NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These unaudited condensed financial statements should be read in conjunction with the 2005 annual report.

The basis of preparation and accounting policies adopted in the preparation of these unaudited condensed financial statements are consistent with those used in the audited financial statements for the year ended 31 March 2005 except that the Group has changed certain of its accounting policies following its adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs which are effective for accounting periods commencing on or after 1 January 2005.

2. CHANGE OF ACCOUNTING STANDARDS

The HKICPA has issued a number of new and revised HKFRSs, HKASs and Interpretations, which are generally effective for accounting periods commencing on or after 1 January 2005. The Group has adopted all the HKFRSs and HKASs issued up to 30 September 2005. These standards have had no significant impact on these condensed consolidated interim financial statements except for those disclosed below.

Share option scheme (HKFRS 2: Share-based payment)

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options over shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 April 2005, in order to comply with HKFRS 2, the Group recognises the fair value of such share options as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognised in a capital reserve within equity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

If an employee chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised, the related capital reserve is transferred directly to retained earnings.

2. CHANGE OF ACCOUNTING STANDARDS *(CONTINUED)*

The Group has taken advantage of the transitional provisions set out in paragraph 53 of HKFRS 2 under which the new recognition and measurement policies have not been applied to the options granted to employees after 7 November 2002 but which had vested before the effective date of HKFRS 2.

No prior period adjustments are required as all share options were granted to the employees after 7 November 2002 and vested before the effective date of HKFRS 2.

3. TURNOVER AND REVENUE

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"). 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:

	For the six months ended 30 September	
	2005	2004
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Turnover		
Sale of products	**126,365**	107,382
Other revenue		
Bank interest income	**27**	17
Sundry income	**81**	110
	108	127
Total revenue	**126,473**	107,509
Turnover by geographical area of principal markets determined on the basis of destination of delivery of products:		
Europe	**64,048**	63,283
North America	**40,814**	24,063
Australia and New Zealand	**6,188**	9,555
Asia and Middle East	**5,184**	4,026
Others	**10,131**	6,455
Total turnover	**126,365**	107,382

3. TURNOVER AND REVENUE *(CONTINUED)*

	For the six months ended 30 September	
	2005	2004
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Contribution to trading results by geographical area of principal markets:		
Europe	**(3,594)**	(5,951)
North America	**(1,280)**	204
Australia and New Zealand	**169**	(1,026)
Asia and Middle East	**(960)**	(912)
Others	**(235)**	(719)
Loss from operations	**(5,900)**	(8,404)
Turnover by products:		
Irons	**58,374**	39,703
Kettles	**33,674**	47,012
Beverage products	**28,234**	11,970
Heaters	**5,182**	7,009
Others	**901**	1,688
Total turnover	**126,365**	107,382
Contribution to trading results by products:		
Irons	**(3,780)**	(3,267)
Kettles	**(1,161)**	(3,946)
Beverage products	**(543)**	(32)
Heaters	**(305)**	(1,004)
Others	**(111)**	(155)
Loss from operations	**(5,900)**	(8,404)

4. LOSS FROM OPERATIONS

	For the six months ended 30 September	
	2005	2004
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Loss from operations is stated after charging:		
Staff costs	**17,854**	13,948
Depreciation of owned tangible fixed assets	**6,294**	5,078
Operating lease rentals in respect of land and buildings	**1,769**	1,741
Cost of inventories expensed	**117,796**	101,809

5. FINANCE COSTS

	For the six months ended 30 September	
	2005	2004
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Bank charges	**519**	354
Interest on bank loans and overdrafts		
– wholly repayable within five years	**691**	164
	1,210	518

6. INCOME TAX

Hong Kong profits tax is calculated at a rate of 17.5% (For the six months ended 30 September 2004: 17.5%) on the estimated assessable profit arising in Hong Kong for the period. No provision for Hong Kong profits tax has been made in the financial statements for the six months ended 30 September 2004 and 2005 as the Group had no assessable profit for both periods.

No provision for overseas taxation has been made in the financial statements for the six months ended 30 September 2004 and 2005. Bailingda Industrial (Shenzhen) Co., Limited ("BEP(China)"), the Group's indirect 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.

	For the six months ended 30 September	
	2005	2004
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Deferred tax		
Origination and reversal of temporary differences	**–**	(11)

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2005 (For the six months ended 30 September 2004: Nil).

8. LOSS PER SHARE

The calculation of basic loss per share for the six months ended 30 September 2005 is based on the loss attributable to equity holders of the Company for the six months ended 30 September 2005 of approximately HK$7,110,000 (For the six months ended 30 September 2004: HK$8,911,000) and on the weighted average of 240,000,000 ordinary shares (For the six months ended 30 September 2004: 240,000,000) in issue during the period.

The diluted loss per share for the six months ended 30 September 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.

9. CAPITAL EXPENDITURE

	Tangible fixed assets (unaudited) *HK$'000*
Net book value as at 1 April 2005	33,437
Additions for the period	6,610
Depreciation charge	(6,294)
Net book value as at 30 September 2005	33,753

10. TRADE AND OTHER RECEIVABLES

	As at 30 September 2005 (unaudited) *HK$'000*	As at 31 March 2005 (audited) *HK$'000*
Trade debtors	**14,338**	6,121
Bills receivable	**1,464**	3
Deposits paid	**3,991**	2,034
Sundry debtors and prepayments	**6,669**	5,294
	26,462	13,452

The ageing analysis of trade debtors is as follows:

0 – 30 days	**14,190**	6,023
31 – 60 days	**101**	43
61 – 180 days	**47**	55
	14,338	6,121

10. TRADE AND OTHER RECEIVABLES *(CONTINUED)*

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 60 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.

