Notes to the Financial Statements

For the year ended 31 March 2006

1. CORPORATE INFORMATION

BEP International Holdings Limited (the "Company") was incorporated in Bermuda on 19 October 2000 as an exempted company with limited liability. The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 3 March 2003.

The Company's registered office is situate at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and its principal place of business is situate at Units 909-912, 9th Floor, Fo Tan Industrial Centre, 26-28 Au Pui Wan Street, Fo Tan, Shatin, New Territories, Hong Kong.

The financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company. All values are rounded to the nearest thousand (HK$'000) unless otherwise stated.

The Company is an investment holding company. 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"). Details of the Company's subsidiaries are set out in Note 17.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting years are prepared and presented:

Financial instruments

In the current year, the Group has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement". HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 32 and HKAS 39 are summarized below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to the classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

Notes to the Financial Statements

For the year ended 31 March 2006

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets and financial liabilities other than debt and equity securities

From 1 April 2005 onwards, the Group has classified and measured its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of Statement of Standard Accounting Practice 24) in accordance with the requirements of HKAS 39. Financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "other financial liabilities". Financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value being recognized in profit or loss directly. Other financial liabilities are carried at amortized cost using the effective interest method after initial recognition. This change has had no material effect on the results for the current and prior accounting periods.

Share-based payments

In the current year, the Group has applied HKFRS 2 "Share-based Payment" which requires an expense to be recognized where the Group buys goods or obtains services in exchange for shares or rights over shares ("equity-settled transactions"), or in exchange for other assets equivalent in value to a given number of shares or rights over shares ("cash-settled transactions"). The principal impact of HKFRS 2 on the Group is in relation to the expensing of the fair value of share options granted to directors and employees of the Company, determined at the date of grant of the share options, over the vesting period. Prior to the application of HKFRS 2, the Group did not recognize the financial effect of these share options until they were exercised. The Group is required to apply HKFRS 2 retrospectively to share options that were granted after 7 November 2002 and had not yet vested on 1 January 2005. The adoption of this new standard has had no material effect on how the results for the prior accounting years are prepared and presented as all share options granted prior to 1 January 2005 were vested before 1 January 2005. Accordingly, no prior year adjustment is required.

Notes to the Financial Statements

For the year ended 31 March 2006

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

The HKICPA has issued the following standards and interpretations that are not yet effective. The Group has considered the following standards and interpretations but does not expect they will have a material effect on how the results of operations and financial position of the Group are prepared and presented.

		Notes
HKAS 1 (Amendment)	Capital Disclosures	*1*
HKAS 19 (Amendment)	Actuarial Gains and Losses, Group Plans and Disclosures	*2*
HKAS 21 (Amendment)	Net Investment in a Foreign Operation	*2*
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions	*2*
HKAS 39 (Amendment)	The Fair Value Option	*2*
HKAS 39 & HKFRS 4 (Amendments)	Financial Guarantee Contracts	*2*
HKFRS 6	Exploration for and Evaluation of Mineral Resources	*2*
HKFRS 7	Financial Instruments: Disclosures	*1*
HKFRS-Int 4	Determining whether an Arrangement contains a Lease	*2*
HKFRS-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	*2*
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	*3*

Notes to the Financial Statements

For the year ended 31 March 2006

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES *(Continued)*

		Notes
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies	*4*
HK(IFRIC)-Int 8	Scope of HKFRS 2	*5*
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives	*6*

Notes:

1. Effective for annual periods beginning on or after 1 January 2007.
2. Effective for annual periods beginning on or after 1 January 2006.
3. Effective for annual periods beginning on or after 1 December 2005.
4. Effective for annual periods beginning on or after 1 March 2006.
5. Effective for annual periods beginning on or after 1 May 2006.
6. Effective for annual periods beginning on or after 1 June 2006.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Notes to the Financial Statements

For the year ended 31 March 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in subsidiaries

A subsidiary is a company that is controlled by the Company, where the Company has the power to govern the financial and operating policies of such company so as to obtain benefits from its activities.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

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

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognized.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the first-in, first-out method. Cost of work-in-progress and finished goods includes materials, labor and appropriate portions of attributable overheads. Net realizable value represents the estimated selling price less all further costs to completion and direct selling costs.

