BEP International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code: 2326)

Annual Report 2009

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Zhang Xi (Chairman)
Mr. Cai Duanhong
Ms. Zhang Yu
Mr. Li Hiu Ming
Mr. Poon Hor On

Independent Non-executive Directors

Mr. Chan Kwong Fat, George
Mr. Siu Hi Lam, Alick
Mr. To Yan Ming, Edmond

AUDIT COMMITTEE

Mr. To Yan Ming, Edmond (Chairman)
Mr. Chan Kwong Fat, George
Mr. Siu Hi Lam, Alick

REMUNERATION COMMITTEE

Mr. Chan Kwong Fat, George (Chairman)
Mr. Siu Hi Lam, Alick
Mr. To Yan Ming, Edmond
Mr. Zhang Xi

COMPANY SECRETARY

Ms. Hui Yee Ling

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN HONG KONG

Room 609, 6th Floor
Chevalier Commercial Centre
8 Wang Hoi Road
Kowloon Bay, Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

The Bank of Bermuda Limited
Bank of Bermuda Building
6 Front Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Secretaries Limited
26/F, Tesbury Centre
28 Queen's Road East
Hong Kong

COMPANY HOMEPAGE

http://www.bep.com.hk

STOCK CODE

2326

FINANCIAL REVIEW

For the year ended 31 March 2009, the turnover of the Group was HK$79.8 million, which comprised HK$6.0 million from the continuing operation and HK$73.8 million from the discontinued operation. Turnover for continuing operation was derived from the trading of electronic components. Turnover for discontinued operation was mainly derived from the design, manufacture and sale of home electrical appliances operations which were ceased during the year. The turnover of HK$345.3 million for discontinued operation recorded in last corresponding financial year came from the home appliances business.

Loss attributable to equity shareholders of the Company for the year ended 31 March 2009 amounted to HK$36.9 million, which was mainly attributable to the loss from discontinued operation, as compared to a loss HK$36.0 million recorded in the previous financial year.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2009 (2008: nil).

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the Group has implemented a prudent financial management policy. As at 31 March 2009, the Group has cash and bank balances amounted to approximate HK$167,000 (2008: HK$5,855,000). The Group has obtained financial support from its major shareholder for additional funding to meet the operation needs.

The gearing of the Group calculated by dividing total liabilities by total assets value increased to 6.53 (2008: 0.78).

BUSINESS OPERATION AND REVIEW

During this financial year, the Group has been continuously suffering from the surge in raw material prices and labour costs and the significant appreciation of Renminbi. The unexpected financial tsunami has seriously affected the gross profit margin and the operating costs of our factory in Mainland China. The Group also failed to reach a consensus with the landlord for renewal of premises for its PRC subsidiary and with the expectation that the financial tsunami could further intensify, the Group ceased the manufacturing operation of home electrical appliances in October 2008 in order to minimize the impact of future uncertainties arising from the slumping global economy.

Subsequent to the cessation of manufacturing operation, the Group is facing diminishing profit and has been aiming to develop, focus and diversify its business operation to trading activities.

With continued effort from the management, the Group has successfully started its trading of electronic components during the year. The Group will continue to focus its principal business on the trading of electronic components. It will strive to expand its product mix by means of merger and acquisition or cooperation to broaden its business scope as well as income sources.

PROSPECTS AND OUTLOOK

It is anticipated that the global trading environment will remain tough and difficult. In full awareness of the challenges ahead, the Group will maintain its vigilance to further tighten its cost control measures as well as to strengthen its trading business. In addition, the Directors are at present considering various business alternatives to resume the Group's manufacturing operation to complement the Group's strategic plan in broadening its business scope and sources of income by taking business opportunities to diversify into other business through investments or business ventures.

RELEASE OF CHARGE ON GROUP'S ASSETS

During the year ended 31 March 2008, the Group executed a debenture which was essentially a pledge of all assets of the Group, in favour of a bank to secure banking facilities of the Group amounting to approximately HK$15,000,000. Such banking facilities were terminated and the release of debenture was duly executed during the year.

FOREIGN CURRENCY MANAGEMENT

The monetary assets and liabilities and business transactions of the Group were mainly carried and conducted in Hong Kong dollars, Renminbi and US dollars. The Group maintained a prudent strategy in its foreign currency risk management, to a large extent, foreign exchange risks were minimized via balancing the foreign currency monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. In light of the above, it was considered that the Group's exposure to foreign exchange risks was not significant and no hedging measure had been undertaken by the Group.

CAPITAL COMMITMENT

At 31 March 2009, the Group had no significant capital commitment.

LITIGATIONS

The Group has legal claims received from some suppliers against BEP(China) and BEP(HK). Details of the litigation matters are disclosed in the note 33 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICIES

The Group recognizes the importance of maintaining a stable staff force for its continued success. Under the Group's existing policies, employee pay rates are maintained at competitive levels, whilst promotion and salary increments are assessed on a performance-related basis.

The Group remunerates its employees based on their performance, experience and prevailing market salaries while performance bonuses are granted to certain employees on a merit basis and in accordance with industry practice. Other employee benefits include insurance and medical cover, training programmes and mandatory provident fund scheme.

By order of the Board of
BEP International Holdings Limited
Poon Hor On
Executive Director

Hong Kong, 17 July 2009

Biographical details of the Directors are set out as follows:

DIRECTORS

Executive Directors

Mr. Zhang Xi *member of the Remuneration Committee*

Aged 41, has been Executive Director and Chairman of the Company since October 2007. Mr. Zhang obtained a bachelor degree in economics from the University of Xiamen, the People's Republic of China ("PRC") in 1990. He has extensive experience in private equity investments in the PRC. Mr. Zhang set up Great Time Holdings Limited in Hong Kong in 1999, the principal business of which includes investments in a mechanical electrical engineering company in Fuzhou, China, which is engaged in manufacturing of power machine equipment, electrical equipment, food processing equipment, the design and process of the relevant components and after-sale services and in a high technology company in Beijing, which is engaged in research, development and manufacturing of smart construction materials. Mr. Zhang is deemed to be a substantial shareholder of the Company as disclosed in the section headed "Interest and short position of shareholders discloseable under the SFO" in the Report of the Directors. Mr. Zhang is also the brother-in-law of Mr. Cai Duanhong. Mr. Zhang is an executive director of Fulbond Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Cai Duanhong

Aged 42, has been Executive Director of the Company since October 2007, Mr. Cai has extensive experience in property development and investment in the PRC. Mr. Cai is the brother-in-law of Mr. Zhang. Mr. Cai was an executive director of Fulbond Holdings Limited, a company listed on the Main Board of the Stock Exchange.

Ms. Zhang Yu

Aged 36, has been Executive Director of the Company since March 2008. Ms. Zhang is experienced in import and export trade and real estate development and sales in mainland China. She studied in music education division of Xuzhou Higher Education College and graduated in 1990. Ms. Zhang is the sister of Mr. Zhang Xi, an executive director, the Chairman of the Company and the sole shareholder of Big Jump Investments Limited, a substantial shareholder of the Company. She is also the sister-in-law of Mr. Cai Duanhong.

Mr. Li Hiu Ming

Aged 58, has been Executive Director of the Company since May 2009 and is also a director of various members of the Group. Mr. Li has over 20 years of experience in manufacturing and trading of electronic equipment and managing investment ventures in the PRC and Hong Kong. Mr. Li holds a doctoral degree of philosophy from the School of Philosophy of Wuhan University, in the PRC.

Mr. Poon Hor On

Aged 68, has been Executive Director of the Company since May 2009 and is also a director of various members of the Group. Mr. Poon has over 30 years of experience in plastic and printing industries and managing business enterprises in Hong Kong and the PRC. Mr. Poon was educated in Guangdong Industry Technical College (廣東輕工職業技術學院) in the PRC.

Independent Non-executive Directors

Mr. Siu Hi Lam, Alick *member of the Audit Committee and the Remuneration Committee*

Aged 54, has been Independent Non-executive Director of the Company since June 2009. Mr. Siu is the managing director of Fortune Take International Limited, a company engaging in providing financial consultancy services. Mr. Siu has worked in the finance and banking field for more than 25 years. He had been the senior vice president of AIG Finance (Hong Kong) Limited and the vice president of Bank of America. He was responsible for business development and credit risk management. Mr. Siu obtained a Master degree in Business Administration from the University of Hull in 1995. Mr. Siu was an independent non-executive director of Sun International Group Limited, a company listed on the GEM board of Stock Exchange.

Mr. Chan Kwong Fat, George *Chairman of the Remuneration Committee and member of the Audit Committee*

Aged 49, has been Independent Non-executive Director of the Company since June 2009. Mr. Chan is the executive director of a consultancy company engaging in providing financial investment consultancy services. Mr. Chan has worked in the finance and commercial field for more than 20 years. He had been the principal corporate planner of Airport Authority Hong Kong and he was responsible for corporate planning in the areas of commercial and financial strategies. Mr. Chan obtained his Bachelor degree in Social Sciences from The University of Hong Kong in 1982, Master degree in Business Administration from The Chinese University of Hong Kong in 1987 and Master degree in Accounting from Curtin University of Technology, Australia. Mr. Chan is also a member of CPA Australia.

Mr. To Yan Ming, Edmond *Chairman of the Audit Committee and member of the Remuneration Committee*

Aged 37, has been Independent Non-executive Director of the Company since June 2009. Mr. To is a practicing accountant and presently the director of Fortitude C.P.A. Limited and Edmond To CPA Limited. He is a member of the CPA Australia and Hong Kong Institute of Certified Public Accountants. He worked for the international accounting firm Deloitte Touche Tohmatsu and has over 10 years of experience in auditing, accounting, floatation and taxation matters. Mr. To holds a bachelor degree in Commerce in Accounting from Curtin University of Technology in Western Australia. Mr. To is an independent non-executive director, a member of the audit committee and the remuneration committee of Aptus Holdings Limited, a company listed on the GEM Board of the Stock Exchange. Mr. To is also an independent non-executive director, a member of the audit committee and the remuneration committee of China Vanguard Group Limited, a company listed on the GEM Board of the Stock Exchange. Mr. To was an independent non-executive director, a member of the audit committee and the remuneration committee of Century Sunshine Group Holdings Limited, a company listed on the Main Board of the Stock Exchange.

The directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2009.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the trading of electronic components. In prior years, its subsidiaries were also engaged in the design, manufacture and sale of home electrical appliances business and these operations were ceased during the year.

RESULTS

The results of the Group for the year ended 31 March 2009 are set out in the consolidated income statement on page 17.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements during the year in the property, plant and equipment of the Group are set out in note 14 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

Under The Companies Act 1981 of Bermuda, contributed surplus is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

As at 31 March 2009, the Company's deficits were HK$33,841,000 consisting of contributed surplus of HK$63,884,000 less accumulated losses of HK$97,725,000. No reserves are available for distribution to shareholders.

