

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with Hong Kong Accounting Standard ("HKAS") 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 2006 annual report. The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2006.

In the current period, the Group has applied, for the first time, new/revised Hong Kong Financial Reporting Standards ("HKFRS") and HKAS (collectively referred to as "New HKFRSs") issued by the HKICPA, which are effective for accounting periods beginning on or after 1 December 2005, 1 January 2006 or 1 March 2006 respectively.

The adoption of the New HKFRSs did not have a material effect on how the results of operations and financial position of the Group are prepared and presented.

There was no early adoption of the following New HKFRSs that have been issued but are not yet effective. The adoption of such New HKFRSs will have no material impact on the accounts of the Group and will not result in substantial changes to the Group's accounting policies.

Notes

HKAS 1 (Amendment)	Capital Disclosures	1
HKFRS 7	Financial Instruments: Disclosures	1
HK(IFRIC)-Int 8	Scope of HKFRS 2	2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives	3
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment	4

Notes:

1. *Effective for annual periods beginning on or after 1 January 2007.*
2. *Effective for annual periods beginning on or after 1 May 2006.*
3. *Effective for annual periods beginning on or after 1 June 2006.*
4. *Effective for annual periods beginning on or after 1 November 2006.*

2. Turnover and segment information

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 amounts received and receivable from outside customers from sales of products during the period.

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

	For the six months ended 30 September											
	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
	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000
TURNOVER	<u>89,206</u>	64,048	<u>70,372</u>	40,814	<u>8,756</u>	6,188	<u>11,837</u>	5,184	<u>6,395</u>	10,131	<u>186,566</u>	126,365
RESULTS												
Segment results	200	(3,594)	3,530	(1,280)	590	169	(1,052)	(960)	(251)	(235)	3,017	(5,900)
Finance cost											(1,755)	(1,210)
Profit/(Loss) before taxation											1,262	(7,110)
Income tax											-	-
Profit/(Loss) for the period											<u>1,262</u>	<u>(7,110)</u>
ASSETS												
Segment assets	-	-	-	-	-	-	134,765	125,526	-	-	<u>134,765</u>	125,526
LIABILITIES												
Segment liabilities	-	-	-	-	-	-	97,581	80,651	-	-	<u>97,581</u>	80,651
OTHER INFORMATION												
Capital expenditure	-	-	-	-	-	-	2,853	6,610	-	-	-	-
Depreciation of property plant and equipment	-	-	-	-	-	-	5,698	6,294	-	-	-	-

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.

3. Profit/(loss) from operations

	For the six months ended 30 September	
	2006	2005
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit/(Loss) from operations is stated after charging:		
Staff costs	18,042	17,854
Depreciation of owned property, plant and equipment	5,698	6,294
Operating lease rentals in respect of land and buildings	1,808	1,769
Cost of inventories expensed	168,942	117,796
	<u>168,942</u>	<u>117,796</u>

4. Finance costs

	For the six months ended 30 September	
	2006	2005
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Bank charges	600	519
Interest on bank loans and overdrafts – wholly repayable within five years	1,155	691
	<u>1,755</u>	<u>1,210</u>

5. Income tax

Hong Kong profits tax is calculated at a rate of 17.5% (For the six months ended 30 September 2005: 17.5%) on the estimated assessable profit arising in Hong Kong for the period. No provision for Hong Kong profits tax has been made for the period ended 30 September 2006 as the Group had estimated tax losses brought forward to set off the estimated assessable profit for the period (For the six months ended 30 September 2005: Nil).

Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates. No provision for overseas taxation has been made in the financial statements for the six months ended 30 September 2005 and 2006.

6. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2006 (For the six months ended 30 September 2005: Nil).

7. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the six months ended 30 September 2006 is based on the profit attributable to equity holders of the Company for the six months ended 30 September 2006 of approximately HK\$1,262,000 (the loss attributable to equity holders of the Company for the six months ended 30 September 2005: HK\$7,110,000) and on the weighted average of 240,000,000 ordinary shares (For the six months ended 30 September 2005: 240,000,000) in issue during the period.

Diluted earnings per share has not been presented for the six months ended 30 September 2006 because the computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options as the exercise price of those options was higher than the average market price for shares for the six months ended 30 September 2006.

Diluted loss per share for the six months ended 30 September 2005 has not been presented as the exercise of the Company's outstanding options will have an anti-dilutive effect on the basic loss per share.

8. Property, plant and equipment

	Tangible fixed assets (unaudited) HK\$'000
Net book value as at 1 April 2006	31,098
Additions for the period	2,853
Depreciation charge	(5,698)
	<hr/>
Net book value as at 30 September 2006	28,253

9. Trade and other receivables

	As at 30 September 2006 (unaudited) HK\$'000	As at 31 March 2006 (audited) HK\$'000
Trade debtors	18,110	17,138
Bills receivable	3,991	764
Deposits paid	3,938	3,248
Sundry debtors and prepayments	7,548	5,773
	<u>33,587</u>	<u>26,923</u>

The ageing analysis of trade debtors is as follows:

0 – 30 days	16,473	16,801
31 – 60 days	122	73
61 – 180 days	1,515	264
	<u>18,110</u>	<u>17,138</u>

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 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.