Notes to the Financial Statements

For the year ended 31 March 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognized on the balance sheet when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into two categories, financial assets at fair value through profit or loss and loans and receivables. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss has two sub-categories, including financial assets held for trading and those designated at fair value through profit or loss on initial recognition. At each balance sheet date subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognized directly in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables) are carried at amortized cost using the effective interest method, less any identified impairment losses. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Notes to the Financial Statements

For the year ended 31 March 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

The accounting policies adopted in respect of financial liabilities and equity instruments are set out below:

Financial liabilities

Financial liabilities including trade and other payables and short-term bank borrowings are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments and hedging

There are three types of hedge relationships, including fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation. Hedges are classified as fair value hedges when hedges are made to hedge against exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment. Alternatively, hedges are classified as cash flow hedges when hedges are made to hedge against exposure to variability in cash flows that are attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction. The accounting treatments of fair value hedges, cash flows hedges and hedges of a net investment are set out below:

Fair value hedges

For fair value hedges that qualify for hedge accounting, gains or losses arising on changes in fair values of hedging instruments are recognized immediately in profit or loss. At the same time, gains or losses on the hedged item attributable to the hedged risk are adjusted to the carrying amount of the hedged item and are recognized in profit or loss.

Cash flow hedges

For cash flow hedges that qualify for hedge accounting, the effective portion of the gains or losses arising on the changes in fair value of hedging instruments is initially recognized in equity and "recycled" into the income statement when the hedged item affects profit or loss. The ineffective portion is recognized immediately in profit or loss.

Notes to the Financial Statements

For the year ended 31 March 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Derivative financial instruments and hedging *(Continued)*

Hedges of a net investment

Similar to cash flow hedges, the effective portion of the gain or loss arising on the changes in fair value hedging instruments is initially deferred in equity and the ineffective portion is recognized in profit or loss. At the time when the relevant foreign operation is disposed of, the balance stated in equity will be transferred to profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that point in time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to profit or loss for the period.

Derivatives that do not qualify for hedge accounting

Derivatives that do not qualify for hedge accounting are deemed as financial assets held for trading or financial liabilities held for trading. Changes in fair values of such derivatives are recognized directly in profit or loss.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership and control of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For financial liabilities, they are removed from the Group's consolidated balance sheet (i.e. when the obligation specified in the relevant contract is discharged, cancelled or expires). The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Notes to the Financial Statements

For the year ended 31 March 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity settled share-based payment transactions

Share options granted to directors and employees of the Company

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period with a corresponding increase in equity (share options reserve).

At the time when the share options are exercised, the amount previously recognized in share options reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognized in share options reserve will be transferred to retained profits/accumulated losses.

Impairment losses

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount (net of depreciation and amortization) that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

Revenue recognition

Revenue from the sale of products is recognized 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.

Interest income from bank deposits is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Sundry income is recognized when received.

Notes to the Financial Statements

For the year ended 31 March 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

All borrowing costs are recognized as and included in finance costs in the income statement in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefits costs

Payments to Mandatory Provident Fund Scheme and state-managed retirement benefits schemes are charged as expenses as they fall due. The Group's obligations under state-managed retirement benefits schemes are equivalent to those arising in a defined contribution retirement benefits scheme.

Notes to the Financial Statements

For the year ended 31 March 2006

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation in which case, such exchange differences are recognized in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity, in which cases, the exchange differences are also recognized directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognized as a separate component of equity (the translation reserve). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Cash and cash equivalents

Cash and cash equivalents comprises 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 2006

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Estimated impairment of property, plant and equipment

The Group evaluates whether items of property, plant and equipment have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable, in accordance with the stated accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Estimated useful lives of property, plant and equipment

Management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment loss of trade and other receivables

The Group's policy for doubtful receivables is based on the on-going evaluation of the collectability and aging analysis of the trade and other receivables and on management's judgments. Considerable judgment is required in assessing the ultimate realization of these receivables, including the current creditworthiness and the past collection history of each debtor, and the present values of the estimated future cash flows discounted at the effective interest rates. If the financial conditions of the Group's debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss of trade and other receivables may be required.