DIRECTORS AND SERVICE CONTRACTS

The directors during the year and up to the date of this report were:

Executive directors:

Zhang Xi (Chairman)	
Cai Duanhong	
Zhang Yu	
Li Hiu Ming	(appointed on 27 May 2009)
Poon Hor On	(appointed on 27 May 2009)
Chen Yang	(resigned on 29 May 2009)

DIRECTORS AND SERVICE CONTRACTS (CONTINUED)

Independent non-executive directors:

Siu Hi Lam, Alick	(appointed on 5 June 2009)
Chan Kwong Fat, George	(appointed on 5 June 2009)
To Yan Ming, Edmond	(appointed on 5 June 2009)
Hong Po Kui, Martin	(resigned on 3 June 2009)
Wong Man Hin, Raymond	(resigned on 5 June 2009)
Yam Tak Fai, Ronald	(resigned on 5 June 2009)

In accordance with Bye-law 86(2) of the Company's Bye-laws, Mr. Li Hiu Ming, Mr. Poon Hor On, Mr. Siu Hi Lam, Alick, Mr. Chan Kwong Fat, George and Mr. To Yan Ming, Edmond, being appointed as executive directors and independent non-executive directors during the year, shall hold office until the forthcoming annual general meeting and shall be eligible for re-election at the forthcoming annual general meeting. Mr. Zhang Xi, Mr. Cai Duanhong and Ms. Zhang Yu, being the executive directors, will resign from the Board with effect from the earliest time as permitted under The Hong Kong Code on Takeovers and Mergers. Details of which are referred to in the joint announcement issued by the Company and Long Channel Investments Limited ("Long Channel"), a substantial shareholder of the Company, dated 25 June 2009.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 34 to the consolidated financial statements, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2009, the interests and short positions of the directors or chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which are required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code in the Rules Governing the Listing of Securities on the Stock Exchange for Securities Transactions by Directors of Listed Issuers (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

Name of director	Long position/ short position	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Executive director:				
Zhang Xi	Long position	Interest of controlled corporation (note)	3,453,000,000	71.17%

Note: These shares are held by Big Jump Investments Limited ("Big Jump"), a company which is wholly and beneficially owned by Mr. Zhang Xi. In January 2008, Big Jump has charged a total number of 3,453,000,000 shares, representing approximately 71.17% of the issued share capital of the Company in favour of Elite Agent Limited ("Elite") and Longtale International Limited ("Longtale") as security for the facilities granted to Mr. Zhang Xi under a loan agreement ("Share Charge"). Subsequent to 31 March 2009. Elite and Longtale exercised their power of sale under the Share Change and disposed 2,703,000,000 share of the Company to Long Channel on 24 June 2009. Details of which are referred to in the joint announcement issued by the Company and Long Channel dated 25 June 2009.

DIRECTORS' INTERESTS IN SECURITIES (CONTINUED)

Save as disclosed above, as at 31 March 2009, none of the directors or chief executive 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 notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register kept 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.

SHARE OPTIONS

On 6 January 2003, the shareholders of the Company approved and adopted a share option scheme (the "Scheme") for a period of ten years commencing from the date of listing of the Company's shares on the Stock Exchange on 3 March 2003. The purpose of the Scheme is to provide employees of the Group, including any executive directors of the Company and its subsidiaries, with the opportunity to acquire proprietary interests in the Company and to encourage employees to work towards enhancing the value of the Company and its shares.

Under the Scheme, the Board may, at its discretion, invite any employees of the Group, including any executive directors of the Company and its subsidiaries, to take up options to subscribe for the Company's shares. Consideration of HK$1 is payable on the grant of an option. The exercise price of the options may be determined by the Board in its absolute discretion but must not be less than the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares on the date of grant. The options vest immediately from the date of grant and may be exercised in accordance with the terms of the Scheme at any time during the period to be determined and notified by the Board to each grantee but in any event such period may not be more than ten years after it has been granted.

The total number of shares issued and to be issued upon exercise of options granted and to be granted to each grantee in any 12-month period up to and including the date of further grant must not exceed 1% of the shares in issue. Any further grant of options in excess of the above limit is subject to shareholders' approval in a general meeting. The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be issued under the Scheme and any other share option scheme adopted by the Company must not exceed 30% of the shares in issue from time to time.

No share options were granted or exercised during the year and no share options were outstanding as at 31 March 2008 and 2009.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisitions of shares in, or debentures of, the Company or any other body corporate.

INTEREST AND SHORT POSITION OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 March 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that the following shareholders had notified the Company of the relevant interests in the issued share capital of the Company:

Long position in the shares

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Big Jump (Note 1)	Beneficial owner	3,453,000,000	71.17%
Elite (Note 2)	Person having a security interest in shares	3,453,000,000	71.17%
Longtale (Note 2)	Person having a security interest in shares	3,453,000,000	71.17%

Note 1: Big Jump is wholly and beneficially owned by Mr. Zhang Xi, an executive director of the Company.

Note 2: In January 2008, Big Jump has charged a total number of 3,453,000,000 Shares, representing approximately 71.17% of the issued share capital of the Company in favour of Elite and Longtale as security for the facilities granted to Mr. Zhang Xi under a loan agreement. Subsequent to 31 March 2009, Elite and Longtale exercised their power of sale under the Share Charge and disposed 2,703,000,000 shares of the Company to Long Channel on 24 June 2009. Details of which are referred to in the joint announcement issued by the Company and Long Channel dated 25 June 2009.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's largest customer and five largest customers accounted for 23% and 65% respectively of the Group's total turnover for the year.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers accounted for 12% and 37% respectively of the Group's total purchases for the year.

None of the directors, their associates, or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) has any interest in the Group's five largest customers and suppliers.

EMOLUMENT POLICY

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the directors are reviewed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market information. No director or any of his associates, and executive is involved in dealing his own remuneration.

CORPORATE GOVERNANCE

The audited financial statements of the Company for the year ended 31 March 2009 had been reviewed by the Audit Committee of the Company before they were duly approved by the Board of Directors under the recommendation of the Audit Committee.

The Company has received the annual confirmation of independence from each of the independent non-executive directors as required under Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company considered all independent non-executive directors to be independent.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company, and within the knowledge of directors, the Company has maintained a sufficient public float throughout the year ended 31 March 2009.

POST BALANCE SHEET EVENT

Details of significant event occurring after the balance sheet date are set out in note 35 to the consolidated financial statements.

AUDITOR

Messrs. Deloitte Touche Tohmatsu acted as auditor of the Company for the two years ended 31 March 2008 and 2009. Messrs. HLB Hodgson Impey Cheng acted as auditor of the Company for two years ended 31 March 2006 and 2007. A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Poon Hor On
Executive Director

Hong Kong
17 July 2009

Corporate Governance Report

The Board is committed to upholding good corporate governance. The Board considers effective corporate governance essential to protect shareholders' interests and enhance stakeholders' value.

During the year, the Board has continued to spend considerable efforts to identify and formalize the appropriate corporate governance practices to ensure transparency, accountability and effective internal control. The Board has adopted the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange.

BOARD OF DIRECTORS

The Board's primary responsibilities are to formulate long-term corporate strategy, to oversee the management of the Group, to evaluate the performance of the Group and to assess the achievement of targets periodically set by the Board. The Board is directly accountable to the shareholders and is responsible for preparing the accounts.

The Board currently comprises eight directors, whose biographical details are set out in the "Directors' profile" on pages 5 to 6 of this annual report. Five of the directors are executive and three are independent non-executive. The non-executive directors bring a broad range of financial, regulatory and commercial experience and skills to the Board, which contributes to the effective strategic management of the Group.

During the year under review, the Board held twelve meetings. The attendance of the individual director at these meetings is as follows:

	Number of attendances
Executive directors	
Zhang Xi (Chairman)	6/8
Chen Yang (former Chief Executive Officer) (resigned on 29 May 2009)	8/8
Cai Duanhong	1/8
Zhang Yu	2/8
Li Hiu Ming (appointed on 27 May 2009)	–
Poon Hor On (appointed on 27 May 2009)	–
Independent non-executive directors	
Hong Po Kui, Martin (resigned on 3 June 2009)	5/8
Yam Tak Fai, Ronald (resigned on 5 June 2009)	5/8
Wong Man Hin, Raymond (resigned on 5 June 2009)	5/8
Siu Hi Lam, Alick (appointed on 5 June 2009)	–
Chan Kwong Fat, George (appointed on 5 June 2009)	–
To Yan Ming, Edmond (appointed on 5 June 2009)	–

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year under review, the Chairman and Chief Executive Officer of the Company were Mr. Zhang Xi and Mr. Chen Yang respectively. Their roles were divided such that the Chairman was responsible for managing and providing leadership to the Board and the Chief Executive Officer was responsible for managing the day-to-day operations of the Group.

BOARD COMMITTEES

The Board has established two committees, namely the Audit Committee and Remuneration Committee, with specific written terms of reference.

AUDIT COMMITTEE

The Audit Committee is responsible for assisting the Board in applying financial reporting and internal control principles and in maintaining an appropriate relationship with the Company's auditors.

The Audit Committee comprises the three independent non-executive directors. It held two meetings during the year. The individual attendance of the members of the Audit Committee at these meetings is as follows:

Name of members	Number of attendances
Yam Tak Fai, Ronald (former Chairman) (resigned on 5 June 2009)	2/2
Wong Man Hin, Raymond (resigned on 5 June 2009)	2/2
Hong Po Kui, Martin (resigned on 3 June 2009)	1/2
To Yan Ming, Edmond (Chairman) (appointed on 5 June 2009)	–
Siu Hi Lam, Alick (appointed on 5 June 2009)	–
Chan Kwong Fat, George (appointed on 5 June 2009)	–

The work performed by the Audit Committee during the year included:

- Reviewed the annual report
- Reviewed the interim report
- Met with the Company's auditors to discuss the accounting policies of the Group and the scope of the audit
- Reviewed the remuneration of the Company's auditors in respect of audit and non-audit services
- Reviewed the effectiveness of the Group's internal control systems

REMUNERATION COMMITTEE

The Remuneration Committee is responsible for assisting the Board in determining and monitoring the Group's remuneration policy for directors and senior management. It comprises the three independent non-executive directors. It met once during the year to review the remuneration of directors and senior management. The individual attendance of the members of the Remuneration Committee at the meeting is as follows:

Name of member	Number of attendances
Hong Po Kui, Martin (former Chairman) (resigned on 3 June 2009)	0/1
Yam Tak Fai, Ronald (resigned on 5 June 2009)	1/1
Wong Man Hin, Raymond (resigned on 5 June 2009)	1/1
Zhang Xi	0/1
Chan Kwong Fat, George (Chairman) (appointed on 5 June 2009)	–
Siu Hi Lam, Alick (appointed on 5 June 2009)	–
To Yan Ming, Edmond (appointed on 5 June 2009)	–

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding directors' securities transactions. Specific enquiry has been made of all directors who have complied with the required standards set out in Model Code during the year.