11. BANKING FACILITIES

As at 30 September 2005, the Group's general banking facilities are secured by corporate guarantees given by the Company and its direct wholly-owned subsidiary, Better Electrical Products Company Limited.

The short-term bank loans as at 30 September 2005 were secured by the aforesaid corporate guarantees, bore interest at approximately 5.06% per annum and would mature within three months of the balance sheet date.

12. TRADE AND OTHER PAYABLES

	As at 30 September 2005 (unaudited) HK$'000	As at 31 March 2005 (audited) HK$'000
Trade creditors	**48,292**	22,451
Bills payable	**99**	–
Trade deposits received	**4,598**	3,421
Sundry creditors and accruals	**4,509**	4,394
	57,498	30,266

The ageing analysis of trade creditors is as follows:

0 – 30 days	**41,742**	21,522
31 – 60 days	**6,356**	661
61 – 180 days	**194**	268
	48,292	22,451

13. SHARE CAPITAL

	As at 30 September 2005 (unaudited) *HK$'000*	As at 31 March 2005 (audited) *HK$'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

14. RESERVES

	Share premium HK$'000	Merger reserve HK$'000	Retained profits HK$'000	Total HK$'000
As at 1 April 2004	22,524	(1,522)	55,552	76,554
Loss for the period	–	–	(8,911)	(8,911)
As at 30 September 2004	22,524	(1,522)	46,641	67,643
Loss for the period	–	–	(18,058)	(18,058)
As at 31 March 2005	22,524	(1,522)	28,583	49,585
Loss for the period	–	–	(7,110)	(7,110)
As at 30 September 2005	**22,524**	**(1,522)**	**21,473**	**42,475**

15. SHARE OPTION SCHEME

Share options are granted to directors and employees of the Company under the share option scheme approved by shareholders of the Company on 6 January 2003. There were no changes in any terms of the scheme during the six months ended 30 September 2005. The detailed terms of the scheme were disclosed in the audited financial statements for the year ended 31 March 2005.

Details of the share options outstanding as at 30 September 2005 are as follows:

				Number of share options		
Name of directors/ employees	Date of grant	Exercisable period	Exercise price per share	Outstanding as at 1 April 2005	Lapsed during the period	Outstanding as at 30 September 2005
Mr. Chan Tat	13 August 2003	13 August 2003 to 2 March 2013	HK$0.69	1,000,000	–	1,000,000
Mr. Lee Kam Hung	13 August 2003	18 August 2003 to 2 March 2013	HK$0.69	500,000	–	500,000
Mr. Sin Cheuk Lok, Christopus	13 August 2003	18 August 2003 to 2 March 2013	HK$0.69	500,000	(500,000)	–
Directors				2,000,000	(500,000)	1,500,000
Employees	13 August 2003	18 August 2003 to 2 March 2013	HK$0.69	1,550,000	(300,000)	1,250,000
Grand total				3,550,000	(800,000)	2,750,000

No share options were granted, exercised or cancelled during the six months ended 30 September 2005.

16. RELATED PARTY TRANSACTIONS

The following is a summary of the significant related party transactions which, in the opinion of the Board, were carried out by the Group in the normal course of its business and on normal commercial terms during the period:

		For the six months ended 30 September	
		2005	2004
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Rental paid to Super Light Manufacturing Products (Shenzhen) Company Limited ("SLMP")	*(a)*	**1,499**	1,471
Rental paid to Manwise Investment Company Limited ("Manwise")	*(b)*	**270**	270

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 rental in respect of the Industrial Complex for the six months ended 30 September 2005 amounted to approximately HK$1,499,000 and the rental for the remaining term of the tenancy agreement amounts to approximately HK$6,245,000. 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 Better Electrical Products (HK) Company Limited ("BEP (HK)"), an indirect wholly-owned subsidiary of the Company, 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 rental in respect of the Premises for the six months ended 30 September 2005 amounted to HK$270,000 and the rental for the remaining term of the tenancy amounts to HK$585,000. The directors consider that such rentals were calculated by reference to open market rentals.

17. CONTINGENT LIABILITIES

	As at 30 September 2005 (unaudited) *HK$'000*	As at 31 March 2005 (audited) *HK$'000*
Export bills discounted with recourse	**12,264**	8,880

Save as a corporate guarantee given by the Company to a bank to secure the general banking facilities granted to BEP(HK), the Company has no significant contingent liabilities as at 31 March 2005 and 30 September 2005.

18. COMMITMENTS

(i) Capital commitments

Capital commitments outstanding as at 30 September 2005 not provided for in the financial statements were as follows:

	As at 30 September 2005 (unaudited) *HK$'000*	As at 31 March 2005 (audited) *HK$'000*
Authorised and contracted for in respect of acquisition of plant and machinery	**248**	130

(ii) Operating lease commitments

As at 30 September 2005, the total future minimum lease payments under non-cancellable operating leases in respect of rented premises payable by the Group were as follows:

	As at 30 September 2005 (unaudited) *HK$'000*	As at 31 March 2005 (audited) *HK$'000*
Within one year	**3,538**	3,479
Between two to five years	**3,292**	4,969
	6,830	8,448

The Company did not have any significant commitments as at 30 September 2005 (31 March 2005: Nil).