



B 螢輝集團有限公司
BRIGHT INTERNATIONAL GROUP LTD.

(Incorporated in Bermuda with limited liability)

〈於百慕達註冊成立之有限公司〉

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Interim Report
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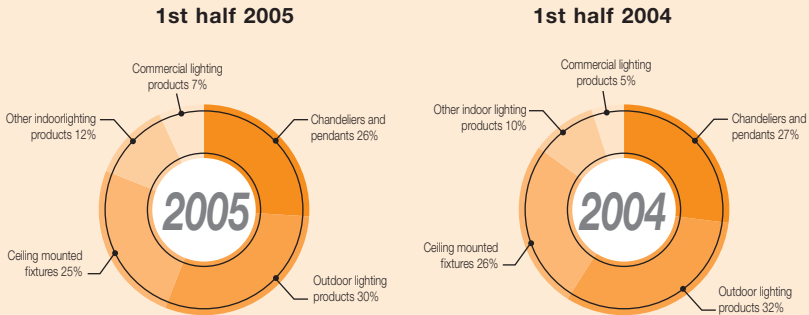
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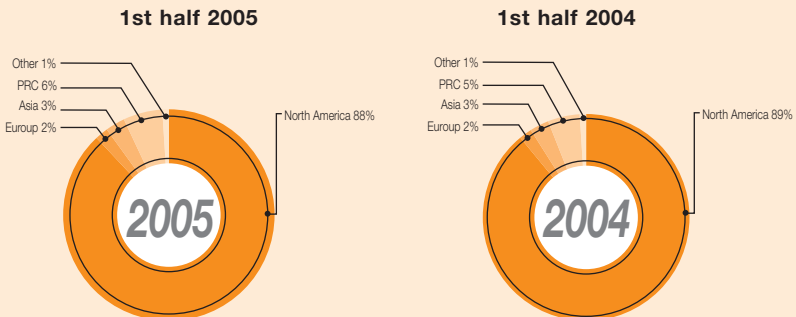
INTERIM RESULTS HIGHLIGHTS:

- Turnover for the first half of 2005 amounted to HK\$389,484,000, increased by approximately 3%
- The Group continued to explore the PRC market with a significant growth in turnover of approximately 30% for the first half of 2005
- The Group's turnover from commercial lighting products has satisfactorily increased by approximately 45%

COMPARISON OF TURNOVER BY PRODUCTS



COMPARISON OF TURNOVER BY MARKETS



INTERIM RESULTS

The Board of Directors (the “Board”) of Bright International Group Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2005 (the “Period”), together with the comparative figures for the corresponding period in 2004 as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT

		For the six months ended 30 June	
	<i>Notes</i>	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
TURNOVER	3	389,484	378,663
Cost of sales		(291,697)	(276,120)
GROSS PROFIT		97,787	102,543
Other revenue	4	1,923	2,720
Selling and distribution costs		(20,760)	(17,987)
Administrative expenses		(54,489)	(49,424)
Other operating expenses		(7,989)	(6,568)
PROFIT FROM OPERATING ACTIVITIES	5	16,472	31,284
Finance costs	6	(13)	(38)
PROFIT BEFORE TAX		16,459	31,246
Tax	7	(974)	(244)
PROFIT AFTER TAX FOR THE PERIOD		15,485	31,002
Attributable to:			
Equity holders of the parent		15,485	31,151
Minority interest		-	(149)
		15,485	31,002
INTERIM DIVIDEND	8	-	17,168
EARNINGS PER SHARE - BASIC	9	HK3.1 cents	HK6.3 cents

CONDENSED CONSOLIDATED BALANCE SHEET

		At 30 June 2005 (Unaudited) HK\$'000	At 31 December 2004 (Audited) HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets		269,303	250,780
Goodwill	10	25,853	7,117
		295,156	257,897
CURRENT ASSETS			
Trading securities		3,291	2,707
Inventories		91,746	67,748
Trade receivables	11	79,279	61,084
Prepayments, deposits and other receivables		35,416	25,308
Pledged time deposits		8,219	8,219
Cash and cash equivalents		36,806	83,629
		254,757	248,695
CURRENT LIABILITIES			
Trade payables	12	92,180	75,829
Provision for tax		17,804	18,655
Other payables and accruals	13	59,181	37,050
		169,165	131,534
NET CURRENT ASSETS		85,592	117,161
TOTAL ASSETS LESS CURRENT LIABILITIES		380,748	375,058
NON-CURRENT LIABILITIES			
Deferred tax liabilities		7,790	7,790
		372,958	367,268
CAPITAL AND RESERVES			
Issued capital	14	49,050	49,050
Reserves		323,908	308,408
Proposed final dividend		-	9,810
		372,958	367,268