Notes to the Financial Statements

For the year ended 31 March 2006

5. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables and short-term bank borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Certain trade and other receivables, bank balances and cash, trade and other payables and short-term bank borrowings of the Group are denominated in foreign currencies. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2006 in relation to each class of recognized financial assets is the carrying amount of those assets as stated in the consolidated balance sheet. In order to minimize the credit risk, the management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management considers that the Group's credit risk is significantly reduced.

Interest rate risk

The Group's cash flow interest rate risk relates to its short-term bank borrowings which are interest bearing at floating rate.

Notes to the Financial Statements

For the year ended 31 March 2006

6. TURNOVER AND SEGMENT INFORMATION

Turnover represents amounts received and receivable from outside customers from sales of products during the year.

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments be presented as the primary reporting format and business segments as the secondary reporting format. In determining the Group's geographical segments, revenue is attributed to the segments based on the destination of delivery of products, and assets and liabilities are attributed to the segments based on the location of the assets and liabilities.

Geographical segments

	Europe		North America		Australia and New Zealand		Asia and Middle East		Others		Total	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
TURNOVER	**157,838**	132,585	**70,243**	36,462	**15,990**	14,762	**16,320**	6,634	**20,485**	14,029	**280,876**	204,472
RESULTS												
Segment results	**(9,770)**	(14,304)	**(1,632)**	(3,969)	**(1,005)**	(2,670)	**(2,134)**	(2,193)	**(983)**	(2,259)	**(15,524)**	(25,395)
Finance costs											**(2,799)**	(1,112)
Loss before taxation											**(18,323)**	(26,507)
Income tax											**–**	(462)
Loss for the year											**(18,323)**	(26,969)
ASSETS												
Segment assets	**–**	–	**–**	–	**–**	–	**115,265**	104,729	**–**	–	**115,265**	104,729
LIABILITIES												
Segment liabilities	**–**	–	**–**	–	**–**	–	**80,240**	52,744	**–**	–	**80,240**	52,744
OTHER INFORMATION												
Capital expenditure	**–**	–	**–**	–	**–**	–	**9,736**	13,941	**–**	–		
Depreciation of property, plant and equipment	**–**	–	**–**	–	**–**	–	**12,075**	11,728	**–**	–		

The Group's operations, and assets and liabilities are located in the PRC including Hong Kong.

Business segments

The Group's turnover and assets are substantially attributable to the design, manufacture and sale of home electrical appliances. Accordingly, no analysis by business segment is presented.

Notes to the Financial Statements

For the year ended 31 March 2006

7. OTHER OPERATING INCOME

	2006 HK$'000	2005 HK$'000
Interest income from bank deposits	68	38
Fair value gains on derivative financial instruments		
– transactions not qualifying as hedges	180	–
Sundry income	1,553	177
	1,801	215

8. OPERATING LOSS

	2006 HK$'000	2005 HK$'000
Operating loss has been arrived at after charging/(crediting):		
Staff costs		
– Directors' emoluments *(Note 10)*	3,814	3,907
– Staff salaries and wages	31,968	23,539
– Staff retirement benefits schemes contributions	462	433
	36,244	27,879
Depreciation of owned property, plant and equipment	12,075	11,728
Operating lease rentals in respect of land and buildings	3,560	3,479
Auditors' remuneration	310	310
Cost of inventories expensed	266,494	202,283
Gain on disposal of property, plant and equipment	–	(30)
Net foreign exchange losses	203	205

