	–	642	–	348	31,224

13. INVESTMENTS IN SUBSIDIARIES

As at 31 March 2005, the Company had the following subsidiaries:

Name	Place of incorporation/ establishment and principal operations	Principal activities	Particulars of issued and paid up capital	Percentage of equity attributable to the Company
Better Electrical Products Company Limited ("BEPCL")	British Virgin Islands/ Hong Kong	Investment holding	10,000 ordinary shares of US$1	100% (direct)
Better Electrical Products (HK) Company Limited ("BEP(HK)")	Hong Kong	Design, manufacture and sale of home electrical appliances	10,000 ordinary shares of HK$1	100% (indirect)

Notes to the Financial Statements

For the year ended 31 March 2005

13. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment and principal operations	Principal activities	Particulars of issued and paid up capital	Percentage of equity attributable to the Company
BEP (China) *(Note)*	PRC	Manufacture of home electrical appliances	Registered capital of US$7,217,358	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 two years ended 31 December 2003 and 2004 were not audited by HLB Hodgson Impey Cheng. As at 31 March 2005, the Group is committed to contribute to the registered capital of BEP (China) in the amount of approximately US$783,000 (equivalent to approximately HK$6,107,000), the amount of which was fully paid subsequent to the balance sheet date.

	2005	2004
	HK$'000	*HK$'000*
Unlisted shares, at cost	**65,484**	65,484
Provision for impairment	**(36,000)**	–
	29,484	65,484

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	
	2005	2004
	HK$'000	*HK$'000*
Raw materials, at cost	**26,740**	16,791
Work-in-progress, at cost	**5,324**	5,620
Finished goods, at cost	**5,684**	4,864
	37,748	27,275

Notes to the Financial Statements

For the year ended 31 March 2005

15. TRADE AND OTHER RECEIVABLES

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Trade debtors	**6,121**	6,358
Bills receivable	**3**	301
Deposits paid	**2,034**	1,814
Sundry debtors and prepayments	**5,294**	5,949
	13,452	14,422

The ageing analysis of trade debtors is as follows:

	2005	2004
	HK$'000	*HK$'000*
0 – 30 days	**6,023**	6,298
31 – 60 days	**43**	–
61 – 180 days	**55**	60
	6,121	6,358

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 2005, the cash and bank balances denominated in Renminbi amounted to approximately HK$2,653,000 (2004: HK$3,592,000) which remained not freely convertible into foreign currencies.

17. BANKING FACILITIES

As at 31 March 2005, the Group's general banking facilities are secured by corporate guarantees given by the Company and its direct wholly-owned subsidiary, BEPCL.

The short-term bank loans as at 31 March 2005 were secured by the aforesaid corporate guarantees, bore interest at approximately 3.5% per annum and would mature within three months of the balance sheet date.

Notes to the Financial Statements

For the year ended 31 March 2005

18. TRADE AND OTHER PAYABLES

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Trade creditors	**22,451**	16,097
Trade deposits received	**3,421**	291
Sundry creditors and accruals	**4,394**	4,205
	30,266	20,593

The ageing analysis of trade creditors is as follows:

	2005	2004
	HK$'000	*HK$'000*
0 – 30 days	**21,522**	15,690
31 – 60 days	**661**	351
61 – 180 days	**268**	56
	22,451	16,097

19. DEFERRED TAX

The components of deferred tax liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

The Group

	Depreciation allowances in excess of related depreciation	
	2005	2004
	HK$'000	*HK$'000*
As at 1 April 2004/2003	**461**	1,078
Credited to consolidated income statement	**–**	(718)
Effect of change in tax rate charged to consolidated income statement	**–**	101
As at 31 March 2005/2004	**461**	461

Notes to the Financial Statements

For the year ended 31 March 2005

19. DEFERRED TAX (continued)

A deferred tax asset has not been recognised in the financial statements in respect of tax losses available to offset future profits due to the uncertainty of future profits streams against which the asset can be utilised. As at 31 March 2005, the unprovided deferred tax asset of the Group is as follows:

	2005	2004
	HK$'000	*HK$'000*
Tax effect of temporary difference attributable to estimated tax losses	**11,145**	1,196

20. SHARE CAPITAL

	2005	2004
	HK$'000	*HK$'000*
Authorised		
10,000,000,000 ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid		
240,000,000 ordinary shares of HK$0.01 each	**2,400**	2,400

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. 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.

Notes to the Financial Statements

For the year ended 31 March 2005

21. SHARE OPTION SCHEME (continued)

As at 31 March 2005, the outstanding number of shares in respect of which share options had been granted under the Scheme was 3,550,000 (2004: 3,550,000), representing approximately 1.48% (2004: 1.48%) of the shares of the Company in issue at that date. The exercise in full of the share options would, under the present capital structure of the Company, result in the issue of 3,550,000 additional ordinary shares of the Company and additional share capital of HK$35,500 and share premium of HK$2,414,000 (before issue expenses).

