



瑩輝集團有限公司 BRIGHT INTERNATIONAL GROUP LTD.

(Incorporated in Bermuda with limited liability)

Stock Code: 1163



Interim Report 2006

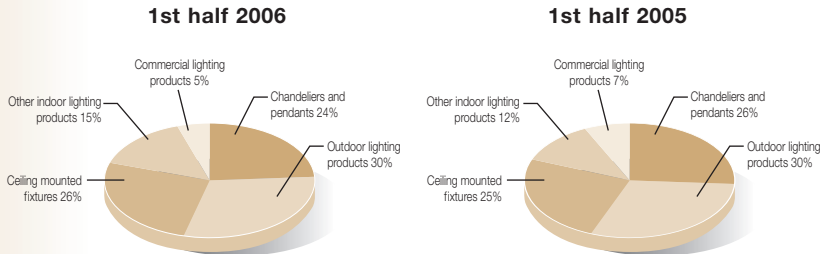
CONTENTS

| | Pages |
|--|-------|
| Interim Results Highlights | 2 |
| Interim Results | |
| – Condensed Consolidated Income Statement | 3 |
| – Condensed Consolidated Balance Sheet | 4 |
| – Condensed Consolidated Statement of Changes in Equity | 5 |
| – Condensed Consolidated Cash Flow Statement | 6-7 |
| – Notes | 8-14 |
| Management Discussion and Analysis | 15-20 |
| Directors' interests and short positions in shares and underlying shares of the Company and its Associated Corporations | 21-23 |
| Interests of Substantial Shareholder in shares and underlying shares | 24 |
| Share Option Scheme | 25 |
| Purchase, Sale or Redemption of Listed Securities | 25 |
| Corporate Governance | 26 |
| Code of conduct for securities transactions by directors of the Company | 26 |
| Audit Committee | 27 |
| Remuneration Committee | 27 |
| Executive Committee | 28 |
| Directors of the Company | 28 |

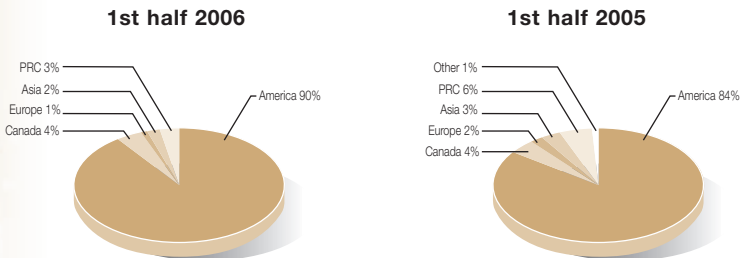
INTERIM RESULTS HIGHLIGHTS:

- Turnover for the first half of 2006 amounted to HK\$435,021,000, increased by approximately 12%.
- The Group's gross profit for the first half of 2006 amounted to HK\$114,715,000, increased by approximately 17%. The gross profit margin for this period is 26.4%.
- The Group's profit for the current period amounted to HK\$30,798,000, increased by approximately 99%.
- The Group's basic EPS for the current period amounted to HK6.2 cents, increased by 100%.

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 2006 (the "Period"), together with the comparative figures for the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

| | | For the six months ended 30 June | |
|--------------------------------|--------------|---|-----------------|
| | | 2006 | 2005 |
| | | (Unaudited) | (Unaudited) |
| | <i>Notes</i> | HK\$'000 | <i>HK\$'000</i> |
| REVENUE | 3 | 435,021 | 389,484 |
| Cost of sales | | (320,306) | (291,697) |
| GROSS PROFIT | | 114,715 | 97,787 |
| Other income and gains | 4 | 3,009 | 1,923 |
| Selling and distribution costs | | (23,674) | (20,760) |
| Administrative expenses | | (57,439) | (54,489) |
| Other operating expenses | | (3,468) | (7,989) |
| Finance costs | 6 | (440) | (13) |
| PROFIT BEFORE TAX | 5 | 32,703 | 16,459 |
| Tax | 7 | (1,905) | (974) |
| PROFIT FOR THE PERIOD | | 30,798 | 15,485 |
| Attributable to: | | | |
| Equity holders of the parent | | 30,798 | 15,485 |
| INTERIM DIVIDEND | 8 | 14,715 | – |
| EARNINGS PER SHARE | 9 | | |
| – BASIC | | HK6.2 cents | HK3.1 cents |
| – DILUTED | | HK6.2 cents | N/A |

