

# BRIGHT INTERNATIONAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 1163

Interim Report  
**2007**



BRIGHT

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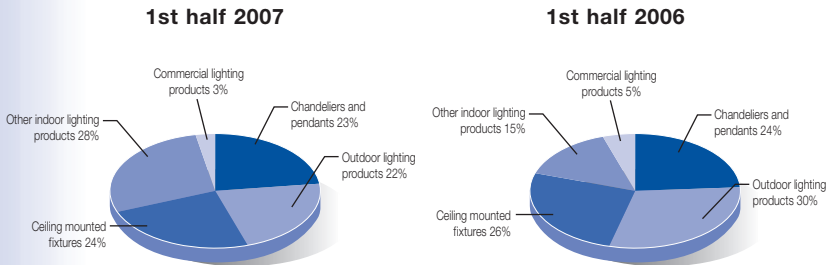
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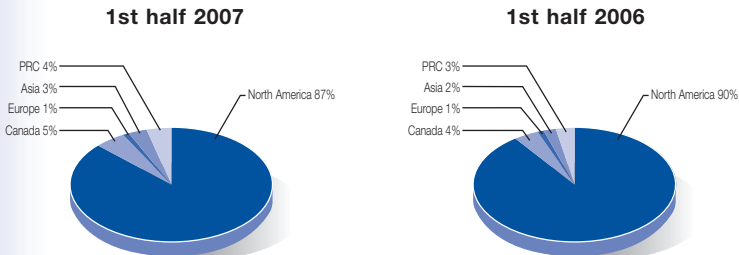
## INTERIM RESULTS HIGHLIGHTS:

- Turnover for the first half of 2007 amounted to approximately HK\$393,816,000.
- The Group's gross profit for the first half of 2007 amounted to approximately HK\$98,488,000. The gross profit margin for this period was 25%.
- The turnover attributable to PRC market for the first half of 2007 amounted to approximately HK\$16,395,000, increasing by approximately 38% as compared to the corresponding period of last year.

## 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 2007 (the "Period"), together with the comparative figures for the corresponding period in 2006 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>For the six months ended 30 June</b>	
		<b>2007</b>	2006
		<b>(Unaudited)</b>	(Unaudited)
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>REVENUE</b>	3	<b>393,816</b>	435,021
Cost of sales		<b>(295,328)</b>	(320,306)
<b>GROSS PROFIT</b>		<b>98,488</b>	114,715
Other income	4	<b>2,383</b>	3,009
Selling and distribution costs		<b>(19,640)</b>	(23,674)
Administrative expenses		<b>(57,889)</b>	(57,439)
Other operating expenses		<b>(8,647)</b>	(3,468)
Operating profit		<b>14,695</b>	33,143
Finance costs	6	<b>(164)</b>	(440)
<b>PROFIT BEFORE INCOME TAX</b>	5	<b>14,531</b>	32,703
Income tax expense	7	<b>(645)</b>	(1,905)
<b>PROFIT FOR THE PERIOD</b>		<b>13,886</b>	30,798
<b>INTERIM DIVIDEND</b>	8	<b>6,689</b>	14,715
<b>EARNINGS PER SHARE</b>	9		
– BASIC		<b>HK2.7 cents</b>	HK6.2 cents
– DILUTED		<b>N/A</b>	HK6.2 cents

## CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	At 30 June 2007 (Unaudited) HK\$'000	At 31 December 2006 (Audited) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		303,152	308,675
Investment properties		3,380	3,380
Goodwill		23,017	23,906
		<u>329,549</u>	<u>335,961</u>
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss		2,064	3,371
Inventories		109,198	115,126
Trade and bills receivables	10	137,550	113,692
Prepayments, deposits and other receivables		30,314	28,175
Cash and cash equivalents		70,899	64,330
		<u>350,025</u>	<u>324,694</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	11	104,778	80,299
Provision for tax		25,733	26,271
Other payables and accruals		40,796	36,694
Due to a related company	12	468	468
Discounted bills with recourse		25,708	49,343
Dividend payable		6,689	-
		<u>204,172</u>	<u>193,075</u>
<b>NET CURRENT ASSETS</b>		<b>145,853</b>	131,619
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>475,402</b>	467,580
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		14,180	14,180
Net assets		<u>461,222</u>	<u>453,400</u>
<b>EQUITY</b>			
<b>Equity attributable to the Company's equity holders</b>			
Share capital	13	51,450	49,050
Reserves		409,772	392,087
Proposed final dividend		-	12,263
Total equity		<u>461,222</u>	<u>453,400</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Contributed surplus	Asset revaluation reserve	Exchange fluctuation reserve	Share based payment reserve	Retained profits	Proposed final dividend	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2006	49,050	54,252	286	30,881	2,723	-	261,976	19,620	418,788
Surplus on revaluation	-	-	-	8,893	-	-	-	-	8,893
Exchange realignment	-	-	-	-	3,169	-	-	-	3,169
Total income and expenses for the year recognised directly in equity	-	-	-	8,893	3,169	-	-	-	12,062
Net profit for the year	-	-	-	-	-	-	55,325	-	55,325
Total income and expenses for the year	-	-	-	8,893	3,169	-	55,325	-	67,387
Recognition of equity-settled share based payments	-	-	-	-	-	1,560	-	-	1,560
Final 2005 dividend paid	-	-	-	-	-	-	-	(19,620)	(19,620)
Interim 2006 dividend paid	-	-	-	-	-	-	(14,715)	-	(14,715)
Proposed final 2006 dividend	-	-	-	-	-	-	(12,263)	12,263	-
Balance at 31 December 2006 and 1 January 2007	49,050	54,252	286	39,774	5,892	1,560	290,323	12,263	453,400
Exchange realignment	-	-	-	-	48	-	-	-	48
Total income and expenses for the period recognised directly in equity	-	-	-	-	48	-	-	-	48
Net profit for the period	-	-	-	-	-	-	13,886	-	13,886
Total income and expense for the period	-	-	-	-	48	-	13,886	-	13,934
Share options exercised	2,400	12,600	-	-	-	(1,560)	-	-	13,440
Final 2006 dividend paid (note 8)	-	-	-	-	-	-	(600)	(12,263)	(12,863)
Interim 2007 dividend	-	-	-	-	-	-	(6,689)	-	(6,689)
Balance at 30 June 2007	51,450	66,852	286	39,774	5,940	-	296,920	-	461,222

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	14,531	32,703
Adjustments for:		
Finance costs	164	440
Interest income	(757)	(668)
Gain on disposal of financial assets at fair value through profit or loss	(442)	(506)
Depreciation	15,013	15,053
Share based payment	-	1,560
Impairment of goodwill	889	-
Provision for impairment of trade receivables	1,101	-
Write down of inventories to net realisable value	613	-
	<hr/>	<hr/>
Operating profit before working capital changes	31,112	48,582
Decrease/(increase) in inventories	5,315	(13,298)
Increase in trade and bills receivables	(24,959)	(21,266)
Increase in prepayments, deposits and other receivables	(2,139)	(1,139)
Increase in trade and bills payables	24,479	13,565
Increase/(decrease) in other payables and accruals	4,102	(486)
Decrease in discounted bills with recourse	(23,635)	-
	<hr/>	<hr/>
Cash generated from operations	14,275	25,958
Interest received	757	668
Interest paid	(164)	(440)
Dividends paid	(12,863)	(19,620)
Corporate income tax paid	(1,183)	(1,689)
	<hr/>	<hr/>
Net cash generated from operating activities	822	4,877

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	<b>For the six months ended 30 June</b>	
	<b>2007</b>	2006
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of items of property, plant and equipment	<b>(9,490)</b>	(10,887)
Proceeds from disposal of financial assets at fair value through profit or loss	<b>5,715</b>	7,033
Purchases of financial assets at fair value through profit or loss	<b>(3,966)</b>	(7,185)
Net cash used in investing activities	<b>(7,741)</b>	(11,039)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from exercise of share options	<b>13,440</b>	–
Proceeds from bank loans	–	10,000
Repayment of bank loans	–	(10,000)
Proceeds from other loans	–	25,000
Repayment of other loans	–	(25,000)
Net cash generated from financing activities	<b>13,440</b>	–
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>6,521</b>	(6,162)
Cash and cash equivalents at beginning of the period	<b>64,330</b>	53,301
Effect of foreign exchange rates changes, net	<b>48</b>	(23)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>70,899</b>	47,116
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>70,899</b>	47,116
	<b>70,899</b>	47,116



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 No. 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants 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 2006.