10. Derivative financial instruments

Group	As at 30 September 2006 (unaudited) HK\$'000	As at 31 March 2006 (audited) HK\$'000
Foreign currency contracts	112	180

The Group has entered into various forward currency contracts to manage its exchange rate exposures which did not meet the criteria for hedge accounting.

11. Trade and other payables

	As at 30 September 2006 (unaudited) HK\$'000	As at 31 March 2006 (audited) HK\$'000
Trade creditors	64,473	47,257
Bills payable	349	619
Trade deposits received	1,855	2,528
Sundry creditors and accruals	6,700	4,006
	73,377	54,410

The ageing analysis of trade creditors is as follows:

0 – 30 days	54,943	42,362
31 – 60 days	6,056	3,316
61 – 180 days	3,474	1,579
	64,473	47,257

12. Banking facilities

The short-term bank borrowings were secured by: 1) a debenture over the assets of the Group; and 2) corporate guarantees given by the Company and its wholly-owned subsidiary, Better Electrical Products Company Limited. The short-term bank borrowings bore interest at 1.25% per annum above London Interbank Offered Rate/Hong Kong Interbank Offered Rate and were repayable within three months of the balance sheet date.

13. Share capital

	As at 30 September 2006 (unaudited) HK\$'000	As at 31 March 2006 (audited) HK\$'000
<i>Authorised</i>		
10,000,000,000 ordinary shares of HK\$0.01 each	100,000	100,000
<i>Issued and fully paid</i>		
240,000,000 ordinary shares of HK\$0.01 each	2,400	2,400

14. Reserves

	Share premium HK\$'000	Merger reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
As at 1 April 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
Loss for the period	–	–	–	(11,213)	(11,213)
Exchange difference on translation of foreign operations	–	–	1,363	–	1,363
As at 31 March 2006	22,524	(1,522)	1,363	10,260	32,625
Profit for the period	–	–	–	1,262	1,262
Exchange difference on translation of foreign operations	–	–	897	–	897
As at 30 September 2006	22,524	(1,522)	2,260	11,522	34,784

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 2006. The detailed terms of the scheme were disclosed in the audited financial statements for the year ended 31 March 2006.

Details of the share options outstanding as at 30 September 2006 are as follows:

Name of directors/ employees	Date of grant	Exercisable period	Exercise price per share	Number of share options	
				Outstanding as at 1 April 2006	Outstanding as at 30 September 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
Directors				1,500,000	1,500,000
Employees	13 August 2003	18 August 2003 to 2 March 2013	HK\$0.69	1,100,000	1,100,000
Grand total				<u>2,600,000</u>	<u>2,600,000</u>

No share options were granted, exercised, cancelled or lapsed during the six months ended 30 September 2006.

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	
		2006	2005
	<i>Notes</i>	(unaudited) HK\$'000	(unaudited) HK\$'000
Rental paid to Super Light Manufacturing Products (Shenzhen) Company Limited ("SLMP")	(a)	1,538	1,499
Rental paid to Manwise Investment Company Limited ("Manwise")	(b)	270	270

Notes:

- (a) 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 Bailingda Industrial (Shenzhen) Co., Limited, an indirect wholly-owned subsidiary of the Company, 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 six month ended 30 September 2006 amounted to approximately HK\$1,538,000 and the rentals for the remaining term of the tenancy agreement amounts to approximately HK\$3,332,000. The directors consider that such rentals were calculated by reference to open market rentals.

16. Related party transactions *(continued)*

- (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, 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 six months ended 30 September 2006 amounted to HK\$270,000 and the rentals for the remaining term of the tenancy amounts to HK\$45,000. The directors consider that such rentals were calculated by reference to open market rentals.

On 24 October 2006, BEP (HK) renewed the aforesaid tenancy agreement for a further term of two years until 31 October 2008 at the same rental.

17. Contingent liabilities

As at 30 September 2006, the Group had contingent liabilities arising from export bills discounted with recourse amounting to approximately HK\$6,860,000 (As at 31 March 2006: HK\$14,598,000).

Save as a corporate guarantee given by the Company to a bank to secure the general banking facilities granted to BEP(HK), the Company had no significant contingent liabilities as at 31 March 2006 and 30 September 2006.

18. Commitments

(i) Capital commitments

As at 30 September 2006, the Group had the following capital commitments which were not provided for in the financial statements:

	As at 30 September 2006 (unaudited) HK\$'000	As at 31 March 2006 (audited) HK\$'000
Authorised and contracted for in respect of acquisition of plant and machinery	150	150

(ii) Operating lease commitments

As at 30 September 2006, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which would fall due as follows:

	As at 30 September 2006 (unaudited) HK\$'000	As at 31 March 2006 (audited) HK\$'000
Within one year	3,121	3,335
Between two to five years	256	1,762
	3,377	5,097

The Company did not have any significant commitments as at 31 March 2006 and 30 September 2006.