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital (Unaudited) HK\$'000	Share premium (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Investment property revaluation reserve (Unaudited) HK\$'000	Fixed asset revaluation reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Proposed final dividend (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Minority interest (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 1 January 2004	49,050	54,252	286	1,036	15,501	448	7,358	208,326	304	336,561
Final 2003 dividend declared	-	-	-	-	-	-	(7,358)	-	-	(7,358)
Surplus on revaluation	-	-	-	-	4,575	-	-	-	-	4,575
Exchange realignment	-	-	-	-	-	(246)	-	-	-	(246)
Net gains and losses not recognised in the profit and loss account	-	-	-	-	4,575	(246)	-	-	-	4,329
Net profit for the year	-	-	-	-	-	-	-	51,208	(304)	50,904
2003 Interim Dividends	-	-	-	-	-	-	-	(17,168)	-	(17,168)
Proposed 2003 final dividend	-	-	-	-	-	-	9,810	(9,810)	-	-
At 31 December 2004 and 1 January 2005	49,050	54,252	286	1,036	20,076	202	9,810	232,556	-	367,268
Final 2004 dividend declared	-	-	-	-	-	-	(9,810)	-	-	(9,810)
Exchange realignment	-	-	-	-	-	15	-	-	-	15
Net gains and losses not recognised in the profit and loss account	-	-	-	-	-	15	-	-	-	15
Net profit for the period	-	-	-	-	-	-	-	15,485	-	15,485
At 30 June 2005	49,050	54,252	286	1,036	20,076	217	-	248,041	-	372,958

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	16,459	31,246
Adjustments for:		
Interest income	(589)	(655)
Interest expenses	13	38
Gain on disposal of trading securities	(191)	(503)
Depreciation	11,075	9,037
Amortization of goodwill	-	2,061
Impairment of goodwill	3,558	-
Impairment of trading securities	500	-
Operating profit before working capital changes	<u>30,825</u>	41,224
(Increase)/decrease in trade receivables	(12,478)	6,805
Increase in prepayments, deposits and other receivables	(8,335)	(10,623)
Increase in inventories	(18,197)	(537)
Increase/(decrease) in trade payables	16,350	(1,047)
Increase in accruals and other liabilities	1,744	11,451
Increase in an amount due to a related company	-	237
Cash generated from operations	<u>9,909</u>	47,510
Interest received	589	655
Interest paid	(13)	(38)
Dividends paid	(9,810)	(7,358)
PRC corporate income tax paid	<u>(1,825)</u>	(363)
Net cash (outflow)/inflow from operating activities	<u>(1,150)</u>	40,406

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(29,211)	(29,052)
Acquisition of a subsidiary	(15,585)	–
Proceeds from disposal of trading securities	2,084	–
Purchase of trading securities	(2,977)	(1,028)
Net cash outflow from investing activities	(45,689)	(30,080)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
	(46,839)	10,326
Cash and cash equivalents at beginning of the period	83,629	89,990
Effect of foreign exchange rate changes net	15	41
CASH AND CASH EQUIVALENTS AT END OF PERIOD	36,805	100,357
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	36,805	99,190
Non-pledged time deposits with original maturity of less than three months when acquired	–	1,167
	36,805	100,357

Notes:

1. Basis of preparation

The unaudited condensed consolidated interim results of the Company for the Period are prepared in accordance with Hong Kong Accounting Standard ("HKAS") No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. Principal accounting policies

The accounting policies adopted and basis of preparation used in the preparation of these interim results are the same as those used in the annual accounts for the year ended 31 December 2004, except that the Group has changed certain of its accounting policies following its adoption of the following HKAS and Hong Kong Financial Reporting Standard ("HKFRS") issued by the HKICPA, which are effective for accounting periods commencing on or after 1 January 2005:

HKAS 1	"Presentation of Financial Statements"
HKAS 7	"Cash Flow Statements"
HKAS 17	"Leases"
HKAS 32	"Financial Instruments: Disclosure and Presentation"
HKAS 36	"Impairment of Assets"
HKAS 39	"Financial Instruments: Recognition and Measurement"
HKFRS 3	"Business Combination"

3. Turnover and profit by operating activity and geographical segment

As the principal activity of the Group is solely the design, manufacture and sale of lighting products, an analysis of turnover and profit by operating activity is not presented.