## 3. Revenue by geographical segment

	For the six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
By geographical segment:		
North America	342,051	392,412
Canada	20,091	18,064
Europe	4,004	4,678
Asia (exclude The People's Republic of China ("PRC"))	9,930	7,583
PRC	16,395	11,922
Elsewhere	1,345	362
	<u>393,816</u>	<u>435,021</u>

## 4. Other income

	For the six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Exchange gain	-	408
Gross rental income from investment properties	313	537
Bank interest income	757	668
Gain from disposal of financial assets at fair value through profit or loss	442	506
Sample income	871	890
	<u>2,383</u>	<u>3,009</u>

## 5. Profit before income tax

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

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation	15,013	15,053
Impairment of goodwill	889	–
Provision for impairment of trade receivables	1,101	–
	<u>17,003</u>	<u>15,053</u>

## 6. Finance costs

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank overdrafts	164	440
	<u>164</u>	<u>440</u>

## 7. Income tax expense

	For the six months ended 30 June	
	2007	2006
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax – Mainland China		
Charge for the period	391	1,583
Current tax – Elsewhere		
Charge for the period	254	322
	<u>645</u>	<u>1,905</u>
Total tax charge for the period	645	1,905

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, interpretation and practices.

## 8. Interim dividend

The Board has declared an interim dividend of HK1.3 cents per share for the six months ended 30 June 2007 (2006: HK3 cents) payable to shareholders whose names appear on the Register of Members of the Company on 28 September 2007. Dividend warrants will be dispatched to the shareholders of the Company on or about 5 October 2007.

The actual final dividend paid for 2006 was HK\$12,863,000 due to additional shares issued before the date of the closure of the Register of Members of the Company which qualified for the entitlement of the 2006 final dividend.

## 9. Earnings per share

Basic earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares in issue during the period.

	<b>2007</b> <b>(Unaudited)</b>	2006 (Unaudited)
Profit for the period ended 30 June	<b>HK\$13,886,000</b>	HK\$30,798,000
Weighted average number of ordinary shares in issue	<b>508,766,667</b>	490,500,000
Basic earnings per share	<b>HK2.7 cents</b>	HK6.2 cents

Diluted earnings per share is calculated by dividing the profit for the period by the weighted average number of ordinary shares in issue during the period, adjusted for the effects of all dilutive potential shares.

	<b>2007</b> <b>(Unaudited)</b>	2006 (Unaudited)
Profit for the period ended 30 June	<b>N/A</b>	HK\$30,798,000
Weighted average number of ordinary shares in issue	<b>N/A</b>	491,533,510
Diluted earnings per share	<b>N/A</b>	HK6.2 cents

## 10. Trade and bills receivables

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

	<b>At 30 June 2007 (Unaudited) HK\$'000</b>	At 31 December 2006 (Audited) HK\$'000
Within 1 month	<b>87,836</b>	55,849
1-3 months	<b>31,990</b>	37,363
4-6 months	<b>5,203</b>	4,753
7-12 months	<b>4,158</b>	1,619
Over 1 year	<b>8,363</b>	14,108
	<b><u>137,550</u></b>	<u>113,692</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 (2006: 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 aging analysis of the trade and bills payables as at the balance sheet date, based on invoice date, is as follows:

	<b>At 30 June 2007 (Unaudited) HK\$'000</b>	At 31 December 2006 (Audited) HK\$'000
1-3 months	<b>93,109</b>	70,692
4-6 months	<b>5,385</b>	3,395
7-12 months	<b>1,671</b>	1,385
Over 1 year	<b>4,613</b>	4,827
	<b><u>104,778</u></b>	<u>80,299</u>

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

## 12. Due to a related company

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

	<b>At 30 June 2007 (Unaudited) HK\$'000</b>	At 31 December 2006 (Audited) HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.1 each	<b>100,000</b>	100,000
Issued and fully paid:		
514,500,000 (2006: 490,500,000) ordinary shares of HK\$0.1 each	<b>51,450</b>	49,050

During the Period, 24,000,000 ordinary shares of HK\$0.1 were issued in respect of the exercise of share options by directors and employees under the share option scheme at an exercise price of HK\$0.56 per share.

## 14. Related party transactions

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 of the Company, for an aggregate amount of approximately HK\$526,000 (2006: HK\$507,000) 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.

## 15. Contingent liabilities

At 30 June 2007, the Group had no significant contingent liabilities (2006: Nil).

## 16. Approval of interim financial statements

The unaudited condensed consolidated interim financial statements of the Company were approved by the Board on 7 September 2007.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Overview

For the six months ended 30 June 2007, the total turnover of the Group amounted to approximately HK\$393,816,000, a decrease of approximately 9% as compared to the corresponding period of last year. Profit for the Period amounted to approximately HK\$13,886,000, representing a decrease of approximately 55% as compared to the corresponding period of last year. Gross profit margin and net profit margin for the Period at approximately 25% and 4% represented the respective decreases of approximately 1% and 3% as compared to the previous corresponding period. Earnings per share was HK2.7 cents, representing a decrease of approximately 56% as compared to the previous corresponding period.