AUDITOR'S REMUNERATION

The following fees were paid or payable to the Company's auditor during the year:

	HK$'000
Fees for audit services:	680
Fees for non audit services:	250
Fees for taxation services:	49

Deloitte.
德勤

TO THE SHAREHOLDERS OF
BEP INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

We were engaged to audit the consolidated financial statements of BEP International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 17 to 67 which comprise the consolidated balance sheet as at 31 March 2009, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of The Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the limitation in the scope of our work as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement. However, because of the matters described in the basis for disclaimer of opinion paragraphs, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION

Scope limitation – loss on deconsolidation of a subsidiary

During the year ended 31 March 2009, the Group recorded a loss on deconsolidation of a subsidiary of HK$49,677,000 as set out in notes 2, 11 and 29 to the consolidated financial statements. As described in note 2 to the consolidated financial statements, the loss on deconsolidation of subsidiary related to the deconsolidation of Bailingda Industrial (Shenzhen) Company Limited ("BEP (China)"), a company in which the Group holds a 100% equity interest. After the directors of the Company resolved to cease the operations of BEP (China), the premises of BEP (China) and the assets and accounting books and records inside were sealed by 深圳寶安區人民法院 ("Baoan People's Court"). The directors of the Company therefore deconsolidated BEP (China) as from 26 October 2008 as they consider that the Group no longer had the power to govern the financial and operating policies of BEP (China), and accordingly control over BEP (China) was lost when the premises of BEP (China) were sealed by Baoan People's Court. However, we have been unable to inspect the court orders issued by the Baoan People's Court, and accordingly we have been unable to obtain sufficient reliable evidence to satisfy ourselves as to whether it is appropriate to deconsolidate the assets and liabilities from the consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION (CONTINUED)

Scope limitation – loss on deconsolidation of a subsidiary (Continued)

The Group recorded a loss on deconsolidation of BEP (China) based on its unaudited balance sheet as at 30 September 2008 and unaudited income statement for the period from 1 April 2008 to 30 September 2008, which are the latest management accounts available to the directors of the Company. The loss of BEP (China) prior to deconsolidation included in the consolidated financial statements amounted to HK$28,357,000. However, as a result of the circumstances described above, the directors of the Company have been unable to provide us with the complete set of accounting books and records for BEP (China). We have therefore been unable to carry out audit procedures to obtain sufficient reliable audit evidence to satisfy ourselves as to whether the loss on deconsolidation of BEP (China) and the loss included in the consolidated financial statements up until the date of deconsolidation of BEP (China), as well as the related disclosures set out in the notes to the consolidated financial statements are free from material misstatement.

Any adjustments that might have been found to be necessary in respect of the above would have a significant effect on the state of the Group's affairs as at 31 March 2009 and on its loss for the year ended 31 March 2009.

Scope limitation – gain on winding up of subsidiaries

During the year ended 31 March 2009, the Group recorded a gain on winding up of subsidiaries of HK$32,707,000 as set out in notes 2, 11 and 29 to the consolidated financial statements. As further described in note 2 to the consolidated financial statements, the gain on winding up of subsidiaries related to the voluntary winding up under Section 241 of the Hong Kong Companies Ordinance of Better Electrical Products (HK) Company Limited ("BEP (HK)") and BEP Corporate Management Limited ("BEPCM"), companies in which the Group holds a 100% equity interest. A liquidator has been appointed to start the liquidation process of BEP (HK) and BEPCM, and the complete set of accounting books and records of BEP (HK) and BEPCM have been withheld by the liquidator, and accordingly the directors of the Company were unable to obtain any access to them. The directors deconsolidated BEP (HK) and BEPCM as from 27 March 2009 and recorded a gain on deconsolidation of BEP (HK) and BEPCM based on their unaudited balance sheets as at 27 March 2009 and unaudited income statements for the period from 1 April 2008 to 27 March 2009. The combined profit of BEP (HK) and BEPCM prior to deconsolidation included in the consolidated financial statements amounted to HK$22,111,000.

As a result of the circumstances described above, the directors of the Company have been unable to provide us with the complete set of accounting books and records for BEP (HK) and BEPCM. We have therefore been unable to carry out audit procedures to obtain sufficient reliable audit evidence to satisfy ourselves as to whether the gain on winding up of BEP (HK) and BEPCM, the profit included in the consolidated financial statements up until the date of deconsolidation of these companies, as well as the related disclosures set out in the notes to the consolidated financial statements are free from material misstatement.

Any adjustments that might have been found to be necessary in respect of the above would have a significant effect on the Group's loss for the year ended 31 March 2009.

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the state of the Group's affairs as at 31 March 2009 and of its loss and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards. In all other respects, in our opinion the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17 July 2009

Consolidated Income Statement

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Continuing operation			
Turnover	5	**5,977**	–
Cost of sales		**(5,695)**	–
Gross profit		**282**	–
Other income		**2**	1
Administrative expenses		**(12,900)**	(5,616)
Finance costs	7	**(1,075)**	(18)
Loss before taxation	8	**(13,691)**	(5,633)
Taxation	10	**(22)**	–
Loss for the year from continuing operation		**(13,713)**	(5,633)
Discontinued operation			
Loss for the year from discontinued operation	11	**(23,216)**	(30,323)
Loss for the year		**(36,929)**	(35,956)
		HK cent	HK cent
Loss per share – Basic	13		
From continuing and discontinued operations		**(0.76)**	(0.74)
From continuing operation		**(0.28)**	(0.12)

Consolidated Balance Sheet

At 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment	14	**289**	23,043
Deferred tax assets	24	**–**	3,661
		289	26,704
Current assets			
Inventories	15	**–**	53,916
Trade and other receivables	16	**3,527**	32,751
Bank balances and cash	17	**167**	5,855
		3,694	92,522
Current liabilities			
Trade and other payables	18	**7,302**	84,020
Amount due to a subsidiary under liquidation	19	**2,222**	–
Obligations under a finance lease	21	**111**	111
Bank borrowings	22	**–**	4,432
		9,635	88,563
Net current (liabilities) assets		**(5,941)**	3,959
Total assets less current liabilities		**(5,652)**	30,663
Non-current liabilities			
Amount due to ultimate holding company	23	**11,651**	4,669
Other loan	20	**4,535**	–
Obligations under a finance lease	21	**155**	266
Deferred tax liabilities	24	**22**	–
		16,363	4,935
Net (liabilities) assets		**(22,015)**	25,728
Capital and reserves			
Share capital	25	**2,426**	2,426
Reserves		**(24,441)**	23,302
(Deficiency) balance of shareholders' equity		**(22,015)**	25,728

The consolidated financial statements on pages 17 to 67 were approved and authorised for issue by the Board of Directors on 17 July 2009 and are signed on its behalf by:

Li Hiu Ming	**Poon Hor On**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 March 2009

	Share capital HK$'000	Share premium HK$'000	Merger reserve HK$'000 (Note 1)	Capital reserve HK$'000 (Note 2)	Translation reserve HK$'000	Accumulated profits (losses) HK$'000	Total HK$'000
At 1 April 2007	2,400	22,524	(1,522)	–	3,551	23,743	50,696
Exchange difference arising on translation of foreign operations recognised directly in equity	–	–	–	–	8,863	–	8,863
Loss for the year	–	–	–	–	–	(35,956)	(35,956)
Total recognised income and expense for the year	–	–	–	–	8,863	(35,956)	(27,093)
Fair value adjustment on amount due to ultimate holding company	–	–	–	331	–	–	331
Issue of shares upon exercise of share options	26	1,768	–	–	–	–	1,794
At 31 March 2008	2,426	24,292	(1,522)	331	12,414	(12,213)	25,728
Exchange difference arising on translation of foreign operations recognised directly in equity	–	–	–	–	2,161	–	2,161
Release of translation reserve upon deconsolidation of a subsidiary	–	–	–	–	(14,575)	–	(14,575)
Loss for the year	–	–	–	–	–	(36,929)	(36,929)
Total recognised income and expense for the year	–	–	–	–	(12,414)	(36,929)	(49,343)
Fair value adjustment on amount due to ultimate holding company	–	–	–	1,600	–	–	1,600
Release of capital reserve upon winding up of subsidiaries	–	–	–	(590)	–	590	–
At 31 March 2009	**2,426**	**24,292**	**(1,522)**	**1,341**	**–**	**(48,552)**	**(22,015)**

Notes:

1. On 6 January 2003, the Company became the holding company of the companies now comprising the Group pursuant to a group reorganisation scheme (the "Group Reorganisation") at the time of listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The merger reserve of the Group represents the difference between the nominal value of the shares of Better Electrical Products Company Limited ("BEPCL") acquired pursuant to the Group Reorganisation over the nominal value of the Company's shares issued in exchange there for.

2. Capital reserve represents the fair value adjustment on the amount due to ultimate holding company.

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	Notes	2009 HK$'000	2008 HK$'000
Cash flows from operating activities			
Loss before taxation		**(36,318)**	(41,996)
Adjustments for:			
Interest income		**(15)**	(71)
Interest expenses		**1,368**	1,043
Depreciation of property, plant and equipment		**3,707**	10,952
Reversal of claims for employees' overtime compensations		**(4,269)**	–
Loss (gain) on disposal of property, plant and equipment		**2,210**	(193)
Gain on winding up of subsidiaries		**(32,707)**	–
Loss on deconsolidation of a subsidiary		**49,677**	–
Operating cash flows before movement in working capital		**(16,347)**	(30,265)
(Increase) decrease in inventories		**(3,005)**	4,714
Decrease in trade and other receivables		**20,182**	13,328
(Decrease) increase in trade and other payables		**(16,859)**	25,945
Cash (used in) generated from operations		**(16,029)**	13,722
Hong Kong Profits Tax refunded		**–**	1,933
Net cash (used in) from operating activities		**(16,029)**	15,655
Cash flows from investing activities			
Interest received		**15**	71
Net cash outflow from deconsolidation of a subsidiary	29(b)	**(1,522)**	–
Purchase of property, plant and equipment		**(300)**	(5,278)
Net cash outflow from winding up of subsidiaries	29(a)	**(7)**	–
Proceeds from disposal of property, plant and equipment		**–**	193
Net cash used in investing activities		**(1,814)**	(5,014)

	2009 HK$'000	2008 HK$'000
Cash flows from financing activities		
Bank borrowings raised	**22,530**	133,730
Advance from ultimate holding company	**12,170**	5,000
Other loan raised	**4,535**	–
Bank borrowings repaid	**(26,962)**	(154,653)
Interest paid	**(13)**	(1,043)
Repayment of finance lease	**(111)**	(67)
Issue of shares upon exercise of share options	**–**	1,794
Net cash from (used in) financing activities	**12,149**	(15,239)
Net decrease in cash and cash equivalents	**(5,694)**	(4,598)
Cash and cash equivalents at beginning of the year	**5,855**	9,639
Effect of foreign exchange rate changes	**6**	814
Cash and cash equivalents at end of the year, representing bank balances and cash	**167**	5,855

1. GENERAL

The Company is an exempted company incorporated in Bermuda with limited liability and its shares are listed on the Stock Exchange. As at 31 March 2009, the directors of the Company consider the ultimate holding company was Big Jump Investments Limited ("Big Jump"), a private company incorporated in the British Virgin Islands with limited liability which is wholly and beneficially owned by Mr. Zhang Xi, a director of the Company. Pursuant to an agreement in relation to the sale and purchase of shares in the Company which was completed on 24 June 2009, Long Channel Investments Limited ("Long Channel") and Loyal Giant Holdings Limited, private companies incorporated in the British Virgin Islands with limited liability, have become the immediate holding company and the ultimate holding company of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The consolidated financial statements are presented in Hong Kong dollars which is the functional currency of the Company.