An analysis of turnover by geographical segment is as follows:

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
North America	344,691	339,182
Europe	6,749	6,323
Asia	10,990	12,378
The People's Republic of China (the "PRC")	24,844	19,065
Others	2,210	1,715
	389,484	378,663

The contribution to profit by geographical segment is substantially in line with the overall rate of contribution to turnover and, accordingly, an analysis of profit by geographical segment is not presented.

4. Other revenue

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Exchange gain	3	240
Rental income	391	358
Interest income	589	655
Gain from disposal of trading securities	191	503
Sample income	749	964
	<u>1,923</u>	<u>2,720</u>

5. Profit from operating activities

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Profit from operating activities is arrived at after charging:		
Depreciation	11,075	9,037
Provisions for bad and doubtful debts	–	2,356
Amortization of goodwill	–	2,061
Impairment of goodwill	3,558	–
Impairment of trading securities	500	–
	<u>15,133</u>	<u>13,454</u>

6. Finance costs

	For the six months ended 30 June	
	2005 (Unaudited) HK\$'000	2004 (Unaudited) HK\$'000
Interest expense on bank overdrafts	13	38
	<u>13</u>	<u>38</u>

7. Tax

	For the six months ended 30 June	
	2005	2004
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PRC		
Elsewhere		
Corporate income tax	<u>974</u>	<u>244</u>
Tax charge for the period	<u>974</u>	<u>244</u>

No provision for Hong Kong profits tax has been made for both periods presented as there were no assessable profits of the Group arising from Hong Kong for both periods. Taxes on profits assessable elsewhere in the PRC have been calculated based on existing legislation, interpretations and practices at the prevailing rates of tax.

8. Interim dividend

The Board did not recommend to pay an interim dividend for the six months ended 30 June 2005 (2004: an interim dividend of HK3.5 cents per share).

9. Earnings per share

The calculation of basic earnings per share for the Period is based on the net profit from ordinary activities attributable to shareholders for the Period of approximately HK\$15,485,000 (2004: HK\$31,151,000) and the number of 490,500,000 ordinary shares in issue during the Period (2004: 490,500,000 ordinary shares).

No diluted earnings per share is presented as the Company does not have any dilutive potential ordinary shares.

10. Goodwill

The amounts of the goodwill capitalised as an asset in the condensed consolidated balance sheet, arising from the acquisition of a subsidiary are as follows:

	(Unaudited) HK\$'000
At 30 June 2005	
Net carrying value, at beginning of period	7,117
– as previously reported	22,294
Acquisition of a subsidiary (Note 17)	(3,558)
Impairment during the period	<u>(3,558)</u>
Net carrying value	<u><u>25,853</u></u>
Cost	<u><u>25,853</u></u>
At 31 December 2004	
Cost	20,610
Accumulated amortization	(7,428)
Impairment during the year	<u>(6,065)</u>
Net carrying value	<u><u>7,117</u></u>

11. Trade receivables

An aged analysis of the trade receivables as at the balance sheet date, based on invoice date and net of provisions, is as follows:

	At 30 June 2005		At 31 December 2004	
	Balance (Unaudited) HK\$'000	Percentage	Balance (Audited) HK\$'000	Percentage
1-3 months	57,197	72.2	44,716	73.2
4-6 months	6,958	8.8	7,572	12.4
7-12 months	12,686	16.0	5,660	9.3
Over 1 year	2,438	3.0	3,136	5.1
	<u><u>79,279</u></u>	<u><u>100.0</u></u>	<u><u>61,084</u></u>	<u><u>100.0</u></u>

Trading terms with customers are largely on credit, except for new customers, where trade deposits, advances or payments in advance are normally required. Invoices are normally payable within 30-90 days (2004: 30-90 days) of issuance by letters of credit or on an open account basis. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

12. Trade payables

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	At 30 June 2005		At 31 December 2004	
	Balance (Unaudited) HK\$'000	Percentage	Balance (Audited) HK\$'000	Percentage
1-3 months	81,408	88.3	68,473	90.3
4-6 months	4,743	5.2	2,795	3.7
7-12 months	2,004	2.2	1,006	1.3
Over 1 year	4,025	4.3	3,555	4.7
	<u>92,180</u>	<u>100.0</u>	<u>75,829</u>	<u>100.0</u>

13. Other payables and accruals

	At 30 June 2005 (Unaudited) HK\$'000	At 31 December 2004 (Audited) HK\$'000
Accruals and other liabilities	58,720	36,589
Due to a related company	461	461
	<u>59,181</u>	<u>37,050</u>

The amount due to the related company, in which certain directors of the Company have beneficial interest, is unsecured, interest-free and has no fixed terms of repayment. The amount represents reimbursement payable to the related company for expenses and purchases paid on behalf of the Group.