CONDENSED CONSOLIDATED BALANCE SHEET

| | | At 30 June 2006 (Unaudited) HK\$'000 | At 31 December 2005 (Audited) HK\$'000 |
|---|-------|---|---|
| | Notes | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 299,655 | 303,821 |
| Investment properties | | 3,380 | 3,380 |
| Goodwill | | 25,686 | 25,686 |
| Total non-current assets | | <u>328,721</u> | <u>332,887</u> |
| CURRENT ASSETS | | | |
| Equity investments at fair value through profit or loss/short term investments | | 3,792 | 3,134 |
| Inventories | | 122,976 | 109,678 |
| Trade receivables | 10 | 88,702 | 67,436 |
| Prepayments, deposits and other receivables | | 26,740 | 25,601 |
| Pledged time deposits | | 6,663 | 6,663 |
| Cash and cash equivalents | | 47,116 | 53,301 |
| Total current assets | | <u>295,989</u> | <u>265,813</u> |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 11 | 109,426 | 95,861 |
| Provision for tax | | 23,188 | 22,972 |
| Other payables and accruals | 12 | 49,390 | 49,876 |
| Dividend payable | | 14,715 | – |
| Total current liabilities | | <u>196,719</u> | <u>168,709</u> |
| NET CURRENT ASSETS | | 99,270 | 97,104 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 427,991 | 429,991 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | | 11,203 | 11,203 |
| Total non-current liabilities | | <u>11,203</u> | <u>11,203</u> |
| Net assets | | <u>416,788</u> | <u>418,788</u> |
| EQUITY | | | |
| Equity attributable to equity holders of the parent | | | |
| Issued capital | 13 | 49,050 | 49,050 |
| Reserves | | 367,738 | 350,118 |
| Proposed final dividend | | – | 19,620 |
| Total equity | | <u>416,788</u> | <u>418,788</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Issued share capital (Unaudited) HK\$'000 | Share premium (Unaudited) HK\$'000 | Contributed surplus (Unaudited) HK\$'000 | Investment property revaluation reserve (Unaudited) HK\$'000 | Asset revaluation reserve (Unaudited) HK\$'000 | Exchange fluctuation reserve (Unaudited) HK\$'000 | Share based payment reserve (Unaudited) HK\$'000 | Retained profits (Unaudited) HK\$'000 | Proposed final dividend (Unaudited) HK\$'000 | Total equity (Unaudited) HK\$'000 |
|--|--|---|---|---|--|---|---|--|--|--|
| At 1 January 2005 | | | | | | | | | | |
| As previously reported | 49,050 | 54,252 | 286 | 1,036 | 20,076 | 202 | - | 232,556 | 9,810 | 367,268 |
| Opening adjustment | - | - | - | (1,036) | - | - | - | 1,036 | - | - |
| As restated | 49,050 | 54,252 | 286 | - | 20,076 | 202 | - | 233,592 | 9,810 | 367,268 |
| Surplus on revaluation | - | - | - | - | 10,805 | - | - | - | - | 10,805 |
| Exchange realignment | - | - | - | - | - | 2,521 | - | - | - | 2,521 |
| Total income and expense (including gains and losses) for the year recognised directly in equity | - | - | - | - | 10,805 | 2,521 | - | - | - | 13,326 |
| Net profit for the year | - | - | - | - | - | - | - | 48,004 | - | 48,004 |
| Total income and expense for the year | - | - | - | - | 10,805 | 2,521 | - | 48,004 | - | 61,330 |
| Final 2004 dividend declared | - | - | - | - | - | - | - | - | (9,810) | (9,810) |
| Proposed final 2005 dividend | - | - | - | - | - | - | - | (19,620) | 19,620 | - |
| At 31 December 2005 and 1 January 2006 | 49,050 | 54,252 | 286 | - | 30,881 | 2,723 | - | 261,976 | 19,620 | 418,788 |
| Recognition of equity-settled share based payments (note 14) | - | - | - | - | - | - | 1,560 | - | - | 1,560 |
| Exchange realignment | - | - | - | - | - | (23) | - | - | - | (23) |
| Total income and expense (including gains and losses) for the period recognised directly in equity | - | - | - | - | - | (23) | 1,560 | - | - | 1,537 |
| Net profit for the period | - | - | - | - | - | - | - | 30,798 | - | 30,798 |
| Total income and expense for the period | - | - | - | - | - | (23) | 1,560 | 30,798 | - | 32,335 |
| Final 2005 dividend declared | - | - | - | - | - | - | - | - | (19,620) | (19,620) |
| Interim 2006 dividend | - | - | - | - | - | - | - | (14,715) | - | (14,715) |
| At 30 June 2006 | 49,050 | 54,252 | 286 | - | 30,881 | 2,700 | 1,560 | 278,059 | - | 416,788 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | For the six months ended 30 June | |
|---|---|-------------|
| | 2006 | 2005 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 32,703 | 16,459 |
| Adjustments for: | | |
| Finance costs | 440 | 13 |
| Interest income | (668) | (589) |
| Gain on disposal of equity investments at fair value through profit or loss/short term listed investments | (506) | (191) |
| Depreciation | 15,053 | 11,075 |
| Share based payment | 1,560 | – |
| Impairment of goodwill | – | 3,558 |
| Fair value loss on equity investments at fair value through profit or loss | – | 500 |
| | <hr/> | <hr/> |
| Operating profit before working capital changes | 48,582 | 30,825 |
| Increase in inventories | (13,298) | (18,197) |
| Increase in trade receivables | (21,266) | (12,478) |
| Increase in prepayments, deposits and other receivables | (1,139) | (8,335) |
| Increase in trade and bills payables | 13,565 | 16,350 |
| (Decrease)/increase in other payables and accruals | (486) | 1,744 |
| | <hr/> | <hr/> |
| Cash generated from operations | 25,958 | 9,909 |
| Interest received | 668 | 589 |
| Interest paid | (440) | (13) |
| Dividends paid | (19,620) | (9,810) |
| Corporate income tax paid | (1,689) | (1,825) |
| | <hr/> | <hr/> |
| Net cash inflow/(outflow) from operating activities | 4,877 | (1,150) |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