The Company is an investment holding company. Its subsidiaries are principally engaged in the trading of electronic components. In prior years, its subsidiaries were also engaged in the design, manufacture and sale of home electrical appliances business and these operations were ceased during the year.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Going concern basis

At 31 March 2009, the Group had accumulated losses of HK$48,552,000 and the Group's consolidated net current liabilities and net liabilities amounted to HK$5,941,000 and HK$22,015,000, respectively. The Group also had outstanding other loan and amount due to ultimate holding company of HK$4,535,000 and HK$11,651,000, respectively.

As mentioned in note 35, the other loan and amount due to ultimate holding company, which are repayable in full on 1 April 2010, have been assigned to Long Channel on 24 June 2009. Long Channel has become the immediate holding company of the Company on the same date. On 7 July 2009, Long Channel agreed to extend the repayment date of these loans to 1 April 2011. On 9 July 2009, the Group entered into a facility agreement with Long Channel for a loan facility in an aggregate principal amount up to HK$20,000,000 to finance the Group's operations. Such loan is unsecured, interest bearing at 1% per annum and repayable after the expiry of 18 months from the date of facility agreement or any other date as agreed by Long Channel or the Group in writing. The directors of the Company are confident that the Group will continue to obtain the ongoing support from Long Channel.

In the meantime, the Group will continue to focus on the trading of electronic components business and will expand its product mix by means of merger and acquisition or cooperation to broaden its business scope as well as income source. The directors of the Company are also considering various business alternatives to resume the Group's manufacturing operation to complement the Group's strategic plan in broadening its business scope and sources of income by taking business opportunities to diversify into other business through investments or business ventures.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

Going concern basis (continued)

Based on the factors described above, the directors of the Company are of the opinion that it is appropriate to prepare the consolidated financial statements on the going concern basis. The consolidated financial statements do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

Subsidiaries deconsolidated

Notwithstanding that the Group holds 100% equity interests in Bailingda Industrial (Shenzhen) Company Limited ("BEP (China)"), Better Electrical Products (HK) Company Limited ("BEP (HK)") and BEP Corporate Management Limited ("BEPCM") as at 31 March 2009, these companies were no longer regarded as subsidiaries of the Group as the directors of the Company are of the opinion that the control of these companies had been lost during the year.

(a) BEP (China)

With reference to an announcement issued by the Company on 17 October 2008, BEP (China) had continued to incur operating losses and the directors of the Company considered that it was in the interest of the Group to cease operations of BEP (China) from 20 October 2008.

Soon after the release of the announcement, the media reported widely on the cessation of operations of BEP (China). The premises of BEP (China) were sealed by 深圳寶安區人民法院 (the "Baoan People's Court") with orders issued on 26 October 2008 and 24 November 2008 respectively. Neither the Group nor any of its employees has received the above orders from the Baoan People's Court. In this respect, the directors of the Company decided to appoint a PRC lawyer to handle the matters related thereto. According to the legal advice of this PRC lawyer, the court order issued on 26 October 2008 was to seal the premises in order to restrict entrance except authorised government officers. The court order issued on 24 November 2008 was to seal the assets inside the premises after investigation by the government officers.

Since the premises of BEP (China) had been withheld by the Baoan People's Court, the directors of the Company were unable to access its complete set of underlying books and records together with the supporting documents.

The directors of the Company are of the opinion that the Group no longer had the power to govern the financial and operating policies of BEP (China), and accordingly the Group no longer controlled BEP (China) notwithstanding that the Group holds a 100% equity interest in BEP (China). It is no longer regarded as a subsidiary of the Group since all the assets of BEP (China) have been withheld by the Baoan People's Court since 26 October 2008. The directors of the Company resolved to deconsolidate BEP (China) as at that date.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

Subsidiaries deconsolidated (continued)

(a) BEP (China) (continued)

The latest management accounts available are only up to 30 September 2008. Accordingly, the results of BEP (China) have been consolidated in the consolidated financial statements of the Group up to 30 September 2008. The consolidated income statement presented a loss on deconsolidation of HK$49,677,000. Details of the deconsolidation of BEP (China) are stated in note 29(b).

On 30 April 2009, the Baoan People's Court arranged an auction of the sealed assets of BEP (China) through 深圳市安達拍賣行有限公司, an auction company in Shenzhen. The auction was concluded at a sum of approximately RMB23,000,000 (equivalent to HK$26,077,000) which exceeded the amount paid by the local government to the PRC employees for settlement of salaries and compensations upon termination of employment. However, the directors of the Company have not been updated by the Baoan People's Court for the future usage of the residual amount.

The directors of the Company are of the view that the Group has no control over BEP (China) as from 26 October 2008 and will proceed BEP (China) for liquidation when the Group is able to do so.

(b) BEP (HK) and BEPCM

After cessation of operation of BEP (China) from 20 October 2008, the trading business of electrical home appliance was affected and BEP (HK) and BEPCM continued to incur losses. In March 2009, the directors of the Company considered that the losses of BEP (HK) and BEPCM were not bearable and they were in insolvency position, accordingly the directors of the Company appointed BDO Financial Services Limited to handle the liquidation of BEP (HK) and BEPCM.

Extraordinary general meetings of BEP (HK) and BEPCM were convened on 13 March 2009 in which it had been demonstrated to the satisfaction that these companies could not, by reason of its liabilities, continue their businesses and it was resolved to wind up BEP (HK) and BEPCM by way of a voluntary winding up under Section 241 of the Hong Kong Companies Ordinance. On 27 March 2009, the notice of creditors' meetings was published on The Government of the Hong Kong Special Administrative Region Gazette. In this respect, the directors of the Company are of the opinion that the control of BEP (HK) and BEPCM had been lost in March 2009. The directors resolved to deconsolidate BEP (HK) and BEPCM as at that date.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

Subsidiaries deconsolidated (continued)

(b) BEP (HK) and BEPCM (continued)

Accordingly, the results of BEP (HK) and BEPCM have been consolidated in the consolidated financial statements of the Group up to 27 March 2009. The consolidated income statement presented a gain on winding up of HK$32,707,000. Details of the winding up of BEP (HK) and BEPCM are stated in note 29(a).

Creditors' meetings for BEP (HK) and BEPCM had been held to consider the statement of affairs. As at the date of approval of consolidated financial statements, the winding up of BEP (HK) and BEPCM are still in progress.

In the opinion of the directors of the Company, the Group has no material obligations or commitments in BEP (China), BEP (HK) and BEPCM that require either adjustments to or disclosure in these consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following amendments and interpretations of Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards ("HKFRSs") ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective. The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC)* – INT 12	Service concession arrangements
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009 [2]
HKAS 1 (Revised)	Presentation of financial statements [3]
HKAS 23 (Revised)	Borrowing costs [3]
HKAS 27 (Revised)	Consolidated and separate financial statements [4]
HKAS 32 & HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [3]
HKAS 39 (Amendment)	Eligible hedge items [4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate [3]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [3]
HKFRS 3 (Revised)	Business combinations [4]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments [3]
HKFRS 8	Operating segments [3]
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives [5]
HK(IFRIC) – INT 13	Customer loyalty programmes [6]
HK(IFRIC) – INT 15	Agreements for the construction of real estate [3]
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation [7]
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners [4]
HK(IFRIC) – INT 18	Transfer of assets from customers [8]

1 Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2009.
4 Effective for annual periods beginning on or after 1 July 2009.
5 Effective for annual periods ending on or after 30 June 2009.
6 Effective for annual periods beginning on or after 1 July 2008.
7 Effective for annual periods beginning on or after 1 October 2008.
8 Effective for transfers on or after 1 July 2009.

* IFRIC represents the International Financial Reporting Interpretations Committee.

The adoption of HKFRS 3 (Revised) may affect the Group's accounting treatment for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 April 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results or financial position of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for an interest free advance granted by the ultimate holding company which was adjusted to fair value at initial recognition and in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

All intra-company transactions, balances, income and expenses within the Group are eliminated on consolidation.

Revenue recognition

Revenue is measured at fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods is recognised when goods are delivered and title has been passed.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual values, using the straight line method.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment losses. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised 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 consolidated income statement in the year in which the item is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. 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 recognised immediately in profit or loss.

Financial assets

The Group's financial assets are mainly classified into loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

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 and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at each balance sheet date. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of loans and receivables, the estimated future cash flows of loans and receivables have been impacted.

The objective evidence of impairment could include significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payments; or it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. The objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period ranging from 30 days to 120 days and observable changes in national or local economic conditions that correlate with default on receivables.

An impairment loss is recognised in the consolidated income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of loans and receivables is reduced by the impairment loss directly with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated income statement. When trade receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through the consolidated income statement to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities, including trade and other payables, amount due to a subsidiary under liquidation, other loan, obligation under a finance lease, bank borrowings and amount due to ultimate holding company, are subsequently measured at amortised 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.

Derecognition

Financial assets are derecognised 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 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 receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated income statement.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all further costs to completion and costs to be incurred in selling and distribution.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its 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 recognised as an expense immediately.

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 that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

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 profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amount 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 recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised 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 recognised 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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 profit 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 realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Leases

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.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

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 recognised as a reduction of rental expense over the lease term on a straight line basis.

Borrowing costs

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

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 the respective 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 re-translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in the consolidated income statement in the period in which they arise.

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 Group (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 recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in the consolidated income statement in the period in which the foreign operation is disposed of.

Short-term employee benefits

When an employee has rendered service to the Group during the year, the Group recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service as a liability (accrued expense), after deducting any amount already paid; and as an expense, unless another standard requires or permits the inclusion of the benefits in the cost of an asset.

Retirement benefit schemes

Payments to state-managed retirement benefit scheme or the Mandatory Provident Fund ("MPF") Scheme are charged as expenses when employees have rendered services entitling them to contributions.

5. SEGMENT INFORMATION

For management purposes, the Group has determined that geographical segments be presented as the primary reporting format and business segments as the secondary reporting format.