14. Share capital

	At 30 June 2005 (Unaudited) HK\$'000	At 31 December 2004 (Audited) HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.1 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
490,500,000 (2004: 490,500,000) ordinary shares of HK\$0.1 each	<u>49,050</u>	<u>49,050</u>

15. Related party transactions

- (a) During the Period, the Group paid hotel room charges and food and beverage charges to a related company, which is beneficially owned by certain Directors, for an aggregate amount of HK\$733,000 (for the six months period ended 30 June 2004: HK\$919,000). In the opinion of the Directors, these transactions represented the acquisition of consumer goods and services in the ordinary and normal course of business of the Group on terms similar to those offered by such related company to other third party customers. These transactions also constituted as ongoing connected transactions were exempt from the reporting, announcement and independent shareholder's approval requirements under rule 14A.33(1) of the Listing Rules.
- (b) Mr Hsu Chen Shen, Mrs Hsu Wei Jui Yun and Mr Hsu Shui Sheng, Directors of the Company, and Bright Yin Huey Co., Ltd. had executed guarantees for general banking facilities of approximately HK\$25,618,000 (at 30 June 2004: HK\$25,618,000) granted to certain subsidiaries of the Company.

16. Contingent liabilities

At 30 June 2005, the Group had no significant contingent liabilities.

17. Acquisition of a subsidiary

On 31 January 2005, the Group acquired a 100% interest in R.A.M. Lighting Ltd in Toronto, Canada, which is engaged in the design and distribution of decorative residential products for a total cash consideration of US\$3,700,000, which will be settled in three installments from 31 January 2005 to 31 January 2006. Details of the transaction are set out in the Company's circular dated 24 February 2005.

The preliminary effect of the acquisition is summarized as follows:

	At 30 June 2005 (Unaudited) HK\$'000
Net assets acquired	6,094
Goodwill arising on the acquisition	22,294
	<hr/>
Consideration	28,388
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Satisfied by:	
Cash consideration paid during the period	16,338
Cash consideration payable	12,050
	<hr/>
	28,388
	<hr/> <hr/>
Net cash outflow arising on the acquisition	
Cash consideration paid during the period	(16,338)
Bank balances and cash acquired	753
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	(15,585)
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18. Approval of interim financial statements

The unaudited condensed consolidated interim financial statements of the Company were approved by the Directors on 23 September 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

• Business Review

Overview

The continuous rise of crude oil prices leads to sharp increases in the prices of raw materials. Consumers tend to be cautious in consumption. In addition, competition in the market of home lighting has been continuously fierce. All these circumstantial factors have affected the overall performance of the Group during the Period. For the six month ended 30 June 2005, the Group recorded a turnover of HK\$389,484,000, representing a slight increase of approximately 3% as compared to HK\$378,663,000 of the corresponding period of last year. Net profit attributable to shareholders for the Period amounted to HK\$15,485,000, representing a decrease of approximately 50% as compared to the corresponding period of last year. Basic earnings per share for the Period was HK3.1 cents.

Overseas Markets

Home Lighting Division

For the six months ended 30 June 2005, the turnover derived from the North American market reached HK\$344,691,000, representing a slight increase of approximately 2% as compared to the corresponding period of last year and accounting for about 88% of the total turnover of the Group. Such market was still the principal market of the Group. During the Period, the business growth slowed down due to exorbitant oil prices. There were hidden worries in the overall economy which caused a decline in the intention of consumption. Moreover, the effect of the increase in the costs of raw materials could not be totally transferred to the Group's customers. As a result, the Group's gross profit margin declined from 27% in the corresponding period of last year to 25% for the Period, and the overall profit of the Group was therefore affected. During the Period, the Group actively implemented cost control measures, with an aim to minimizing the impacts brought by the rise of raw material prices to the Group.