| | For the six months ended 30 June | |
|---|---|-------------|
| | 2006 | 2005 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of items of property, plant and equipment | (10,887) | (29,211) |
| Proceeds from disposal of short term investments | 7,033 | 2,084 |
| Purchase of short term investments | (7,185) | (2,977) |
| Acquisition of a subsidiary | - | (15,585) |
| | <hr/> | <hr/> |
| Net cash outflow from investing activities | (11,039) | (45,689) |
| | <hr/> | <hr/> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from bank loans | 10,000,000 | - |
| Repayment of bank loans | (10,000,000) | - |
| Proceeds from other loans | 25,000,000 | - |
| Repayment of other loans | (25,000,000) | - |
| | <hr/> | <hr/> |
| Net cash flow from financing activities | - | - |
| | <hr/> | <hr/> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | | |
| | (6,162) | (46,839) |
| Cash and cash equivalents at beginning of the period | 53,301 | 83,629 |
| Effect of foreign exchange rate changes net | (23) | 15 |
| | <hr/> | <hr/> |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 47,116 | 36,805 |
| | <hr/> <hr/> | <hr/> <hr/> |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 47,116 | 36,805 |
| Non-pledged time deposits with original maturity of less than three months when acquired | - | - |
| | <hr/> | <hr/> |
| | 47,116 | 36,805 |
| | <hr/> <hr/> | <hr/> <hr/> |

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 2005, 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 2006:

| | |
|------------------------------|--|
| HKAS 1 Amendment | Capital Disclosures |
| HKAS 19 Amendment | Actuarial Gains and Losses, Group Plans and Disclosures |
| HKAS 21 Amendment | Net Investment in a Foreign Operation |
| HKAS 39 Amendment | Cash Flow Hedge Accounting of Forecast Intragroup Transactions |
| HKAS 39 Amendment | The Fair Value Option |
| HKAS 39 & HKFRS 4 Amendments | Financial Guarantee Contracts |
| HKFRS 7 | Financial Instruments: Disclosures |
| HK(IFRIC)-Int 4 | Determining whether an Arrangement contains a Lease |

3. Revenue by geographical segment

| | For the six months ended 30 June | |
|--|----------------------------------|---------------------------------|
| | 2006 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 |
| By geographical segment: | | |
| America | 392,412 | 326,700 |
| Canada | 18,064 | 17,991 |
| Europe | 4,678 | 6,749 |
| Asia | 7,583 | 10,990 |
| The People's Republic of China (the "PRC") | 11,922 | 24,844 |
| Others | 362 | 2,210 |
| | 435,021 | 389,484 |

4. Other income and gains

| | For the six months ended 30 June | |
|---|-------------------------------------|---------------------------------|
| | 2006 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 |
| Exchange gain | 408 | 3 |
| Gross and net rental income from investment properties | 537 | 391 |
| Interest income | 668 | 589 |
| Gain from disposal of equity investments at fair value through profit or loss/short term listed investments | 506 | 191 |
| Sample income | 890 | 749 |
| | <u>3,009</u> | <u>1,923</u> |