The performance of the Group was not satisfactory during the Period. This was mainly due to unsatisfactory results from the Group's major market, the US market. During the Period, the Group's orders from the US market declined by approximately 13% owing to slowing down of the US property market and recession of the US economy. On the other hand, the continuous appreciation of Renminbi ("RMB") led to a heavy strike on export enterprises. The business environment for the Group was all the more challenging with the continuously high raw material costs. Starting from the second half of 2007, the PRC government introduced the reduction of tax rebates for exports. It is expected that the Group would face even more challenges in the second half of 2007. To manage the setback brought about by the abovementioned unfavorable factors, the Group has appointed a commissioner. The commissioner's role is to work closely with major US customers to increase orders and negotiate on selling prices. To date, with this approach the Group has succeeded in obtaining part of the orders expected in the first half of 2007. In addition, the Group continues to launch new products in order to boost sales and maintain gross profit margin. To reduce the impact of the appreciation of RMB and the reduction of tax rebates, the Group is making great efforts in developing the domestic market in China.

## Export Markets

### *Home Lighting Division*

During the Period, the home lighting division recorded a turnover of approximately HK\$368,893,000, representing approximately 94% of the Group's total turnover. As compared to the corresponding period of last year, this was a decrease of approximately 9%. The decrease was mainly attributable to declining sales of the Group's major US customers, the DIY chain stores, whose sales were affected by the slowing down of the US property market. Despite the success of the Group's newly appointed commissioner in coordinating with the customers and securing various orders, the amount fell short of the Group's budgeted sales for the first half of 2007.

During the Period, the Group launched a sales package of home lighting series to meet the demand of one of the major customers whose sales target is in US housing sector. The Group successfully fulfilled the first batch of orders with a satisfactory result. For the second half of the year, the Group will launch several new sales packages of home lighting series, which are expected to contribute to the Group's turnover and profit. In addition, the Group expects to make steady progress in developing markets in Canada and Mexico, having already made inroads since starting this project last year. The Group continued to launch new products to maintain competitiveness and sales of certain new products were better than expected. During the Period, with its continuous effort, the Group succeeded in securing orders from the largest international chain of stores. The Group will continue to foster business with this customer in order to diversify its customer base.

Apart from the US market, other overseas markets recorded stable performance in the Period. Except the European market which recorded a decrease of approximately 14% in turnover, the turnovers of both Asian and Canadian markets increased by approximately 31% and 11% respectively.

## **Export Markets (continued)**

### *Commercial Lighting Division*

During the Period, the export market turnover of the commercial lighting division amounted to approximately HK\$8,528,000, representing a decrease of approximately 52% as compared to the corresponding period of last year. This was mainly due to the slowing down of the US property market.

The Group is currently reaching the final stage of negotiations with a well-known US commercial lighting wholesaler regarding collaboration. Under this arrangement, the wholesaler intends to appoint the Group as its major supplier and will provide the Group comprehensive technical support of commercial lighting products in order to ensure the products of the Group can comply with its high standard requirement. This collaboration is expected to enhance swiftly and comprehensively the Group's development potential and production capacity in commercial lighting products and will be a great help on the development of other commercial lighting projects of the Group.

## **PRC Market**

During the Period, the Group recorded a total turnover of approximately HK\$16,395,000 from the PRC domestic market, representing an increase of approximately 38% as compared to the corresponding period of last year. Turnover from commercial lighting projects amounted to approximately HK\$3,982,000, represented an increase of approximately 89% as compared to the previous corresponding period. Such increase was attributable to the fast developing PRC economy which led to the emergence of vast business opportunities for commercial lighting projects. In addition, due to the continuous increase in consumption power and chase in product quality in the PRC domestic market, the demand for high quality consumer products rises substantially. As a result, the Group, with its positioning in the middle to high level of the consumer lighting market, recorded a satisfactory increase in turnover of approximately 26% in such sector.

### *Consumer Lighting Division (Franchised Chain Stores System)*

During the Period, the Group continued its expansion in the PRC market through franchising. Turnover attributable to franchising steadily increased, owing to success of the Group in improving and optimizing the franchise system and raising the Group's brand awareness in the past years. During the Period, the Group for the first time conducted a major franchisee recruitment activity to attract potential franchisees to join. Apart from promotional activities held in the Group's domestic head office in Shanghai, the Group also invited potential franchisees to visit its Dongguan headquarters to raise their confidence in the scale and capability of the Group. This recruitment activity achieved expected results. The Group will hold similar activities regularly in future to attract more franchisees to join its ranks.