For European market, the Group has approached a large-scale German DIY group but such DIY group underwent a reorganization last year. Although its reorganization consummated during the Period under review, it was circumspect about placing orders. Therefore, orders from this customer during the Period is under expectation.

Fortuitously, the Group's business in the European market as a whole recovered gradually. During the Period, the turnover from the European market increased by approximately 17% to HK\$6,749,000 as compared to the corresponding period of last year.

For Asian market (excluding the PRC market), due to the continuously weak economic condition in Japan, the business environment was not good, and the overall turnover of the Group in the Asian market was affected. Market competition was growing keen. The Group made effort in enhancing its competitiveness and strengthening product research and development. During the Period, the Group cooperated with some overseas design consultancies in designing more creative and trendy product series.

During the Period, the Group acquired an importer and wholesaler of lighting products, R.A.M. Lighting Ltd ("R.A.M."), located in Toronto, Canada. Such acquisition helped further enriching the product series of the Group in the lighting industry, and absorbing more small, medium and large lighting customers of the Canadian market. The famous Canadian brand of "R.A.M. Lighting" was brought under the trade name of the Group. Moreover, the acquisition was also a good opportunity for the Group to extend its sales network in North America and Canada, to consolidate the Group's position in these two markets with immense potential and to strengthen the marketing and sales capability of the Group in the North American market. Through this acquisition, the Group gained access to the stable orders of the R.A.M.'s customers, and the customer base of the Group was broadened. During the Period, the Group had built an intimate relationship with the marketing and sales team of R.A.M., and had promoted the Group's latest lighting products to the existing customers of R.A.M..

Commercial Lighting Division

During the Period, the Group achieved a steady growth in its business of overseas commercial lighting projects. Many hotel lighting projects were completed and revenue was contributed to the Group, among which were Panorama Condos Hotel in Las Vegas, Marriott Grande Vista Hotel in Texas and Imperial Palace Hotel in Mississippi. However, during the Period, due to the slow approval process in the safety requirement certification in the U.S., part of the Group's new commercial lighting products were not able to be put forth to the market as scheduled, and the growth in the commercial lighting business of the Group in the U.S. market was affected. The Group is confident that the approval of the safety requirement certification of most of the commercial lighting products will be completed in the second half of 2005. As the potential in commercial lighting market is immense, the Group takes a strong view that the development of commercial lighting business is in a right direction.

PRC Market

During the Period, the Group continued to explore the PRC market actively. Turnover was satisfactory and increased by approximately 30% to HK\$24,844,000. During the Period, the Group made a concerted effort in expanding the sales network in the PRC market and strengthened the promotion of the Group's own brand name and design and development in order to lay a stable foundation for the development of business in the PRC market. Although the PRC sales incurred losses during the Period, it is expected that the second half year of 2005 will be a sales peak season and the Group is confident that losses will be substantially cut down.

Home Lighting Division

In order to further enhance the Group's nation-wide business network, the Group is actively setting up more "Bright" chain franchise stores. During the Period, the Group terminated agreements with some chain franchise stores which did not meet the Group's standard. Meanwhile, the Group set up new chain franchise stores in regions where the market potential was good. The number of "Bright" chain franchise stores currently reaches 134, representing an increase of 15% over the corresponding period of last year. The PRC economy continues to develop vigorously and the consumer market is great. The Group is actively promoting the brand name of "Bright" to capture the enormous business opportunities in the market. During the Period, the Group incessantly enhanced the quality of its products and diversified the product series, and developed new products of different levels to suit the tastes of different consumers.

Commercial Lighting Division

During the Period, the commercial lighting business of the Group achieved a good results, with a growth of 45% over the corresponding period of last year. During the Period, the Group completed more than 30 commercial lighting projects, comprising mainly Dong Yang Er Jian office building in Shanghai, Tan Gong villa development in Shanghai, San Zheng Ban Shan Hotel in Guangdong, Zhong Ya Hotel in Lou Yang and decorative lighting in Wu Zhou, Guangxi. With the business network established in previous years, the Group has continuously increased its project tenders in the Period. As the 2008 Olympic Games in Beijing and the 2010 World Expo in Shanghai are still well ahead. The business climax of lighting projects is not yet to come. However, the Group has started preparation for this climax and is endeavouring to develop high value-added and innovative lighting products, such as environmentally friendly lighting products which have energy-saving functions, so as to ensure that its products are competitive in the market. The Group's effort in sales and marketing has successfully enhanced the brand awareness of "Bright" in PRC market, and has firmly established the leading position of the Group as a provider of 360° all-round lighting solutions.