5. Profit before tax

The Group's profit before tax is arrived at after charging:

| | For the six months ended 30 June | |
|----------------------------------|-------------------------------------|---------------------------------|
| | 2006 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 |
| Depreciation | 15,053 | 11,075 |
| Impairment of goodwill | - | 3,558 |
| Impairment of trading securities | - | 500 |
| | <u>-</u> | <u>4,133</u> |

6. Finance costs

| | For the six months ended 30 June | |
|-------------------------------------|-------------------------------------|---------------------------------|
| | 2006 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 |
| Interest expense on bank overdrafts | 440 | 13 |
| | <u>440</u> | <u>13</u> |



7. Tax

| | For the six months ended 30 June | |
|---|---|---------------------------------|
| | 2006 (Unaudited) HK\$'000 | 2005 (Unaudited) HK\$'000 |
| Hong Kong and Mainland China Charge for the period | 1,905 | 974 |
| Total tax charge for the period | <u>1,905</u> | <u>974</u> |

No provision for Hong Kong profits tax has been made since the Group did not have any assessable profits arising in Hong Kong during the current and prior periods. Taxes on profits assessable elsewhere have been calculated at the prevailing rates of tax based on existing legislation, interpretations and practices.

8. Interim dividend

The Board has declared an interim dividend of HK3 cents per share for the six months ended 30 June 2006 (2005: Nil) payable to shareholders whose names appear on the Register of Members of the Company on 6 October 2006. Dividend warrants will be dispatched to the shareholders of the Company on or about 12 October 2006.

9. Earnings per share attributable to ordinary equity holders of the parent

The calculation of basic earnings per share amount is based on the net profit for the period attributable to ordinary equity holders of the parent, and the number of ordinary shares in issue during the period.

The calculation of diluted earnings per share amount is based on the net profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the share options. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all the dilutive potential ordinary shares into ordinary shares.

A diluted earnings per share amount for the period ended 30 June 2005 has not been disclosed as no diluting events existed during that period.

9. Earnings per share attributable to ordinary equity holders of the parent (continued)

The calculations of basic and diluted earnings per share are based on:

| | For the six months ended 30 June | |
|--|--|---------------------------|
| | 2006 | 2005 |
| | (Unaudited) | (Unaudited) |
| | HK\$'000 | HK\$'000 |
| Earnings: | | |
| Net profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation | 30,798 | 15,485 |
| | <u><u>30,798</u></u> | <u><u>15,485</u></u> |
| | Number of shares For the six months ended 30 June | |
| | 2006 | 2005 |
| | (Unaudited) | (Unaudited) |
| Shares: | | |
| Number of ordinary shares in issue during the period used in the basic earnings per share calculation | 490,500,000 | 490,500,000 |
| | <u><u>490,500,000</u></u> | <u><u>490,500,000</u></u> |
| Effect of dilution – Weighted average number of ordinary shares: | | |
| Share options | 491,533,510 | N/A |
| | <u><u>491,533,510</u></u> | <u><u>N/A</u></u> |

10. 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 2006 | At 31 December 2005 |
|----------------|----------------------------|------------------------|
| | (Unaudited) | (Audited) |
| | HK\$'000 | HK\$'000 |
| Within 1 month | 38,680 | 32,934 |
| 1-3 months | 24,338 | 13,896 |
| 4-6 months | 9,628 | 8,550 |
| 7-12 months | 15,586 | 4,564 |
| Over 1 year | 470 | 7,492 |
| | <u><u>88,702</u></u> | <u><u>67,436</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 (2005: 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. Trade receivables are non-interest bearing.

11. Trade and bills payables

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

| | At 30 June 2006 (Unaudited) HK\$'000 | At 31 December 2005 (Audited) HK\$'000 |
|-------------|---|---|
| 1-3 months | 96,267 | 83,271 |
| 4-6 months | 4,334 | 3,461 |
| 7-12 months | 8,611 | 5,200 |
| Over 1 year | 214 | 3,929 |
| | <u>109,426</u> | <u>95,861</u> |

The trade and bills payables are non-interest bearing and are normally settled on 60-day terms.

12. Other payables and accruals

| | At 30 June 2006 (Unaudited) HK\$'000 | At 31 December 2005 (Audited) HK\$'000 |
|--------------------------------|---|---|
| Accruals and other liabilities | 48,922 | 49,408 |
| Due to a related company | 468 | 468 |
| | <u>49,390</u> | <u>49,876</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.