Notes to the Financial Statements

For the year ended 31 March 2006

9. FINANCE COSTS

	2006 HK$'000	2005 HK$'000
Bank charges	1,060	726
Interest on short-term bank borrowings and bank overdrafts wholly repayable within five years	1,739	386
	2,799	1,112

10. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the Company's directors are as follows:

For the year ended 31 March 2006

	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefits schemes contributions HK$'000	Total HK$'000
Executive directors				
Mr. Chan Tat	–	1,430	–	1,430
Mr. Poon Tat Hang	–	773	12	785
Mr. Lee Kam Hung	–	649	12	661
Mr. Kwong Tat-Wai, David (Appointed on 11 July 2005 and resigned on 12 January 2006)	–	316	5	321
Mr. Sin Cheuk Lok, Christopus (Resigned on 27 June 2005)	–	164	3	167
Non-executive director				
Madam Hong Jing Yu	120	–	–	120
Independent non-executive directors				
Mr. Hong Yee Kwong, Paul	120	–	–	120
Mr. Lam King Pui	120	–	–	120
Mr. Wu Tai Cheung (Appointed on 1 January 2006)	30	–	–	30
Mr. Wong Tik Tung (Resigned on 4 October 2005)	60	–	–	60
Total	450	3,332	32	3,814

Notes to the Financial Statements

For the year ended 31 March 2006

10. DIRECTORS' EMOLUMENTS *(Continued)*

For the year ended 31 March 2005

	Fees *HK$'000*	Salaries and allowances *HK$'000*	Retirement benefits schemes contributions *HK$'000*	Total *HK$'000*
Executive directors				
Mr. Chan Tat	–	1,430	–	1,430
Mr. Poon Tat Hang	–	723	13	736
Mr. Lee Kam Hung	–	649	12	661
Mr. Sin Cheuk Lok, Christopus	–	648	12	660
Non-executive director				
Madam Hong Jing Yu	120	–	–	120
Independent non-executive directors				
Mr. Hong Yee Kwong, Paul	120	–	–	120
Mr. Woo Kwok Yin (Resigned on 28 September 2004)	60	–	–	60
Mr. Lam King Pui (Appointed on 28 September 2004)	60	–	–	60
Wong Tik Tung (Appointed on 28 September 2004)	60	–	–	60
Total	420	3,450	37	3,907

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

Notes to the Financial Statements

For the year ended 31 March 2006

11. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals of the Group for the year ended 31 March 2006 included three directors (2005: four directors) of the Company, whose emoluments have been disclosed above. Details of the remuneration of the remaining two (2005: one) highest paid, non-director employees of the Group are set out below:

	2006	2005
	HK$'000	*HK$'000*
Salaries and allowances	**1,083**	455
Retirement benefits schemes contributions	**24**	12
	1,107	467

The emoluments of each of the remaining two (2005: one) highest paid, non-director employees were within the band of nil to HK$1,000,000.

During the year, no emoluments were paid by the Group to the five highest paid individuals, including the directors of the Company, as an inducement to join or upon joining the Group or as compensation for loss of office.

Compensation to key management personnel

	2006	2005
	HK$'000	*HK$'000*
Short-term employee benefits	**6,219**	6,492
Post employment benefits	**109**	121
	6,328	6,613

Notes to the Financial Statements

For the year ended 31 March 2006

12. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by employees. During the year under review, the total amount contributed by the Group to the scheme and charged to the consolidated income statement amounted to approximately HK$359,000 (2005: HK$433,000). As at 31 March 2006, there were no forfeited contributions available for the Group to offset contributions payable in future years (2005: Nil).

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 approximately 8% 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 contribution used to reduce future contributions as at 31 March 2006 (2005: Nil).

13. INCOME TAX

Hong Kong profits tax is calculated at a rate of 17.5% (2005: 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 as the companies operating in Hong Kong did not have any assessable profits arising in Hong Kong for both the current and prior years. Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the rates of taxation prevailing in the countries in which the Group operates.