• Prospects

As market competition has intensified, the Group will put more resources in the research and development of products and develop more high value-added products, in order to gain a higher market share. Particularly, to better adapt to future market trend, one of the focuses will be on the energy saving lighting products. The Group has already promoted a few types of energy saving lighting products to the customers with encouraging response. Besides, as the Group's business in the immense market of commercial lighting is only at the initial stage, the Group believes that there is broad business prospect for such business. Accordingly, the Group will strengthen the commercial lighting team, improve the product development and design capabilities for the purpose of stepping up the development of the commercial lighting business.

For oversea markets, the Group will recruit a Head of Product Development Division in the U.S. who will provide tailor-made services to our major clients, and secure more new clients and speed up the development of products demanded by the market. As the performance of the Group's business in the European market is satisfactory, the Group will negotiate business development with the European agents more actively in the second half of 2005, and will also allocate more sales staff to visit our clients and promote newly designed products. While consolidating the existing markets, the Group is looking at two emerging new markets of huge potential which are Russia and Eastern Europe. The Group will allocate staff to the International Lighting Show to be held in November 2005 in Moscow, and will assign some staff to visit and inspect the Eastern European market. After that, strategies to exploit these markets will be formulated.

On the other hand, in order to seek expansion of sales in the PRC market, the Group will strengthen its market research and sales divisions, so as to respond and adjust the sales strategy quickly according to market changes to cope with the rapid development of the PRC economy market. In addition, our brand awareness is expected to be upgraded following the inauguration of Bright Lighting Center in the Group's Shanghai headquarters in August 2005. The Group will revise the existing Bright chain franchise stores mechanism by using the Bright Lighting Center as a showroom model to build up standardization for all the chain franchise stores so as to enhance our brand awareness. Besides, in order to raise the professionalism of our team, the Group has established a designer's club in the Bright Lighting Center, which will provide a venue for the Group to exchange ideas with the designers and lighting specialists. With the approaching peak for the construction of lighting projects which will come along with the 2008 Olympic Games in Beijing and the 2010 World Expo in Shanghai, the Group will keep on strengthening the business network and research and development capabilities and the Group envisages a strong growth in the PRC market and the commercial lighting business in the near future.

Looking ahead, the Group will actively seek expansion in the commercial lighting business and the PRC market. As there are enormous market opportunities in the commercial lighting business and the PRC market, the Group will take advantage of such business potential and endeavor to deliver one-stop and all-around services to its customers and strive to maintain its leading position in the lighting business.

• Acquisition of a subsidiary

On 31 January 2005, the Group acquired a 100% interest in R.A.M. Lighting Ltd in Toronto, Canada, which is engaged in the design and distribution of decorative residential products for a total cash consideration of US\$3,700,000, which will be settled in three installments from 31 January 2005 to 31 January 2006. Details of the transaction are set out in the Company's circular dated 24 February 2005.

• Liquidity and Financial Resources

As at 30 June 2005, the Group enjoyed a strong liquidity position. Cash on hand and bank balances totalled HK\$45,025,000 and net assets value amounted to HK\$372,958,000. The Group had no long term or short term debts. As at 30 June 2005, the Group has pledged time deposits amounted to HK\$8,219,000 for general banking facilities which has not been utilized. Except for the above, the Group has no assets pledged for other purposes. No provision for bad and doubtful debts was made during the Period (2004: HK\$2,356,000).

• Exposure to Foreign Exchange Fluctuation

The Group's business activities were principally denominated in HK dollars, US dollars and Renminbi. The Board considered the fluctuation among these currencies as minimal and should not expose the Group to excessive currency fluctuation risk.

• Contingent Liabilities

At 30 June 2005, the Group had no significant contingent liabilities.