13. Share capital

| | At 30 June 2006 (Unaudited) HK\$'000 | At 31 December 2005 (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 (2005: 490,500,000) ordinary shares of HK\$0.1 each | <u>49,050</u> | <u>49,050</u> |

14. Share-based Payment Transactions

A summary of movements of share options held by the directors and the employees of the Group is as follows:

| | Date of grant | Exercisable period | Subscription price per share | Number of share options | | | |
|------------------------|---------------|-----------------------------|------------------------------|-------------------------------|---------------------------|--|-----------------------------|
| | | | | Outstanding at 1 January 2006 | Granted during the period | Exercised/ Cancelled/ Lapsed during the period | Outstanding at 30 June 2006 |
| Directors: | | | | | | | |
| Mr. Pak Ping Chun | 2 March 2006 | 3 March 2006 – 2 March 2007 | HK\$0.56 | - | 4,500,000 | - | 4,500,000 |
| Mr. Yang Hsien Lin | 2 March 2006 | 3 March 2006 – 2 March 2007 | HK\$0.56 | - | 4,500,000 | - | 4,500,000 |
| | | | | - | 9,000,000 | - | 9,000,000 |
| Employees: | | | | | | | |
| Mr. Lin Hua-Yin, Alex | 2 March 2006 | 3 March 2006 – 2 March 2007 | HK\$0.56 | - | 4,000,000 | - | 4,000,000 |
| Mr. Nugraha Soemampauw | 2 March 2006 | 3 March 2006 – 2 March 2007 | HK\$0.56 | - | 4,000,000 | - | 4,000,000 |
| Mr. Cheung Yau Man | 2 March 2006 | 3 March 2006 – 2 March 2007 | HK\$0.56 | - | 3,500,000 | - | 3,500,000 |
| Mr. Chiang Yu Lung | 2 March 2006 | 3 March 2006 – 2 March 2007 | HK\$0.56 | - | 3,500,000 | - | 3,500,000 |
| | | | | - | 15,000,000 | - | 15,000,000 |
| | | | | - | 24,000,000 | - | 24,000,000 |

The fair value of the share options granted during the period was calculated using the Black-Scholes option pricing model. The inputs into the model are as follows:

| | 2006 |
|-------------------------------------|------------------|
| Share price per share at grant date | HK\$0.56 |
| Exercise price | HK\$0.56 |
| Expected volatility | 24.41% |
| Expected life | 1 year |
| Risk free rate | 4.03% |
| Expected dividend yield | 0% |
| Fair value per option | HK\$0.065 |

Expected volatility was determined by using the historical volatility of the Company's share price over past year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Risk free rate was reference to the approximate yield of the 12-month Exchange Fund Bill traded on 2 March 2006.

The Group recognised the total expense of approximately HK\$1,560,000 for the period ended 30 June 2006 (2005: Nil) in relation to the share options granted by the Company, of which approximately HK\$975,000 (2005: Nil) was related to options granted to the Group's employees and shown as staff costs, and the remaining balance represents share option expense for directors.

15. Related party transactions

The Group had the following material transaction with related parties during the period:

- (a) The Group paid hotel room charges and food and beverage charges to a related company, which is beneficially owned by certain directors of the Company, for an aggregate amount of approximately HK\$507,000 (2005: HK\$773,000) for the provision of services to the Group's business partners and business associates during their visits to the Group's factory in the PRC. 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 independent third parties.
- (b) During the period, Mr. Hsu Shui Sheng, director of the Company, had provided the Group with a loan of HK\$25,000,000 (2005: Nil). The loan was repaid during the period with a total interest expense of HK\$277,000, charged at 5.52% per annum.

16. Contingent liabilities

At 30 June 2006, the Group had no significant contingent liabilities (2005: Nil).

17. Approval of interim financial statements

The unaudited condensed consolidated interim financial statements of the Company were approved by the Directors on 7 September 2006.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

In the face of difficult operating environment, the Group continued to develop new products in addition to its efforts in implementing stringent cost control measures, and successfully achieved remarkable results. During the period under review, the total turnover of the Group in the amount of approximately HK\$435,021,000, an increase of approximately 12% as compared to the corresponding period of last year. Profit for the Period was approximately HK\$30,798,000, representing a significant increase of approximately 99% as compared to the corresponding period of last year. Gross profit margin for the Period also improved from 25% to 26.4% as compared to the corresponding period of last year. Earnings per share was HK6.2 cents, representing an increase of 100% over the corresponding period of last year.