Geographical segments

An analysis of the Group's turnover and contribution to segment results, assets and liabilities by geographical markets, based on the location of customers, irrespective of the origin of the goods, is presented below:

	Europe HK$'000	North America HK$'000	Australia and New Zealand HK$'000	Asia (Note1) HK$'000	Other HK$'000	Total HK$'000
Year ended 31 March 2009						
Continuing operation						
TURNOVER	–	–	–	5,977	–	5,977
RESULTS						
Segment results	–	–	–	282	–	282
Unallocated income						2
Finance costs						(1,075)
Unallocated expenses						(12,900)
Loss before taxation						(13,691)
Taxation						(22)
Loss for the year						(13,713)
ASSETS						
Segment assets	–	–	–	2,488	–	2,488
Corporate assets						1,495
						3,983
LIABILITIES						
Segment liabilities	–	–	–	2,208	–	2,208
Corporate liabilities						23,790
						25,998

5. SEGMENT INFORMATION (CONTINUED)

Geographical segments (continued)

	Europe HK$'000	North America HK$'000	Australia and New Zealand HK$'000	Asia (Note1) HK$'000	Other HK$'000	Total HK$'000
Discontinued operation						
TURNOVER	42,470	10,215	2,996	14,711	3,437	73,829
RESULTS						
Segment results						
– allocated	5,321	1,796	553	2,056	566	10,292
– unallocated (Note 2)	–	–	–	–	–	4,269
	5,321	1,796	553	2,056	566	14,561
Interest income						15
Unallocated income						133
Finance costs						(668)
Unallocated expenses						(19,698)
Gain on winding up of subsidiaries						32,707
Loss on deconsolidation of a subsidiary						(49,677)
Loss before taxation						(22,627)
Taxation						(589)
Loss for the year						(23,216)

As at 31 March 2009, there are no segment assets and segment liabilities related to discontinued operation.

5. SEGMENT INFORMATION (CONTINUED)

Geographical segments (continued)

	Europe HK$'000	North America HK$'000	Australia and New Zealand HK$'000	Asia (Note1) HK$'000	Other HK$'000	Total HK$'000
Year ended 31 March 2009						
Consolidated total						
TURNOVER	42,470	10,215	2,996	20,688	3,437	79,806
RESULTS						
Segment results						
– allocated	5,321	1,796	553	2,338	566	10,574
– unallocated (Note 2)	–	–	–	–	–	4,269
	5,321	1,796	553	2,338	566	14,843
Interest income						15
Unallocated income						135
Finance costs						(1,743)
Unallocated expenses						(32,598)
Gain on winding up of subsidiaries						32,707
Loss on deconsolidation of a subsidiary						(49,677)
Loss before taxation						(36,318)
Taxation						(611)
Loss for the year						(36,929)
ASSETS						
Segment assets	–	–	–	2,488	–	2,488
Corporate assets						1,495
						3,983
LIABILITIES						
Segment liabilities	–	–	–	2,208	–	2,208
Corporate liabilities						23,790
						25,998

5. SEGMENT INFORMATION (CONTINUED)

Geographical segments (continued)

	Europe HK$'000	North America HK$'000	Australia and New Zealand HK$'000	Asia (Note1) HK$'000	Other HK$'000	Total HK$'000
Year ended 31 March 2008						
Continuing operation						
TURNOVER	–	–	–	–	–	–
RESULTS						
Segment results	–	–	–	–	–	–
Interest income						1
Finance costs						(18)
Unallocated expenses						(5,616)
Loss before taxation						(5,633)
Taxation						–
Loss for the year						(5,633)
ASSETS						
Corporate assets						1,630
LIABILITIES						
Corporate liabilities						387

5. SEGMENT INFORMATION (CONTINUED)

Geographical segments (continued)

	Europe HK$'000	North America HK$'000	Australia and New Zealand HK$'000	Asia (Note1) HK$'000	Other HK$'000	Total HK$'000
Year ended 31 March 2008						
Discontinued operation						
TURNOVER	189,641	77,208	23,014	40,845	14,623	345,331
RESULTS						
Segment results						
– allocated	4,728	(6,727)	1,402	514	(1,702)	(1,785)
– unallocated (Note 2)	–	–	–	–	–	(12,702)
	4,728	(6,727)	1,402	514	(1,702)	(14,487)
Interest income						70
Unallocated income						1,245
Finance costs						(2,124)
Unallocated expenses						(21,067)
Loss before taxation						(36,363)
Taxation						6,040
Loss for the year						(30,323)
ASSETS						
Segment assets						
– allocated	16,026	534	852	3,426	1,239	22,077
– unallocated						84,022
						106,099
Corporate assets						11,497
						117,596
LIABILITIES						
Segment liabilities						
– allocated	1,980	–	–	–	30	2,010
– unallocated						76,586
						78,596
Corporate liabilities						14,515
						93,111

5. SEGMENT INFORMATION (CONTINUED)

Geographical segments (continued)

	Europe HK$'000	North America HK$'000	Australia and New Zealand HK$'000	Asia (Note1) HK$'000	Other HK$'000	Total HK$'000
Year ended 31 March 2008						
Consolidated total						
TURNOVER	189,641	77,208	23,014	40,845	14,623	345,331
RESULTS						
Segment results						
– allocated	4,728	(6,727)	1,402	514	(1,702)	(1,785)
– unallocated (Note 2)	–	–	–	–	–	(12,702)
	4,728	(6,727)	1,402	514	(1,702)	(14,487)
Interest income						71
Unallocated income						1,245
Finance costs						(2,142)
Unallocated expenses						(26,683)
Loss before taxation						(41,996)
Taxation						6,040
Loss for the year						(35,956)
ASSETS						
Segment assets						
– allocated	16,026	534	852	3,426	1,239	22,077
– unallocated						84,022
						106,099
Corporate assets						13,127
						119,226
LIABILITIES						
Segment liabilities						
– allocated	1,980	–	–	–	30	2,010
– unallocated						76,586
						78,596
Corporate liabilities						14,902
						93,498

Notes:

1. For segment information relating to continuing operation, Asia represents Hong Kong. For those relating to discontinued operation, Asia mainly represents Japan and Korea.
2. Reversal of (provision for) claims for employees' compensation is considered as segment income or expense but cannot be allocated based on location of customers.

5. SEGMENT INFORMATION (CONTINUED)

Geographical segments (continued)

An analysis of the Group's other information related to property, plant and equipment attributable to geographical markets by location of customers for both years is not presented as the amounts involved cannot be allocated by location of its customers.

The following table is an analysis of the carrying amount of segment assets and capital additions, analysed by the geographical areas in which the assets are located:

	Carrying amount of segment assets		Capital additions	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**2,488**	26,570	**–**	1,120
The People's Republic of China ("PRC")	**–**	79,529	**230**	4,007
	2,488	106,099	**230**	5,127

Business segments

For management purpose, the Group was organised into two operating divisions – design, manufacture and sale of home electrical appliances (discontinued operation) and trading of electronic components (continuing operation).

The following table provides an analysis of the Group's sales by operating divisions:

	2009	2008
	HK$'000	HK$'000
Design, manufacture and sale of home electrical appliances	**73,829**	345,331
Trading of electronic components	**5,977**	–
	79,806	345,311

5. SEGMENT INFORMATION (CONTINUED)

Business segments (continued)

The following table provides an analysis of the carrying amount of segment assets and additions to property, plant and equipment, analysed by the operating divisions, for the year ended 31 March 2009:

	Carrying amount of segment assets HK$'000	Capital additions HK$'000
Design, manufacture and sale of home electrical appliances	–	230
Trading of electronic components	2,488	–
	2,488	230

For the year ended 31 March 2008, 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.

6. REVERSAL OF (PROVISION FOR) CLAIMS FOR EMPLOYEES' OVERTIME COMPENSATIONS

During the year ended 31 March 2008, the Group received three batches of claims from a number of employees of the Group in the PRC (the "PRC Factory Employees") in respect of the underpayment of overtime compensations to the PRC Factory Employees for the period from 1 September 2005 to 30 June 2007. The Group disagreed with the amount of overtime compensations claimed by the PRC Factory Employees and all the three batches of claims were passed to 深圳市寶安區勞動爭議仲裁委員會 (the "Arbitration Committee"). Arbitrations of the three batches of claims were made on 4 December 2007, 14 April 2008 and 30 April 2008, respectively and the arbitrated overtime compensations payable to the PRC Factory Employees, in aggregate, amounted to approximately RMB13,718,000 (equivalent to HK$15,224,000).

The Group and the PRC Factory Employees were not satisfied with the arbitrated amounts and the three batches of claims were then submitted to the Baoan People's Court. Eventually, the Group and the PRC Factory Employees reached a consent on the settlement amounts of the first and second batches of claims which were judged by the Baoan People's Court in May 2008 and July 2008, respectively. The total agreed settlement amount of claims for employees' overtime compensations for the first and second batches of claims was amounted to RMB4,988,000 (equivalent to HK$5,535,000), which was about 50% of the full amount determined by the Arbitration Committee ("50% Settlement Basis").

6. REVERSAL OF (PROVISION FOR) CLAIMS FOR EMPLOYEES' OVERTIME COMPENSATIONS (CONTINUED)

As at the date of approval of consolidated financial statements for the year ended 31 March 2008, the third batch of claims had not been judged and concluded by the Baoan People's Court. With reference to the outcome of the first and second batches of claims and the legal advice from the Company's PRC lawyers, the directors of the Company expected the Baoan People's Court would conclude the third batch of claims on the same settlement basis as the first and second batches of claims, and the estimated amount of the third batch of claims which would be judged and concluded by the court is RMB2,075,000 (equivalent to HK$2,303,000). In addition, a provision of RMB4,383,000 (equivalent to HK$4,864,000) had been made for the year ended 31 March 2008 in respect of potential claims for underpayment of overtime compensations to other employees in the PRC before 30 June 2007. The balance of claims for employees' overtime compensations as at 31 March 2008 was HK$12,702,000.

During the year ended 31 March 2009, the third batch of claims has been judged and concluded by the Baoan People's Court. The agreed settlement amount is RMB2,433,000 (equivalent to HK$2,765,000) and the difference with the amount accrued as at 31 March 2008 of RMB358,000 (equivalent to HK$462,000) is charged to the consolidated income statement for the year.

According to the legal advice of the Company's PRC lawyers, the Group's PRC employees can claim the underpayment of overtime compensations for a period of not more than two years from the date they make their claims to the Group. No claims of overtime compensations other than the above three batches of claims have been received by the Group, accordingly, provision in respect of potential claims for underpayment of overtime compensations to other employees in the PRC lapsed after two years the other employees have worked overtime. A reversal of HK$4,731,000 is credited to the consolidated income statement and is included in loss for the year from discontinued operation.