	2006 ***HK$'000***	2005 *HK$'000*
Current tax		
Provision for PRC enterprise income tax for the year	–	462

Notes to the Financial Statements

For the year ended 31 March 2006

13. INCOME TAX *(Continued)*

The taxation charge for the year can be reconciled to the loss before taxation per the income statement as follows:

	2006 **HK$'000**	2005 HK$'000
Loss before taxation	**(18,323)**	(26,507)
Notional tax on loss before taxation, calculated at 17.5% (2005: 17.5%)	**(3,207)**	(4,639)
Depreciation allowances in excess of related depreciation expenses	**(50)**	–
Tax effect of non-taxable revenue	**(901)**	(28)
Tax effects of unrecognized tax losses	**4,158**	5,129
Tax charge for the year	**–**	462

14. LOSS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The loss attributable to the equity holders of the Company includes a loss of approximately HK$20,003,000 (2005: HK$36,001,000) which has been dealt with in the financial statements of the Company.

15. LOSS PER SHARE

The calculation of basic loss per share attributable to the equity holders of the Company is based on the loss for the year attributable to the equity holders of the Company of approximately HK$18,323,000 (2005: HK$26,969,000) and on the weighted average of 240,000,000 ordinary shares (2005: 240,000,000) in issue during the year.

The diluted loss per share for the years ended 31 March 2005 and 2006 has not been disclosed as the exercise of the Company's outstanding share options will have an anti-dilutive effect on the basic loss per share.

Notes to the Financial Statements

For the year ended 31 March 2006

16. PROPERTY, PLANT AND EQUIPMENT

Group

	Plant and machinery HK$'000	Moulds HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Total 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 and 1 April 2005	53,379	49,532	918	2,324	2,933	2,448	111,534
Additions	1,416	8,204	–	–	–	116	9,736
As at 31 March 2006	54,795	57,736	918	2,324	2,933	2,564	121,270
Accumulated depreciation							
As at 1 April 2004	25,518	33,949	889	1,682	2,848	1,860	66,746
Charge for the year	4,521	6,579	7	230	115	276	11,728
On disposals written back	–	–	–	–	(377)	–	(377)
As at 31 March 2005 and 1 April 2005	30,039	40,528	896	1,912	2,586	2,136	78,097
Charge for the year	3,989	7,531	7	230	116	202	12,075
As at 31 March 2006	34,028	48,059	903	2,142	2,702	2,338	90,172
Net book value							
As at 31 March 2006	**20,767**	**9,677**	**15**	**182**	**231**	**226**	**31,098**
As at 31 March 2005	23,340	9,004	22	412	347	312	33,437

Notes to the Financial Statements

For the year ended 31 March 2006

17. INVESTMENTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES

Company

	2006 HK$'000	2005 HK$'000
Unlisted shares at cost	65,484	65,484
Provision for impairment losses	(56,000)	(36,000)
	9,484	29,484

The amounts due from the subsidiaries as shown on the Company's balance sheet are unsecured, interest free and have no fixed terms of repayment. The directors consider that the carrying amounts approximate their fair values.

Particulars of the Company's subsidiaries as at 31 March 2006 are as follows:

Name of company	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Principal activities	Attributable equity interest held by the Company Directly	Indirectly
Better Electrical Products Company Limited ("BEPCL")	British Virgin Islands	10,000 ordinary shares of US$1	Investment holding	100%	–
Better Electrical Products (HK) Company Limited ("BEP(HK)")	Hong Kong	10,000 ordinary shares HK$1	Design, manufacture and sale of home electrical appliances	–	100%
Bailingda Industrial (Shenzhen) Co., Limited ("BEP(China)") *(Note)*	PRC	Registered capital US$8,096,549	Manufacture of home electrical appliances	–	100%

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 2004 and 2005 were not audited by HLB Hodgson Impey Cheng. As at 31 March 2006, the Group was committed to contribute to the registered capital of BEP (China) in the amount of approximately US$903,451 (equivalent to approximately HK$7,047,000), the amount of which was fully paid subsequent to the balance sheet date.