As crude oil prices remained at a high level during the Period, the costs of plastic raw materials and metal raw materials such as steel, iron, bronze and aluminium, etc. continued to remain high. Coupled with the intensified competition in the market of home lighting, huge cost pressure caused business operation more difficult during the current period. Certain small and medium size manufacturers in the industry, being unable to operate under the tremendous pressure imposed by the high prices of raw materials, were forced to close down subsequently. The Group believed that with its financial strength, the Group will not only be able to survive this phase-out process but also maintain a steady growth and further expand the Group's market share. A loss was recorded in the PRC market division of the Group since it is still in its investment and consolidation stage, but the situation is improving. With the experience gained from the PRC market in the past few years, the Group believed that it is now well-positioned to refocus the Group's strategies so as to cope with the coming challenges in the PRC market.

The Group reported a significant increase in profit during the Period. It was mainly due to the change of the sales strategies and the portfolio of products, the employment of innovative designs and the development of high value-added new products, which helped increasing the turnover and profitability. Furthermore, the Group has also effectively reduced the costs of production within the organization by enhancing the existing product structure, introducing innovative packaging methods, streamlining the current production process as well as strengthening the effectiveness of automatic production process.



BUSINESS REVIEW (continued)

Overview (continued)

There has been an increasing demand of the Group's products in the North American market, the Group's principal market, as reconstruction work commenced by the end of 2005 and early 2006 in the aftermath of hurricane destruction occurred in the second half of 2005. The number of orders placed by the major customers of the Group increased significantly with the middle to high end customers contributing to a substantial part of such increase. Therefore, the profit of the Group increased significantly and the profitability of the Group was enhanced.

Export Markets

Home Lighting Division

During the period under review, the home lighting division reported a turnover in the amount of approximately HK\$405,176,000, an increase of approximately 14% as compared to the corresponding period of last year, representing approximately 93% of the total turnover of the Group. The increase in turnover was mainly attributable to the increasing orders from both existing and new customers. The increase was also due to the commitment of the Group's research and development team to improve the existing product mix and developing new products, resulting in a more diversified product range and greater bargaining power in the pricing of the Group's products. During the Period, the Group increased the selling prices for certain products with a view to mitigate the impact of high costs pressure to the Group. This also enabled the Group to achieve remarkable performance.

The Group carefully analysed the future prospect of the respective markets in last year. The Group also strategically allocated the resources to focus on the business development in the North American market and to assist its major customers in the North American market in implementing their expansion plans for the boost of sales and the enhancement of the results of the Group. While actively exploring the enormous potential of the North American market, the Group was also cautiously strengthening the fundamentals of its businesses in other overseas markets, with an aim to maintain sound and healthy development of its business operations in other overseas markets.



Export Markets (continued)

Home Lighting Division (continued)

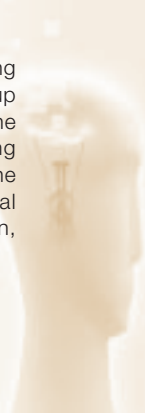
In addition, the Group also began to benefit from the synergic effects arising from the operation of the Group's prominent Canadian lighting operation, R.A.M. Lighting Ltd ("R.A.M."). During the Period under review, R.A.M. reported turnover in the amount of approximately HK\$22,863,000, representing 86% and 4% of the turnover of the Canadian market and the total turnover of the Group respectively. By marketing the products of R.A.M. to the Group's customers, the Group not only broadened the overall product mix and enriched the product range, but also better satisfied the need of the North American customers. Besides, the Group benefited from the existing customer base and sales network of R.A.M., accelerated the Group's business development in the Canadian market and established a solid platform for the future growth of its earnings.

As for product development, with the extensive experience, in-depth and updated understanding and knowledge of the North American market and the market trend of the product design team of R.A.M. of its own, the Group has obtained more insightful information about the new product development tailored to the North American market. As such, the costs of research and development were reduced and the acceptance of the Group's products in the North American market increased significantly.

Commercial Lighting Division

The Group's commercial lighting division team, which was established in 2005, performed well during the Period under review. This has significantly strengthened the competitiveness of the Group's commercial lighting division in the export market and enabled the Group to achieve impressive results in its commercial lighting product development and projects. Commercial lighting division in the export market reported a turnover in the amount of approximately HK\$17,922,000, representing a 82% increase as compared to the corresponding period of last year. Currently, the Group has already obtained the safety requirement certifications for most of its products and will be launched more innovative products to the market. The Group expected that this division will contribute to the results of the Group in the near future.