7. FINANCE COSTS

	Continuing operation		Discontinued operation		Consolidated total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest on bank borrowings wholly repayable within five years	**–**	–	**–**	1,027	**–**	1,027
Interest on other loan	**235**	–	**–**	–	**235**	–
Imputed interest on amount due to ultimate holding company	**822**	–	**298**	–	**1,120**	–
Finance lease charges	**13**	16	**–**	–	**13**	16
Bank charges	**5**	2	**370**	1,097	**375**	1,099
	1,075	18	**668**	2,124	**1,743**	2,142

8. LOSS BEFORE TAXATION

	Continuing operation		Discontinued operation		Consolidated total	
	2009	2008	**2009**	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Loss before taxation has been arrived at after charging (crediting):						
Auditor's remuneration	**680**	–	**4**	728	**684**	728
Depreciation of property, plant and equipment						
– owned by the Group	**–**	–	**3,592**	10,896	**3,592**	10,896
– held under a finance lease	**115**	56	**–**	–	**115**	56
Loss (gain) on disposal of property, plant and equipment	**–**	–	**2,210**	(193)	**2,210**	(193)
Minimum lease payments under operating leases in respect of:						
– rented premises	**1,272**	–	**2,392**	4,087	**3,664**	4,087
– motor vehicle	**–**	–	**48**	50	**48**	50
Staff costs						
– directors' remuneration (note 9)	**1,866**	1,804	**–**	1,148	**1,866**	2,952
– staff salaries and wages	**557**	364	**20,811**	47,916	**21,368**	48,280
– (reversal of) provision for claims for employees' overtime compensations	**–**	–	**(4,269)**	12,702	**(4,269)**	12,702
– retirement benefits scheme contributions	**13**	29	**220**	281	**233**	310
	2,436	2,197	**16,762**	62,047	**19,198**	64,244
Interest income	**–**	(1)	**(15)**	(70)	**(15)**	(71)

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable by the Group to the directors of the Company are as follows:

For the year ended 31 March 2009

	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors:				
Zhang Xi	–	257	12	269
Chen Yang	–	747	12	759
Cai Duanhong	–	257	12	269
Zhang Yu	–	257	12	269
Independent non-executive directors:				
Hong Po Kui, Martin	100	–	–	100
Yam Tak Fai, Ronald	100	–	–	100
Wong Man Hin, Raymond	100	–	–	100
	300	1,518	48	1,866

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

For the year ended 31 March 2008

	Notes	Fees HK$'000	Salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
Executive directors:					
Zhang Xi	(a)	–	299	4	303
Chen Yang	(a)	–	299	4	303
Cai Duanhong	(a)	–	299	4	303
Zhang Yu	(b)	–	1	–	1
Chan Tat	(c)	–	762	–	762
Chan Man Kei	(c)	–	–	–	–
Lee Kam Hung	(c)	–	955	7	962
Poon Tat Hang	(d)	–	–	–	–
Non-executive director:					
Hong Jing Yu	(c)	69	–	–	69
Independent non-executive directors:					
Hong Po Kui, Martin	(a)	48	–	–	48
Yam Tak Fai, Ronald	(a)	48	–	–	48
Wong Man Hin, Raymond	(a)	48	–	–	48
Hong Yee Kwong, Paul	(c)	35	–	–	35
Lam King Pui	(c)	35	–	–	35
Wu Tai Cheung	(c)	35	–	–	35
		318	2,615	19	2,952

Notes:

(a) These directors were appointed on 9 October 2007.
(b) The director was appointed on 31 March 2008.
(c) These directors resigned on 29 October 2007.
(d) The director resigned on 7 August 2007.

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Employees

The five highest paid individuals of the Group included one (2008: two) director(s), details of whose remuneration are set out above. The emoluments of the remaining four (2008: three) highest paid employee are as follows:

	2009 **HK$'000**	2008 HK$'000
Salaries and allowances	**1,381**	1,306
Retirement benefits scheme contributions	**33**	36
	1,414	1,342

Emoluments of these employees were within the following band:

	Number of employees **2009**	2008
Nil – HK$1,000,000	**4**	3

10. TAXATION

	Continuing operation		**Discontinued operation**		**Consolidated total**	
	2009 **HK$'000**	2008 HK$'000	**2009** **HK$'000**	2008 HK$'000	**2009** **HK$'000**	2008 HK$'000
The (charge) credit comprises:						
Hong Kong Profits Tax						
Overprovision in prior year	**–**	–	**–**	1,933	**–**	1,933
Deferred taxation (note 24)	**(22)**	–	**(589)**	4,107	**(611)**	4,107
	(22)	–	**(589)**	6,040	**(611)**	6,040

Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the companies operating in Hong Kong have no assessable profits for both years.

10. TAXATION (CONTINUED)

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008–2009. The effect of such decrease has been reflected in measuring the current tax for the year ended 31 March 2009.

Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. No provision for PRC enterprise income tax was made for 2009 since the subsidiary operating in the PRC incurred a tax loss for the year. No provision for PRC enterprise income tax has been made for 2008 as the profit of that subsidiary was wholly absorbed by tax losses brought forward.

According to a joint circular of the Ministry of Finance and State Administration of Taxation, Cai Shui 2008 No. 1, only the profits earned by foreign-investment enterprise prior to 1 January 2008, when distributed to foreign investors, can be grandfathered and exempted from withholding tax. Whereas, dividend distributed out of the profits generated thereafter, shall be subject to the Enterprise Income Tax at 5% or 10% and withheld by the PRC entities, pursuant to Articles 3 and 27 of the New Law and Article 91 of its Detailed Implementation Rules. No deferred tax liability on the undistributed profits earned during the year ended 31 March 2009 has been recognised as the subsidiary operating in the PRC incurred losses.

Taxation (charge) credit for the year can be reconciled to the loss before taxation per the consolidated income statement as follows:

	2009 **HK$'000**	2008 HK$'000
Loss before taxation	**(36,318)**	(41,996)
Tax credit at the domestic income tax rate of 16.5% (2008: 17.5%)	**5,992**	7,349
Tax effect of expenses that are not deductible for taxation purposes	**(9,327)**	(993)
Tax effect of income that is not taxable for taxation purposes	**5,396**	82
Tax effect of tax losses not recognised	**(3,629)**	(1,878)
Utilisation of tax losses previously not recognised	**812**	867
Effect of different tax rate	**145**	49
Overprovision in prior year	**–**	1,933
Others	**–**	(1,369)
Taxation (charge) credit for the year	**(611)**	6,040

11. DISCONTINUED OPERATION

BEP (China) and BEP (HK) are principally engaged in the design, manufacture and sale of home electrical appliances. Upon deconsolidation of BEP (China) and winding up of BEP (HK) during the year, the Group has ceased these operations. Accordingly, the design, manufacture and sale of home electrical appliances operation is presented as a discontinued operation in the consolidated financial statements. The results of the design, manufacture and sale of home electrical appliances operation for the year, which have been included in the consolidated income statement, are as follows:

	Notes	**2009 HK$'000**	2008 HK$'000
Turnover	5	**73,829**	345,331
Cost of sales		**(59,168)**	(337,107)
Gross profit		**14,661**	8,224
Other income		**148**	1,315
Selling and distribution costs		**(4,369)**	(10,009)
Administrative expenses		**(19,698)**	(21,067)
Reversal of (provision for) claims for employees' overtime compensations	6	**4,269**	(12,702)
Finance costs	7	**(668)**	(2,124)
Loss before taxation	8	**(5,657)**	(36,363)
Taxation	10	**(589)**	6,040
Loss of design, manufacture and sale of home electrical appliances operation for the year		**(6,246)**	(30,323)
Gain on winding up of subsidiaries	29(a)	**32,707**	–
Loss on deconsolidation of a subsidiary	29(b)	**(49,677)**	–
		(23,216)	(30,323)

During the year, BEP (China) and BEP (HK) used HK$7,176,000 (2008: contributed HK$31,446,000) in respect of the Group's net operating cash flows, paid HK$285,000 (2008: HK$5,279,000) in respect of investing activities and paid HK$4,417,000 (2008: HK$17,212,000) in respect of financing activities.

The carrying amounts of the assets and liabilities of BEP (China) and BEP (HK) at the date of disposal are disclosed in note 29.

12. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2009, nor has any dividend been proposed since the balance sheet date (2008: nil).

13. LOSS PER SHARE

For continuing and discontinued operations

The calculation of basic loss per share is based on the loss for the year attributable to shareholders of the Company of HK$36,929,000 (2008: HK$35,956,000) and on the weighted average of 4,852,000,000 ordinary shares (2008: 4,833,628,415) in issue during the year.

From continuing operation

The calculation of basic loss per share is based on the loss for the year from continuing operation attributable to shareholders of the Company of HK$13,713,000 (2008: HK$5,633,000) and on the weighted average of 4,852,000,000 ordinary shares (2008: 4,833,628,415) in issue during the year.

14. PROPERTY, PLANT AND EQUIPMENT

	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	Construction in progress HK$'000	Total HK$'000
COST								
At 1 April 2007	55,386	62,975	918	2,503	2,933	2,569	–	127,284
Currency realignment	5,385	4,936	–	101	–	22	–	10,444
Additions	750	3,977	–	8	558	29	400	5,722
Disposals	–	–	–	–	(678)	–	–	(678)
At 31 March 2008	61,521	71,888	918	2,612	2,813	2,620	400	142,772
Currency realignment	1,212	1,172	–	23	2	5	8	2,422
Additions	–	–	–	–	15	55	230	300
Disposals	(1,820)	(13,539)	(897)	(1,474)	(1,793)	(1,563)	–	(21,086)
Deconsolidation of a subsidiary	(60,913)	(59,521)	–	(1,153)	(117)	(251)	(638)	(122,593)
Winding up of subsidiaries	–	–	(21)	(8)	(461)	(866)	–	(1,356)
At 31 March 2009	–	–	–	–	459	–	–	459
DEPRECIATION								
At 1 April 2007	37,499	55,223	911	2,369	2,817	2,446	–	101,265
Currency realignment	3,672	4,412	–	89	–	17	–	8,190
Provided for the year	3,432	7,179	7	43	193	98	–	10,952
Eliminated on disposals	–	–	–	–	(678)	–	–	(678)
At 31 March 2008	44,603	66,814	918	2,501	2,332	2,561	–	119,729
Currency realignment	889	1,097	–	21	–	5	–	2,012
Provided for the year	1,565	1,936	–	23	142	41	–	3,707
Eliminated on disposals	(972)	(12,191)	(898)	(1,467)	(1,792)	(1,556)	–	(18,876)
Deconsolidation of a subsidiary	(46,085)	(57,656)	–	(1,073)	(51)	(239)	–	(105,104)
Winding up of subsidiaries	–	–	(20)	(5)	(461)	(812)	–	(1,298)
At 31 March 2009	–	–	–	–	170	–	–	170
CARRYING VALUES								
At 31 March 2009	–	–	–	–	289	–	–	289
At 31 March 2008	16,918	5,074	–	111	481	59	400	23,043

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation is provided to write off the cost of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual values, 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	20 – 25%
Computer equipment	25%

The carrying value of motor vehicles of HK$289,000 (2008: HK$481,000) includes an amount of HK$273,000 (2008: HK$388,000) in respect of asset held under a finance lease.