Notes to the Financial Statements

For the year ended 31 March 2006

18. INVENTORIES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Raw materials	**33,300**	26,740	**–**	–
Work-in-progress	**9,644**	5,324	**–**	–
Finished goods	**9,131**	5,684	**–**	–
	52,075	37,748	**–**	–

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables, with aged analysis *(based on payment due date) (Note (i))*				
0-30 days	**16,801**	6,023	**–**	–
31-60 days	**73**	43	**–**	–
61-180 days	**264**	55	**–**	–
Trade receivables	**17,138**	6,121	**–**	–
Bills receivable *(Note (ii))*	**764**	3	**–**	–
Deposits paid	**3,248**	2,034	**–**	–
Sundry debtors and prepayments	**5,773**	5,294	**–**	–
	26,923	13,452	**–**	–

Notes:

(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 14 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.

(iii) The directors consider that the carrying amounts of trade and other receivables approximate their fair values.

Notes to the Financial Statements

For the year ended 31 March 2006

20. DERIVATIVE FINANCIAL INSTRUMENTS

	2006	
	Assets	**Liabilities**
Group	***HK$'000***	*HK$'000*
Forward currency contracts	**180**	–

Notes:

(i) The Group has entered into various forward currency contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting. Changes in the fair value of non-hedging currency derivatives amounting to approximately HK$180,000 was charged to the income statement for the year ended 31 March 2006 (2005: Nil).

(ii) The directors consider that the carrying amounts of derivative financial instruments approximate their fair values.

21. BANK BALANCES AND CASH

As at 31 March 2005, the bank balances and cash denominated in Renminbi amounted to approximately HK$2,653,000 which remained not freely convertible into foreign currencies.

22. TRADE AND OTHER PAYABLES

	Group		**Company**	
	2006	2005	**2006**	2005
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables, with aged analysis				
(based on payment due date):				
0-30 days	**42,362**	21,522	**–**	–
31-60 days	**3,316**	661	**–**	–
61-180 days	**1,579**	268	**–**	–
Total trade payables	**47,257**	22,451	**–**	–
Bills payable	**619**	–	**–**	–
Trade deposits received	**2,528**	3,421	**–**	–
Other payables and accruals	**4,006**	4,394	**–**	–
	54,410	30,266	**–**	–

Note: The directors consider that the carrying amounts of trade and other payables approximate their fair values.

Notes to the Financial Statements

For the year ended 31 March 2006

23. SHORT-TERM BANK BORROWINGS

The short-term bank borrowings were secured by corporate guarantees given by the Company and its wholly-owned subsidiary, BEPCL, interest bearing at 1.25% per annum above London Interbank Offered Rate/Hong Kong Interbank Offered Rate and repayable within three months of the balance sheet date.

The directors consider that the carrying amounts of short-term bank borrowings approximate their fair values.

24. DEFERRED TAX LIABILITIES

The components of deferred tax liabilities recognized in the consolidated balance sheet are as follows:

Group

	Depreciation allowances in excess of related depreciation	
	2006	2005
	HK$'000	*HK$'000*
As at 1 April 2005, 31 March 2005 and 2006	**461**	461

A deferred tax asset has not been recognized in the financial statements in respect of tax losses available to offset future profits due to the uncertainty of future profit streams against which the asset can be utilized. As at 31 March 2006, the unprovided deferred tax asset of the Group is as follows:

	2006	2005
	HK$'000	*HK$'000*
Tax effect of temporary difference attributable to unutilized tax losses	**14,878**	11,145

The deductible temporary differences and unutilized tax losses do not expire under current tax legislation.

25. SHARE CAPITAL

	2006	2005
	HK$'000	*HK$'000*
Authorized:		
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

Notes to the Financial Statements

For the year ended 31 March 2006

26. 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 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.

As at 31 March 2006, the outstanding number of shares in respect of which share options had been granted under the Scheme was 2,600,000 (2005: 3,550,000), representing approximately 1.08% (2005: 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 2,600,000 additional ordinary shares of the Company and additional share capital of HK$26,000 and share premium of HK$1,768,000 (before issue expenses).