Capitalising on the extensive experience gained in previous commercial lighting projects and the Group's well-established reputation, the products of the Group have been widely accepted by the customers in the market. Therefore, during the period under review, the Group was able to secure more commercial lighting projects and greatly boosted the growth of the commercial lighting division in the export market. During the period under review, the Group completed several lighting projects, which included some famous hotel chain Group such as Hilton, Marriott and Radisson etc.



PRC Market

Apart from consolidation of its PRC business and by leveraging on the Group's past experience in the development of the PRC market, the Group also streamlined its headcount and strived to reduce its cost structure, which all achieved respectable results. During the Period under review, the Group recorded a total turnover of approximately HK\$11,922,000 from the PRC market, representing a decrease of approximately 52% as compared to the corresponding period of last year. In view of the difficulties in recovering the account receivables from lighting project business, the Group had adopted prudent measures towards business expansion, which resulted a drop in the number of new projects being secured in the PRC market as well as the turnover during the Period. However, the Group is confident that, by careful selection of projects, tighten examination on customers' credibility and strengthening our business relationship with quality customers, our lighting project business in the PRC market will gradually improve. On the other hand, the business of the Group's chain franchise stores in the PRC market is steadily improving. The number of chain franchise stores as well as their contribution to the Group's turnover all grow steadily.

Consumer Lighting Division (Chain Franchise Stores System)

During the period under review, the Group continued to explore the PRC market by franchising. Much effort was devoted to improve and optimize the franchise system, enhancing the Group's brand awareness by various marketing campaigns, thereby attracting more potential and quality franchisees. The Group will adopt more stringent measures when assessing the financial status and granting of franchise to applicants in order to minimize the risk exposure of the Group. The Group will also closely monitor the location of new franchise stores so as to control the number of stores in each region and to avoid fierce competition among the franchisees. During the period under review, in order to optimize the chain franchise stores system of consumer lighting market, the Group implemented and enforced the established policy of eliminating weaker players and the consolidation. As at 30 June 2006, the Group continuously maintained around 150 chain franchise stores. Although the numbers of chain franchise stores remained the same as compared with last year, the contribution of turnover from the consumer lighting market increased by approximately 17%. With years of experience in developing chain franchise stores and building brand name, in order to protect the Group's interests, the Group also charged the security deposits of chain franchise stores against the franchisees during the period. On top of protection of quality franchisees, it protects the Group's chain franchise stores system of the continuous development in the meanwhile.

PRC Market (continued)

Commercial Lighting Projects Division

During the period under review, the Group had completed several commercial lighting projects, mainly included Shanghai Xingye Building and Shanghai Tanguan Villa, Phase II. Owing to tighten procedures in the selection of lighting projects and credit review on customers, performance of this business division was slightly affected. However, the Group will adhere to these measures, as well as the Group will focus on the foreign invested supermarkets chain as target customers, and offered tailor-made development strategy to such customer. The Group believed that lighting projects will generate profits for the Group.

The approaching of Beijing 2008 Olympic and Shanghai 2010 World Expo is expected to bring tremendous business opportunities for the development of lighting projects in the PRC. Therefore, besides improving its operation efficiency and delivery capability, the Group also engaged actively in new products development and brand enhancement of "Bright". The overall competitiveness of the commercial lighting projects of the Group in the PRC market is thus reinforced. The Group is dedicated to capture the emerging business opportunities for building a solid foundation for the future growth of the Group.

Prospects

The Group has implemented stringent cost control measures and optimized production flow during the period under review. Although inflation of raw material prices is expected to be contained in the second half of the year, the Group will continue to reinforce the above measures to enhance the profitability and competitiveness of the Group.

In addition, the Group will also devote to the research and development of new products, improving existing product mix and product range so as to attract more new and quality customers. Meanwhile, the Group will continue to strengthen business relationship with its existing customers so as to secure a stable growth for the Group. The Group will continue to develop the North American market in a steady pace, while keeping an eye on other potential overseas markets. At the same time, the Group will strive to improve its product lines and production workflow to increase the overall productivity of the Group, thus satisfying the future needs.



Prospects (continued)

In order to improve the business performance of the PRC market, the Group will continue to implement the strategy of setting up chain franchise stores, improve logistic centers and supply chain facilities and provide more comprehensive support for its franchisees. The gross floor area of the Group's production base in Dongguan is over 200,000 sq.m. and currently has 30 production lines, which further enhance our production capacity. The Dongguan plant will become the main production base for commercial lighting for the PRC market. Furthermore, with the Group's four existing logistic centers in Dongguan, Shanghai, Beijing and Chengdu, the Group will be able to provide complete delivery service for its customers nationwide.

