

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 2006.

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

The principal activity of the Company is investment holding. The principal activities of its subsidiaries consist of design, manufacture and sale of home electrical appliances, details of which are set out in Note 17 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2006 are set out in the consolidated income statement on page 21 of this annual report.

The Board does not recommend the payment of a final dividend for the year ended 31 March 2006.

PROPERTY, PLANT AND EQUIPMENT

Movements in property, plant and equipment of the Group during the year are set out in Note 16 to the financial statements.

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 of Hong Kong Limited (the "Listing Rules"), are set out in Note 31 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 25 and 26 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 27 to the financial statements.

The Company's reserves available for distribution to shareholders as at 31 March 2006 amounted to approximately HK\$7,919,000 (2005: HK\$27,922,000) consisting of contributed surplus of approximately HK\$63,884,000 (2005: HK\$63,884,000) less accumulated losses of approximately HK\$55,965,000 (2005: HK\$35,962,000).

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RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in Note 12 to the financial statements.

DIRECTORS

The directors of the Company during the year ended 31 March 2006 and up to the date of this report were:

Executive directors

Mr. Chan Tat (*Chairman*)

Mr. Poon Tat Hang (*Chief Executive Officer*)

Mr. Lee Kam Hung

Mr. Sin Cheuk Lok, Christopus

Resigned on 27 June 2005

Mr. Kwong Tat-Wai, David

Resigned on 12 January 2006

Non-executive director

Madam Hong Jing Yu

Independent non-executive directors

Mr. Hong Yee Kwong, Paul

Mr. Lam King Pui

Mr. Wu Tai Cheung

Appointed on 1 January 2006

Mr. Wong Tik Tung

Resigned on 4 October 2005

In accordance with Articles 86, 87 and 88 of the Company's bye-laws, Mr. Lee Kam Hung, Mr. Hong Yee Kwong, Paul and Mr. Wu Tai Cheung will retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election.

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 31 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 2006, 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 of Hong Kong Limited (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 HK\$	Number of shares subject to outstanding options as at 31.3.2006	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	0.42%
Mr. Lee Kam Hung	13.08.2003	18.08.2003 to 02.03.2013	0.69	500,000	0.21%

These options vested immediately from the date of grant.

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

Save as disclosed above, as at 31 March 2006, 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.

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SUBSTANTIAL SHAREHOLDERS

As at 31 March 2006, 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 2006, 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.

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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	18%	–
Five largest customers in aggregate	47%	–
The largest supplier	–	8%
Five largest suppliers in aggregate	–	30%

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.

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 2006.

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.

PUBLIC FLOAT

Based on the information that was publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company maintained sufficient public float of not less than 25% as required under the Listing Rules for the year ended 31 March 2006.

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

Hong Kong, 25 July 2006