• Employee Remuneration Policy

At 30 June 2005, the Group had approximately 2,100 (at 30 June 2004: approximately 2,200) employees. Employees are remunerated according to nature of the job and market trend, with built-in merit component incorporated in the annual increment and year end performance bonus to reward and motivate individual performance.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

At 30 June 2005, the interests and short positions of the directors of the Company in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Listing Rules, were as follows:

A. Long position in ordinary shares of the Company:

Name of director	Capacity	Number of ordinary shares interested	Notes	Percentage of the Company's issued share capital
Mr. Hsu Chen Shen	Interest in corporation	297,000,000	1	60.55%
Mrs. Hsu Wei Jui Yun	Interest of spouse	297,000,000	2	60.55%

Notes:

- Mr. Hsu Chen Shen is deemed to be interested in 297,000,000 shares of the Company which are held through Bright International Assets Inc., a controlled corporation of Mr. Hsu Chen Shen pursuant to SFO.
- Mrs. Hsu Wei Jui Yun is deemed to be interested in 297,000,000 shares of the Company through interest of her spouse, Mr. Hsu Chen Shen.

B. Long/short positions in shares and underlying shares of associated corporations:

(a) Bright International Assets Inc., the Company's ultimate holding company

Name of director	Long/short position	Capacity	Number of ordinary shares held in the associated corporation	Percentage of the associated corporation's issued share capital
Mr. Hsu Chen Shen	Long	Beneficial owner	28	28%
Mr. Hsu Shui Sheng	Long	Beneficial owner	24	24%
Mr. Hsu Chin Liang	Long	Beneficial owner	24	24%
Mr. Hsu Chiang Lung	Long	Beneficial owner	12	12%
Mrs. Hsu Wei Jui Yun	Long	Interest of spouse	28 (Note)	28%

Note: Mrs. Hsu Wei Jui Yun is deemed to be interested in 28 shares of Bright International Assets Inc. through interest of her spouse, Mr. Hsu Chen Shen.

(b) Whole Bright Industries (HK) Limited ("WBI (HK)"), the Company's subsidiary

Name of director	Long/short position	Capacity	Class of shares	Number of shares held in the associated corporation	Notes	Percentage of the associated corporation's issued share capital
Mr. Hsu Chen Shen	Long & short	Beneficial owner	Non-voting deferred	60,000	1	60%
	Long & short	Interest of spouse	Non-voting deferred	40,000	1	40%
	Long	Interest of corporation	Non-voting deferred	100,000	1	100%
	Long	Interest of corporation	Ordinary	2	2	100%
Mrs. Hsu Wei Jui Yun	Long & short	Beneficial owner	Non-voting deferred	40,000	1	40%
	Long & short	Interest of spouse	Non-voting deferred	60,000	1	60%
	Long	Interest of spouse	Non-voting deferred	100,000	1	100%
	Long	Interest of spouse	Ordinary	2	2	100%

Notes:

1. 60,000 non-voting deferred shares in WBI (HK) are owned by Mr. Hsu Chen Shen and 40,000 non-voting deferred shares in WBI (HK) are owned by Mrs. Hsu Wei Jui Yun, spouse of Mr. Hsu Chen Shen. Therefore both of Mr. Hsu Chen Shen and Mrs. Hsu Wei Jui Yun have a "long position" of 100,000 non-voting deferred shares in WBI (HK).

Pursuant to an option agreement dated 15 October 1999, Mr. Hsu Chen Shen and Mrs. Hsu Wei Jui Yun granted to Bright Group (BVI) Ltd., a subsidiary of the Company, an option to purchase from them the 100,000 non-voting deferred shares in WBI (HK). Accordingly, both of Mr. Hsu Chen Shen and Mrs. Hsu Wei Jui Yun have a "short position" of 100,000 non-voting deferred shares in WBI (HK).

In addition, as the Company is a controlled corporation (as defined in the SFO) of Mr. Hsu Chen Shen, Mr. Hsu Chen Shen is deemed to have a "long position" of 100,000 non-voting deferred shares in WBI (HK) that Bright Group (BVI) Ltd. has in such shares of WBI (HK).

By virtue of her spouse's interest, Mrs. Hsu Wei Jui Yun is also deemed to have a "long position" of 100,000 non-voting deferred shares in WBI (HK) that Bright Group (BVI) Ltd. has in such shares of WBI (HK).

2. Mr. Hsu Chen Shen is deemed to be interested in the 2 ordinary shares of WBI (HK) indirectly owned by the Company since the Company is a controlled corporation of Mr. Hsu Chen Shen. By virtue of her spouse's interest, Mrs. Hsu Wei Jui Yun is also deemed to be interested in these 2 ordinary shares of WBI (HK).

In addition to the above, a director holds a share in a subsidiary of the Company in a non-beneficial capacity for the benefit of the Group, solely for the purpose of complying with the then minimum company membership requirement.