15. INVENTORIES

	2009 HK$'000	2008 HK$'000
Raw materials	**–**	10,528
Work in progress	**–**	34,509
Finished goods	**–**	8,879
	–	53,916

16. TRADE AND OTHER RECEIVABLES

	2009 HK$'000	2008 HK$'000
Trade debtors	**–**	22,077
Trade deposits paid	**2,488**	2,343
Value added tax recoverable	**–**	5,371
Sundry debtors and prepayments	**1,039**	2,960
	3,527	32,751

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

The aged analysis of trade debtors at the balance sheet date is as follows:

	2009 **HK$'000**	2008 HK$'000
0 – 30 days	–	17,097
31 – 60 days	–	1,351
61 – 180 days	–	275
Over 180 days	–	3,354
	–	22,077

Trade debts which were settled by letters of credit were 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 provided a credit period normally ranging from 30 to 90 days to its customers. Before accepting any new customers, the management will internally assess the credit quality of the potential customer and define appropriate credit limits. The management has assessed the credit quality of trade debtors that are neither past due nor impaired and considered no impairment is necessary in view of their goods repayment history and low default rates.

Included in the Group's trade debtors as at 31 March 2008 were debtors with aggregate carrying amount of HK$3,368,000 (2009: nil) which were past due at the reporting date for which the Group had not provided for impairment loss as the Group considered that the default risk was low after assessing the past payment history of the debtors and settlement after the balance sheet date. The Group did not hold any collateral over these balances.

The aged analysis of trade debtors which were past due but not impaired is as follows:

	2009 **HK$'000**	2008 HK$'000
91 – 180 days	–	14
181 – 365 days	–	3,065
Over 1 year	–	289
	–	3,368

Included in trade debtors as at 31 March 2008 were bills discounted with recourse amounting to HK$3,883,000 (2009: nil).

17. BANK BALANCES AND CASH

The bank balances carry interest at market rates which range from 0.01% to 0.1% (2008: 0.1% to 3.50%) per annum.

18. TRADE AND OTHER PAYABLES

	2009 HK$'000	2008 HK$'000
Trade creditors	–	63,884
Claims for employees' overtime compensations (note 6)	–	12,702
Other payables and accruals	5,094	5,424
Trade deposits received	2,208	2,010
	7,302	84,020

The aged analysis of trade creditors at the balance sheet date is as follows:

	2009 HK$'000	2008 HK$'000
0 – 30 days	–	18,323
31 – 60 days	–	23,839
61 – 180 days	–	18,806
Over 180 days	–	2,916
	–	63,884

The credit period on purchases of goods is ranged from 60 to 90 days.

19. AMOUNT DUE TO A SUBSIDIARY UNDER LIQUIDATION

The amount is unsecured, interest free and repayable on demand.

20. OTHER LOAN

The amount of RMB4,000,000 (equivalent to HK$4,535,000) is unsecured, interest bearing at prevailing market rate ranging from 5% to 6.5% per annum and repayable in full on 1 April 2010. Subsequent to the balance sheet date, the other loan was assigned by the lender and repayment date was extended with details set out in note 35.

21. OBLIGATIONS UNDER A FINANCE LEASE

In prior year, the Group entered into a finance lease to acquire a motor vehicle. The lease term is 3 years and the interest rate is fixed at 12% per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Amount payable under finance lease				
Within one year	**124**	124	**111**	111
In more than one year but not more than two years	**124**	124	**111**	111
In more than two years but not more than five years	**48**	166	**44**	155
	296	414	**266**	377
Less: Future finance charges	**(30)**	(37)	**N/A**	N/A
Present value of lease obligation	**266**	377	**266**	377
Less: Amount due for settlement within one year (shown under current liabilities)			**(111)**	(111)
Amount due for settlement after one year			**155**	266

The Group's obligations under a finance lease is secured by the lessor's charge over the leased asset.

22. BANK BORROWINGS

	2009 HK$'000	2008 HK$'000
Loans related to bills discounted with recourse (note 16)	**–**	3,883
Trust receipts and import loans	**–**	549
	–	4,432

As at 31 March 2008, the bank borrowings were secured by debentures on all assets of the Company, BEPCL and BEP (HK); pledge of shares of BEP (China); and corporate guarantee given by the Company and BEPCL, interest bearing at 1.25% per annum above London Interbank Offered Rate/Hong Kong Interbank Offered Rate, ranging from 3.23% to 6.40% per annum, and fully repaid upon termination of banking facilities during the year.

23. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

During the year, Big Jump has advanced a sum of HK$12,170,000 (2008: HK$5,000,000) to the Company. These advances are unsecured and interest free. The advances of HK$12,170,000 granted during the year are due on 1 April 2010 and the advance of HK$5,000,000 granted in 2008 was deconsolidated on winding up of a subsidiary.

The fair value at initial recognition, amounting to HK$10,829,000 (2008: HK$4,669,000), was determined based on the present value of the estimated future cash flows discounted using an interest rate of 7.1% (2008: 6.4%), which is similar to the effective interest rate of bank borrowings.

Subsequent to the balance sheet date, the amount was assigned by Big Jump and repayment date was extended with details set out in note 35.

24. DEFERRED TAXATION

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Claims for employees' overtime compensations HK$'000	Tax losses HK$'000	Total HK$'000
At 1 April 2007	(446)	–	–	(446)
Credit to income for the year	1,594	2,287	226	4,107
At 31 March 2008	1,148	2,287	226	3,661
Credit (charge) to income for the year	158	(769)	–	(611)
Deconsolidation of a subsidiary	(1,554)	(1,518)	–	(3,072)
Winding up of subsidiaries	226	–	(226)	–
At 31 March 2009	**(22)**	**–**	**–**	**(22)**

The Group has not recognised deferred tax asset in respect of tax losses of HK$7,250,000 (2008: HK$67,465,000) due to the unpredictability of future profit streams. A deferred tax asset has been recognised in respect of nil (2008: HK$1,292,000) of tax losses. During the year, tax losses of HK$16,882,000 and HK$60,410,000 were eliminated on deconsolidation and winding up of subsidiaries, respectively.

Included in the tax losses are losses of nil (2008: HK$5,264,000) that will expire in the year of 2011, the remaining tax losses of HK$7,250,000 (2008: HK$63,493,000) have not been agreed by Inland Revenue Department.

25. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.01 each at 1 April 2007	10,000,000,000	100,000
Subdivision of shares	190,000,000,000	–
Ordinary shares of HK$0.0005 each at 31 March 2008 and 31 March 2009	200,000,000,000	100,000
Issued and fully paid:		
Ordinary shares of HK$0.01 each at 1 April 2007	240,000,000	2,400
Issue of shares upon exercise of share options	2,600,000	26
Subdivision of shares	4,609,400,000	–
Ordinary shares of HK$0.0005 each at 31 March 2008 and 31 March 2009	4,852,000,000	2,426

The new shares issued during the year ended 31 March 2008 rank pari passu in all respects with the existing shares in issue.

Pursuant to an ordinary resolution passed at special general meeting of the Company held on 17 January 2008, the authorised share capital of the Company of HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each was and hereby subdivided into 200,000,000,000 shares of HK$0.0005 each by subdividing every issued and unissued share of HK$0.01 in the capital of the Company into 20 shares of HK$0.0005 each ("Subdivided Shares") and that all the Subdivided Shares rank pari passu in all respects.

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.

26. SHARE OPTION SCHEME (CONTINUED)

Under the Scheme, the Board may, at its discretion, invite any employees of the Group, including any executive directors of the Company and its subsidiaries, to take up options to subscribe for the Company's shares. Consideration of HK$1 is payable on the grant of an option. The exercise price of the options may be determined by the Board in its absolute discretion but must not be less than the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares on the date of grant. The options vest immediately from the date of grant and may be exercised in accordance with the terms of the Scheme at any time during the period to be determined and notified by the Board to each grantee but in any event such period may not be more than ten years after it has been granted.

The total number of shares issued and to be issued upon exercise of options granted and to be granted to each grantee in any 12-month period up to and including the date of further grant must not exceed 1% of the shares in issue. Any further grant of options in excess of the above limit is subject to shareholders' approval in a general meeting. The total number of shares which may be issued upon exercise of all outstanding options granted and yet to be issued under the Scheme and any other share option scheme adopted by the Company must not exceed 30% of the shares in issue from time to time.

No options were outstanding, granted or exercised during the year ended 31 March 2009 and no options were outstanding as at 31 March 2009. The movements of the options granted under the Scheme for the year ended 31 March 2008 were as follows:

Date of grant	Exercise price HK$	Number of share options Outstanding at 1.4.2007	Exercised during the year	Outstanding at end 31.3.2008
13 August 2003	0.69	2,600,000	(2,600,000)	–
Exercisable at the end of the year				–
Holders of the share options are analysed as follows:				
Directors		1,500,000	(1,500,000)	–
Employees		1,100,000	(1,100,000)	–
		2,600,000	(2,600,000)	–

26. SHARE OPTION SCHEME (CONTINUED)

The above options were granted for an exercise period of ten years from the date of grant of the options.

In respect of the share options exercised during the year ended 31 March 2008, the weighted average share price (before subdivision of shares) at the dates of exercise was HK$1.8.

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes other loan, bank borrowings and amount due to ultimate holding company disclosed in notes 20, 22 and 23 and equity attributable to shareholders of the Company, comprising issued share capital, reserves and accumulated profits/losses.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

28. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**167**	27,932
Financial liabilities		
Financial liabilities at amortised cost	**18,408**	85,687

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, amount due to a subsidiary under liquidation, other loan, bank borrowings and amount due to ultimate holding company. Details of these financial instruments are disclosed in 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.

28. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Currency risk

The Group has foreign currency denominated monetary assets and liabilities, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, mainly represented by trade and other receivables, bank balances and cash, trade and other payables, other loan and bank borrowings, at the reporting date are as follows:

	2009		2008	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	**HK$'000**	HK$'000	HK$'000
Renminbi ("RMB")	**–**	**4,535**	–	1,602
United States dollars ("USD")	**8**	**–**	25,051	12,736

The Group believes its exposure to foreign exchange rate is not significant. At present, the Group does not intend to hedge its exposure to foreign exchange risk profile and will consider appropriate hedging measures in future as may be necessary.

Sensitivity analysis

For the year ended 31 March 2008, the Group was mainly exposed to USD. Under the linked exchange rate system, the financial impact on exchange difference between HKD and USD would be immaterial and therefore no sensitivity analysis has been prepared.

For the year ended 31 March 2009, the Group is mainly exposed to RMB. The following table details the Group's sensitivity to a 5% increase and decrease in HKD against RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number indicates a decrease in loss for the year where HKD strengthens against RMB. For a 5% weakening of HKD against RMB, there would be an equal and opposite impact on the loss for the year, and the balances below would be negative.

	2009	2008
	HK$'000	HK$'000
Decrease in loss for the year	**227**	80

28. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Cash flow interest rate risk

The Group has cash flow interest rate risk on floating-rate borrowings. The Group currently does not have any policy on cash flow hedges of interest rate risk. The management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

As at 31 March 2009, the Group's cash flow interest rate risk was mainly concentrated on the fluctuation of Hong Kong prime rate arising from its floating-rate other loan.