Notes to the Financial Statements

For the year ended 31 March 2006

26. SHARE OPTION SCHEME *(Continued)*

The following table discloses movements in the Company's share options under the Scheme during the year ended 31 March 2005 and 2006:

Name of directors/ employees	Date of grant	Exercisable period	Exercise price per share	Number of share options: Outstanding and exercisable as at 1 April 2004 and 2005	Lapsed during the year	Outstanding and exercisable as at 31 March 2006
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	(450,000)	1,100,000
Grand total				3,550,000	(950,000)	2,600,000

The share options were vested immediately from the date of grant. No share options were granted, exercised or expired during the year ended 31 March 2006.

Notes to the Financial Statements

For the year ended 31 March 2006

27. RESERVES

Group

	Share premium HK$'000	Merger reserve HK$'000 (Note (i))	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
As at 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 and 1 April 2005	22,524	(1,522)	–	28,583	49,585
Exchange difference on translation of foreign operations	–	–	1,363	–	1,363
Net loss for the year	–	–	–	(18,323)	(18,323)
As at 31 March 2006	**22,524**	**(1,522)**	**1,363**	**10,260**	**32,625**

Company

	Share premium HK$'000	Contributed surplus HK$'000 (Note (ii))	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
As at 1 April 2004	22,524	63,884	39	86,447
Net loss for the year	–	–	(36,001)	(36,001)
As at 31 March 2005 and 1 April 2005	22,524	63,884	(35,962)	50,446
Net loss for the year	–	–	(20,003)	(20,003)
As at 31 March 2006	**22,524**	**63,884**	**(55,965)**	**30,443**

Notes:

(i) On 6 January 2003, the Company became the holding company of the companies now comprising the Group pursuant to a group reorganization scheme (the "Group Reorganization") 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 Reorganization over the nominal value of the Company's shares issued in exchange therefor.

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

Notes to the Financial Statements

For the year ended 31 March 2006

28. CONTINGENT LIABILITIES

As at 31 March 2006, the Group had contingent liabilities arising from export bills discounted with recourse amounting to approximately HK$14,598,000 (2005: HK$8,880,000).

Save for 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 2006 (2005: Nil).

29. CAPITAL COMMITMENTS

As at 31 March 2006, the Group had the following capital commitments which were not provided for in the financial statements:

	2006	2005
	HK$'000	*HK$'000*
Authorized and contracted for in respect of		
– Acquisition of the plant and machinery	**150**	130

As at 31 March 2005 and 2006, the Company had no significant capital commitments.

30. OPERATING LEASE COMMITMENTS

As at 31 March 2006, the Group had commitments for future minimum leases payments under non-cancelable operating leases in respect of rented premises which fall due as follows:

	2006	2005
	HK$'000	*HK$'000*
Within one year	**3,335**	3,479
In the second to fifth years inclusive	**1,762**	4,969
	5,097	8,448

The Company had no significant operating lease commitments as at 31 March 2005 and 2006.

Notes to the Financial Statements

For the year ended 31 March 2006

31. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, the following significant related party transactions have been entered into by the Group during the year:

	2006	2005
	HK$'000	*HK$'000*
Rental paid to Super Light Manufacturing Products (Shenzhen) Company Limited ("SLMP") *(Note (i))*	**3,020**	2,939
Rental paid to Manwise Investment Company Limited ("Manwise") *(Note (ii))*	**540**	540

Notes:

(i) Pursuant to a tenancy agreement dated 14 October 2004, 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 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 2006 amounted to approximately HK$3,020,000 and the rentals for the remaining term of the tenancy agreement amounts to approximately HK$4,782,000. The directors consider that such rentals were calculated by reference to open market rentals.

(ii) 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, Fo Tan Industrial Centre, 26-28 Au Pui Wan Street, Fo Tan, 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 2006 amounted to HK$540,000 and the rentals for the remaining term of the tenancy amounts to HK$315,000. The directors consider that such rentals were calculated by reference to open market rentals.