Save as disclosed above, as at 30 June 2005, none of the directors or the chief executive of the Company had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which are required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDER IN SHARES AND UNDERLYING SHARES

At 30 June 2005, the following company was interested in more than 5% of the issued share capital of the Company according to the register of interests kept by the Company pursuant to Section 336 of the SFO:

Name	Long/Short position	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital
Bright International Assets Inc. <i>(Note)</i>	Long	Beneficial owner	297,000,000	60.55%

Note: The above interest in the name of Bright International Assets Inc. was also disclosed as interests of Mr. Hsu Chen Shen and Mrs. Hsu Wei Jui Yun, respectively in the above section headed "Directors' interests and short positions in shares and underlying shares of the Company and its associated corporations".

Save as disclosed above, as at 30 June 2005, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares of the Company and its associated corporations" above, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants (including but not limited to the directors and employees of the Group) who contribute to the success of the Group's operations. No share options have been granted by the Company under the Scheme (or under the old share option scheme adopted on 20 October 1999 and terminated by the Company on 25 April 2002).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance with a view to enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, except for the following deviations:

Code Provision A.2.1

This code provision stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Hsu Chen Shen currently assumes the roles of both the Chairman and the Chief Executive Officer of the Company. The Board believes that this structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies. As such, it is beneficial to the business prospects of the Company.

Code Provision A.4.2

This code provision requires that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. In order to comply with the said code provision A.4.2, the Board shall propose to amend the relevant provisions in the Bye-laws of the Company at the next following general meeting of the Company.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company had adopted its code of conduct regarding directors' dealings in the securities of the Company (the "Own Code") on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry of all directors of the Company, the directors of the Company have complied with the required standard set out in the Model Code and the Own Code throughout the accounting period covered by the interim report.

AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company established an audit committee (the "Audit Committee") in 1999 with reference to "A Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants (formerly known as Hong Kong Society of Accountants). In accordance with the requirements of the CG Code, the terms of reference of the Audit Committee were revised on 23 September 2005 in terms substantially the same as the provisions set out in the CG Code.

The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system and internal control procedures, review of the Group's financial information and review of the relationship with the auditors of the Company. The Audit Committee comprises three members, Mr. Leung Hok Lim (Chairman of the Audit Committee), Mr. Chan Nien-Po and Dr. Hsiao Horng Ching, who are the independent non-executive directors of the Company. The Audit Committee had reviewed with senior management of the Group and external auditors the accounting principles and practices adopted by the Group and reviewed the Company's interim report for the period ended 30 June 2005.

REMUNERATION COMMITTEE

According to the CG Code, the Company established a remuneration committee (the “Remuneration Committee”) on 23 September 2005 with specific written terms of reference in accordance with the CG Code. The Remuneration Committee comprises 2 of the independent non-executive directors, namely Dr. Hsiao Horng Ching (Chairman of the Remuneration Committee) and Mr. Chan Nien-Po and an executive director, Mr. Hsu Chen Shen of the Company.

The principal responsibilities of the Remuneration Committee include making recommendations to the board of directors of the Company on the Company’s policy and structure for all remuneration of directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing such policy, and reviewing the specific remuneration packages of all executive directors and senior management of the Company by reference to corporate goals and objectives resolved by the board of directors of the Company from time to time.

EXECUTIVE COMMITTEE

The Company established an executive committee (the “Executive Committee”) on 23 September 2005 with specific written terms of reference. The Executive Committee comprises all the executive directors of the Company with Mr. Hsu Chen Shen acting as the Chairman thereof.

The principal responsibilities of the Executive Committee include monitoring the execution of the Company’s strategic plans and operations of all business units of the Company and discussing and making decisions on matters relating to the management and operations of the Company.

DIRECTORS OF THE COMPANY

As at the date of this report, Mr. Hsu Chen Shen, Mr. Hsu Shui Sheng, Mrs. Hsu Wei Jui Yun, Mr. Pak Ping Chun, Mr. Yang Hsien Lin, Mr. Hsu Chin Liang and Mr. Hsu Chiang Lung are the executive directors of the Company and Mr. Leung Hok Lim, Mr. Chan Nien-Po and Dr. Hsiao Horng Ching are the independent non-executive directors of the Company.

On behalf of the Board

Hsu Chen Shen

Chairman

Hong Kong, 23 September 2005