As at 31 March 2008, the Group's cash flow interest rate risk was mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate and London Interbank Offered Rate arising from its floating-rate bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for floating-rate borrowings at the balance sheet date. The analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 31 March 2009 would increase/decrease by HK$23,000 (2008: HK$22,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate borrowings.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

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 2009 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

28. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

As at 31 March 2008, the Group's concentration of credit risk on trade receivables by geographical locations was mainly in Europe. The trade debtors located in Europe, which are mainly engaged in the business of retail and wholesale of home electrical appliances, accounted for 73% of the Group's total trade debtors as at 31 March 2008. The Group also had concentration of credit risk by customers as 43% and 86% of the total trade debtors were due from the Group's largest customer and the five largest customers respectively. In the opinion of the directors, four out of the five largest customers are international customers with good credibility.

Liquidity risk

In the management of the liquidity risk, the Group matches the maturity profiles of financial assets and liabilities and monitors the borrowings. The Group relies on financing from ultimate holding company and other loan as a significant source of liquidity.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay and includes both interest and principal cash flows.

28. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objectives and policies (continued)

Liquidity table

	Effective interest rate %	Repayable on demand HK$'000	Less than 3 months HK$'000	4-6 months HK$'000	7-12 months HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total Carrying amounts HK$'000
At 31 March 2009								
Amount due to a subsidiary under liquidation	–	2,222	–	–	–	–	2,222	2,222
Amount due to ultimate holding company	7.1	–	–	–	–	12,170	12,170	11,651
Obligations under a finance lease	12.0	–	31	31	62	172	296	266
Other loan – variable rate	6.5	–	–	–	–	4,830	4,830	4,535
		2,222	31	31	62	17,172	19,518	18,674
At 31 March 2008								
Trade and other payables	–	–	76,586	–	–	–	76,586	76,586
Amount due to ultimate holding company	6.4	–	–	–	–	5,000	5,000	4,669
Obligations under a finance lease	12.0	–	31	31	62	290	414	377
Bank borrowings – variable rate	3.2	–	4,467	–	–	–	4,467	4,432
		–	81,084	31	62	5,290	86,467	86,064

Fair values

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

29. DECONSOLIDATION OF A SUBSIDIARY/WINDING UP OF SUBSIDIARIES

(a) Gain on winding up of subsidiaries (BEP (HK) and BEPCM)

Details of the net assets disposed of are set out below.

	2009 HK$'000	2008 HK$'000
Net assets disposed of:		
Property, plant and equipment	58	–
Trade and other receivables	4,776	–
Amount due from a group company	2,222	–
Bank balances and cash	7	–
Trade and other payables	(35,062)	–
Amount due to ultimate holding company	(4,708)	–
	(32,707)	–
Gain on winding up of subsidiaries	32,707	–
	–	–
Analysis of net outflow of cash and cash equivalents arising from winding up of subsidiaries		
Bank balances and cash of winding up subsidiaries	(7)	–

29. DECONSOLIDATION OF A SUBSIDIARY/WINDING UP OF SUBSIDIARIES (CONTINUED)

(b) Loss on deconsolidation of a subsidiary (BEP (China))

Details of the net assets disposed of are set out below.

	2009 HK$'000	2008 HK$'000
Net assets disposed of:		
Property, plant and equipment	17,489	–
Deferred tax assets	3,072	–
Inventories	57,996	–
Trade and other receivables	5,295	–
Bank balances and cash	1,522	–
Trade and other payables	(21,122)	–
	64,252	–
Loss on deconsolidation of a subsidiary	(49,677)	–
Translation reserve released upon deconsolidation	(14,575)	–
	–	–
Analysis of net outflow of cash and cash equivalents arising from deconsolidation of a subsidiary		
Bank balances and cash of a deconsolidated subsidiary	(1,522)	–

30. MAJOR NON-CASH TRANSACTION

During the year ended 31 March 2008, the Group entered into a finance lease arrangement in respect of asset with a total capital value at the inception of the lease of HK$444,000 (2009: nil).

31. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2009 HK$'000	2008 HK$'000
Rented premises		
Within one year	**2,501**	2,501
In the second to fifth years inclusive	**393**	143
	2,894	2,644
Motor vehicle		
Within one year	**–**	120
In the second to fifth years inclusive	**–**	70
	–	190

Operating lease payments represent rentals payable by the Group for its office and factory premises and motor vehicle. Leases are negotiated for an average term of two years and rentals are fixed over the lease terms.

32. RETIREMENT BENEFITS SCHEME

The Group participates in the MPF Scheme implemented by the Hong Kong Government 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 trustee. The Group contributes 5% of relevant payroll costs with a cap of monthly contribution HK$1,000 to the MPF Scheme, which contribution is matched by employees.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

33. LITIGATIONS

(a) BEP (China)

Up to the date of approval of the consolidated financial statements, the Group received claims from a number of suppliers of an aggregate amount of RMB14,502,000 (equivalent to HK$16,442,000) against BEP (China). All claims have either been settled through court mediation or are in the court proceedings. The premises of BEP (China) have been withheld by the Baoan People's Court, and there is a possibility that new claims might be made against the Group for which the Group has no knowledge. With the advice from a legal adviser, the directors of the Company are of the opinion that BEP (China) will be liable for its own debts and liabilities as it is a company established in the PRC with limited liability. As a result, the Group has no legal obligation to pay the alleged debts and interest. Accordingly, no provision in respect thereof has been made in the consolidated financial statements.

(b) BEP (HK)

Up to the date of approval of the consolidated financial statements, the Group also received claims of an aggregate amount of HK$19,705,000 against BEP (HK). As BEP (HK) has appointed a liquidator and is in the process of winding up, there is a possibility that new claims might be made against BEP (HK) for which the Group has no knowledge. As BEP (HK) is a limited liability company incorporated in Hong Kong, the directors of the Company are of the opinion that the Group has no legal obligation to pay the alleged debts and interest. Accordingly, no provision in respect thereof has been made in the consolidated financial statements.

34. RELATED PARTY TRANSACTIONS

During the year ended 31 March 2008, the Group paid rental expenses of HK$2,446,000 to a related company which was beneficially owned by a director of the Company (2009: nil).

Compensation of key management personnel

Details of the remuneration of key management personnel during the year are set out as below:

	2009 HK$'000	2008 HK$'000
Short-term employee benefits	**2,899**	3,921
Post employment benefits	**81**	55
	2,980	3,976

35. POST BALANCE SHEET EVENT

In January 2008, Mr. Zhang Xi, a director and major shareholder of the Company, entered into a loan agreement with Longtale International Limited ("Longtale") and Elite Agent Limited ("Elite") for facilities granted to him and charged 3,453,000,000 shares, representing approximately 71.17% of the issued share capital of the Company, held by Big Jump as security. Mr. Zhang Xi has defaulted the repayment of the loan and this empowered Longtale and Elite the right to sell the charged shares.

In addition, on 30 May 2009, the advance from Big Jump, which is wholly and beneficially owned by Mr. Zhang Xi, with total principal amount of approximately HK$17,170,000 (representing the advance to the Group with principal amount of HK$12,170,000 as set out in note 23 and the advance to BEP (HK) with principal amount of HK$5,000,000 which was deconsolidated on winding up of BEP (HK)) was assigned to Elite. On the same date, the other loan of RMB4,000,000 (equivalent to HK$4,535,000) as set out in note 20 was also assigned to Elite. There is no change in repayment terms upon assignments of the advance from Big Jump and the other loan.

On 10 June 2009, Longtale and Elite entered into a sale and purchase agreement with Long Channel for the disposal of 2,703,000,000 shares in the Company, representing part of the charged shares as mentioned above, for a consideration of HK$9,000,000 and the debts owed by the Group to Elite of an aggregate amount of approximately HK$21,705,000 for an aggregate consideration of HK$13,000,000. There is no change in repayment terms upon assignment of the debts owed by the Group to Elite. After the completion of the sale and purchase agreement on 24 June 2009, Long Channel has become the immediate holding company of the Company.

On 7 July 2009, Long Channel agreed to extend the repayment date of the debts owed by the Group to 1 April 2011. On 9 July 2009, the Group entered into a facility agreement with Long Channel for a loan facility in an aggregate principal amount up to HK$20,000,000 to finance the Group's operations. Such loan is unsecured, interest bearing at 1% per annum and repayable after the expiry of 18 months from the date of facility agreement or any other date as agreed by Long Channel or the Group in writing.

36. SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 March 2009 and 2008 are as follows:

Name of subsidiary	Place of incorporation or registration/ operations	Nominal value of issued ordinary share capital/ registered capital	Attributable equity interest to the Group 2009	2008	Principal activities
Better Electrical Products Company Limited* (Note a)	British Virgin Islands ("BVI")/Hong Kong	US$10,000	**100%**	100%	Investment holding
BEP Corporate Services Limited# (Note b)	Hong Kong	HK$1	**100%**	–	Provision of management services
BEP Enterprises Limited*# (Notes a and b)	Samoa/Hong Kong	US$1	**100%**	–	Investment holding
BEP International Trading Limited*# (Notes a and b)	Samoa/Hong Kong	US$1	**100%**	–	Investment holding
BEP Management Services Limited# (Note b)	Hong Kong	HK$100	**100%**	–	Provision of management services
Better Business Services Limited# (Note b)	Hong Kong	HK$1	**100%**	–	Provision of management services
Smart Luck Trading Limited# (Note b)	Hong Kong	HK$100	**100%**	–	Trading of home electrical appliances and electronic components
Top Splendor International Development Limited*# (Notes a and b)	BVI/Hong Kong	US$100	**100%**	–	Investment holding
BEP (China) (Note c)	PRC	US$9,000,000	**–**	100%	Manufacture of home electricial appliances
BEP (HK) (Note d)	Hong Kong	HK$10,000	**–**	100%	Design, manufacture and sale of home electrical appliances
BEPCM (Note d)	Hong Kong	HK$10,000	**–**	100%	Dormant

Notes:

(a) Directly held by the Company.

(b) These subsidiaries were incorporated during the year.

(c) The subsidiary was deconsolidated during the year.

(d) These subsidiaries were placed under voluntary liquidation during the year.

None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.

Five-Year Financial Summary

	Year ended 31 March				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
RESULTS					
Turnover	204,472	280,876	385,393	345,331	**79,806**
(Loss) profit before taxation	(26,507)	(18,323)	13,847	(41,996)	**(36,318)**
Taxation	(462)	–	(364)	6,040	**(611)**
(Loss) profit for the year	(26,969)	(18,323)	13,483	(35,956)	**(36,929)**

	At 31 March				
	2005	2006	2007	2008	**2009**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
ASSETS AND LIABILITIES					
Total assets	104,729	115,265	133,761	119,226	**3,983**
Total liabilities	52,744	80,240	83,065	93,498	**25,998**
	51,985	35,025	50,696	25,728	**(22,015)**
Balance (deficiency) of shareholders' equity	51,985	35,025	50,696	25,728	**(22,015)**