With extensive sales network, complete distribution channels, strong production capacity, efficient marketing strategy and diversified product line, the Group is dedicated to provide complete one-stop lighting product and service for its customers. The Group is fully confident of its future development.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2006, the Group enjoyed a strong liquidity position. Cash on hand and bank balances totalled HK\$53,779,000 and net assets value amounted to HK\$416,788,000. The Group had no long term or short term debts. As at 30 June 2006, the Group has pledged time deposits amounted to HK\$6,663,000 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 (2005: Nil).

FOREIGN EXCHANGE AND CURRENCY RISKS

The majority of the Group's trade receivables and trade payables are denominated in the US dollar. Due to the fact that the HK dollar is pegged to the US dollar, the Group's exposure to foreign currency risk is low. During the Period under review, the Group has not issued any financial instruments for hedging purposes.

CONTINGENT LIABILITIES

At 30 June 2006, the Group had no significant contingent liabilities (2005: Nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2006, the Group had approximately 2,800 employees (2005: approximately 2,100). We remunerate our employees based on their performance and the prevailing industry practices and the remuneration policy and packages are reviewed by the Board on a periodical basis. Bonus and share options may be awarded to employees based on performance evaluation. These are drives and encouragements for personal performance.

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

At 30 June 2006, 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:

1. Mr. Hsu Chen Shen is deemed to be interested in 297,000,000 shares of the Company which are held by Bright International Assets Inc., a controlled corporation of Mr. Hsu Chen Shen pursuant to SFO.
2. 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 position in underlying shares of the Company – physically settled unlisted equity derivatives:

| Name of director | Capacity | Number of underlying shares in respect of the share options granted | Percentage of the underlying shares over the Company's issued share capital |
|--------------------|------------------|---|---|
| Mr. Pak Ping Chun | Beneficial owner | 4,500,000 | 0.91% |
| Mr. Yang Hsien Lin | Beneficial owner | 4,500,000 | 0.91% |

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

C. 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 in corporation | Non-voting deferred | 100,000 | 1 | 100% |
| | Long | Interest in 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% |

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

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 2006, 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 of its 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 2006, the following company was interested in more than 5% of the issued share capital of the Company according to the register of interests required to be 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 held by Bright International Assets Inc. was also disclosed as interest of Mr. Hsu Chen Shen and Mrs. Hsu Wei Jui Yun, respectively in paragraph A under 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 2006, 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 registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept pursuant to 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.

A summary of movements of share options of the Company during the six months ended 30 June 2006 is set out below:

| Name of directors or employees | Number of share options outstanding at 1 January 2006 | Number of share options granted during the period | Number of share options exercised/ cancelled/ lapsed during the period | Number of share options outstanding at 30 June 2006 | Date of grant of share options | Exercise period of share options | Exercise price per share option (Note 1) |
|---|---|---|--|---|--------------------------------|-----------------------------------|---|
| Directors | | | | | | | |
| Mr. Pak Ping Chun | - | 4,500,000 | - | 4,500,000 | 2 March 2006 | From 3 March 2006 to 2 March 2007 | HK\$0.56 |
| Mr. Yang Hsien Lin | - | 4,500,000 | - | 4,500,000 | 2 March 2006 | From 3 March 2006 to 2 March 2007 | HK\$0.56 |
| Employees other than the directors | | | | | | | |
| In aggregate | - | 15,000,000 | - | 15,000,000 | 2 March 2006 | From 3 March 2006 to 2 March 2007 | HK\$0.56 |
| | - | 24,000,000 | - | 24,000,000 | | | |

Note 1: The closing price of the shares of the Company immediately before the date of grant was HK\$0.53.

The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company’s share capital.

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 (the “CG Code”) 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 E.1.2

This code provision stipulates that the chairman of the board of a listed issuer should attend the issuer’s annual general meeting. Mr. Hsu Chen Shen was unable to attend the Company’s 2006 annual general meeting held on 25 May 2006 as he had another important business engagement. Despite his absence, he had arranged for Mr. Pak Ping Chun, an executive director of the Company, taking the chair of the meeting and answering shareholders’ questions. No questions were raised by the shareholders at the meeting.

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. 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 2006.

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 two 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 of the Company, Mr. Hsu Chen Shen.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board 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 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, 7 September 2006