The following table discloses movements in the Company's share options under the Scheme during the year ended 31 March 2005:

Name of directors/ employees	Date of grant	Exercisable period	Exercise price per share	Number of share options outstanding as at 1 April 2004 and 31 March 2005
Mr. Chan Tat	13 August 2003	13 August 2003 to 2 March 2013	HK$0.69	1,000,000
Mr. Lee Kam Hung	13 August 2003	18 August 2003 to 2 March 2013	HK$0.69	500,000
Mr. Sin Cheuk Lok, Christopus	13 August 2003	18 August 2003 to 2 March 2013	HK$0.69	500,000
Total directors				2,000,000
Employees	13 August 2003	18 August 2003 to 2 March 2013	HK$0.69	1,550,000
Grand total				3,550,000

No share options were granted, exercised, cancelled or lapsed during the year.

Notes to the Financial Statements

For the year ended 31 March 2005

22. RESERVES

The Group

	Share premium HK$'000	Merger reserve HK$'000 (Note 22(a))	Retained profits HK$'000	Total HK$'000
As at 1 April 2003	22,524	(1,522)	70,992	91,994
Net loss for the year	–	–	(10,640)	(10,640)
2003 final dividend paid	–	–	(4,800)	(4,800)
As at 31 March 2004 and 1 April 2004	22,524	(1,522)	55,552	76,554
Net loss for the year	–	–	(26,969)	(26,969)
As at 31 March 2005	**22,524**	**(1,522)**	**28,583**	**49,585**

The Company

	Share premium HK$'000	Contributed surplus HK$'000 (Note 22(b))	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
As at 1 April 2003	22,524	63,884	4,807	91,215
Net profit for the year	–	–	32	32
2003 final dividend paid	–	–	(4,800)	(4,800)
As at 31 March 2004 and 1 April 2004	22,524	63,884	39	86,447
Net loss for the year	–	–	(36,001)	(36,001)
As at 31 March 2005	**22,524**	**63,884**	**(35,962)**	**50,446**

Notes:

(a) 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 main board of the Stock Exchange. The merger reserve of the Group represents the difference between the nominal value of the shares of BEPCL acquired pursuant to the Group Reorganisation over the nominal value of the Company's shares issued in exchange therefor.

(b) The contributed surplus of the Company represents the difference between the fair value of the shares of BEPCL acquired pursuant to the Group Reorganisation 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.

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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:

	Notes	2005 HK$'000	2004 HK$'000
Rental paid to Super Light Manufacturing Products (Shenzhen) Company Limited ("SLMP")	*(a)*	**2,939**	3,044
Rental paid to Manwise Investment Company Limited ("Manwise")	*(b)*	**540**	540

Notes:

(a) Pursuant to a tenancy agreement dated 7 November 2003, SLMP, a wholly-foreign owned enterprise established in the PRC and ultimately owned and controlled by Mr. Chan Tat, a director of the Company, leased to BEP (China) 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 one year commencing from 1 November 2003 and expiring on 31 October 2004 at a monthly rent of RMB260,000, exclusive of management fee and utility charges.

The Group had renewed the aforesaid agreement in October 2004. Pursuant to a tenancy agreement dated 14 October 2004, SLMP leased to BEP (China) 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 aggregate rentals in respect of the Industrial Complex for the year ended 31 March 2005 amounted to approximately HK$2,939,000 and the rental for the remaining term of the tenancy agreement amounts to approximately HK$7,593,000. The directors consider that such rentals were calculated by reference to open market rentals.

(b) Pursuant to a tenancy agreement dated 30 October 2003, Manwise, a company owned and controlled by Mr. Chan Tat and Madam Hong Jing Yu, directors of the Company, leased to BEP(HK) four workshop units as office premises located at Room 909-912, 9th Floor, Fotan Industrial Centre, 26-28 Au Pui Wan Street, Fotan, Shatin, New Territories, Hong Kong (the "Premises") for a term of three years commencing from 1 November 2003 and expiring on 31 October 2006 at a monthly rent of HK$45,000, inclusive of rates and management fee.

The aggregate rentals in respect of the Premises for the year ended 31 March 2005 amounted to HK$540,000 and the rental for the remaining term of the tenancy agreement amounts to HK$855,000. The directors consider that such rentals were calculated by reference to open market rentals.

Notes to the Financial Statements

For the year ended 31 March 2005

24. CONTINGENT LIABILITIES

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Export bills discounted with recourse	**8,880**	9,730

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 2005 (2004: Nil).

25. COMMITMENTS

(i) Capital commitments

Capital commitments outstanding as at 31 March 2005 not provided for in the financial statements are as follows:

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Authorised and contracted for in respect of		
– acquisition of plant and machinery	**130**	766

25. COMMITMENTS (continued)

(ii) Operating lease commitments

As at 31 March 2005, the total future minimum lease payments under non-cancellable operating leases in respect of rented premises are payable as follows:

	The Group	
	2005	2004
	HK$'000	*HK$'000*
Within one year	**3,479**	2,253
Between two to five years	**4,969**	855
	8,448	3,108

The Company did not have any significant commitments as at 31 March 2005 (2004: Nil).

26. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 25 July 2005.