## **PRC Market (continued)**

### *Commercial Lighting Projects Division*

During the Period, the Group completed more than 7 commercial lighting projects. The Group's strategy of enhanced focus on large foreign-invested supermarket chain stores has achieved results to a certain extent. Currently, the Group has reached understanding with 2 renowned supermarket chain store groups to fall in with their development strategy in the PRC market and undertake most of their lighting projects. The collection of account receivables is always a major issue for PRC domestic projects. The Group considers this issue to be less of a concern with foreign-invested businesses as collection from these is easier to control. The Group is therefore proactively moving in this development direction and continuously identifying more collaboration opportunities with foreign-invested companies.

## **Prospects**

In the Period, the Group continued with stringent cost control measures and optimized production flow to minimize costs. With continuous increase in the price of raw materials, the PRC government's diminishing tax rebate on exports and the ongoing appreciation of RMB, profits of the Group were adversely affected. The Group expects that the operation environment will become increasingly challenging and difficult. The Group will adopt various measures to tap new resources and economize on expenses to minimize the abovementioned adverse effects.

The Group has also made appropriate adjustments in the research and development (R & D) plans for its new products. In the past, R&D costs had been high with a broader product range offered for customer choice. During the Period, the Group offered selected products to its customers. Prior to developing new products and samples for customers' final decision-making, the Group maintained close communication with customers on their requirements, providing the most up-to-date information on market trends. Thus the Group was able to develop tailor made styles and products to meet the needs of customers in different businesses while keeping in line with market trends. With this adjustment in strategy, the Group's R&D costs significantly decreased while the customers' making of orders on new products greatly increased.

## **Prospects (continued)**

The Group believes that many countries will use energy-saving bulbs instead of white bulbs in the near future. In view of this, the Group is proactively conducting feasibility plans to redevelop the market for energy-saving bulbs. The first step is to speed up the development pace, identify an appropriate supplier as partner and target existing DIY customers of the Group for promotion. All these are in active progress. Apart from developing energy-saving bulbs, the Group intends to develop outdoor furniture and metal fittings markets for existing customers. Basically, the Group plans to jointly develop these markets with appropriate suppliers, but this plan is still in the research and assessment stage.

In face of the increasingly stringent business environment, the Group, in addition to continuing efforts to enhance existing strengths and raise competitiveness, will make steady attempts to explore and open up markets for products that are similar in nature to those of the Group. The Group is confident that this two-pronged approach of developing markets and controlling costs will enable us to overcome current environmental constraints and maintain profits.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2007, the Group enjoyed a strong liquidity position. Cash on hand and bank balances totalled HK\$70,899,000 and net assets value amounted to HK\$461,222,000. The Group had no long term or short term debts. As at 30 June 2007, the Group had not pledged any time deposits for securing general banking facilities or any assets for other purposes. Provision for impairment for trade receivables was made during the Period in the amount of approximately HK\$1,101,000 (2006: Nil).

## **FOREIGN EXCHANGE AND CURRENCY RISKS**

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

## **CONTINGENT LIABILITIES**

At 30 June 2007, the Group had no significant contingent liabilities (2006: Nil).

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2007, the Group had approximately 2,900 employees (2006: approximately 2,800). The Group remunerates the 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 2007, the interests of the directors of the Company in the share capital of the Company and its associated corporation (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 Issuers (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	Note	Percentage of the Company's issued share capital
Mr. Hsu Chen Shen	Interest in corporation	297,000,000	1	57.72%
Mrs. Hsu Wei Jui Yun	Interest of spouse	297,000,000	2	57.72%

#### Notes:

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

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

### B. Long position in shares of associated corporation – Bright International Assets Inc., the Company's ultimate holding company

Name of director	Capacity	Number of ordinary shares held in the associated corporation	Note	Percentage of the associated corporation's issued share capital
Mr. Hsu Chen Shen	Beneficial owner	28		28%
Mr. Hsu Shui Sheng	Beneficial owner	24		24%
Mr. Hsu Chin Liang	Beneficial owner	24	1	24%
Mr. Hsu Chiang Lung	Beneficial owner	12		12%
Mrs. Hsu Wei Jui Yun	Interest of spouse	28	2	28%

*Notes:*

1. Subsequent to the Period end, Mr. Hsu Chin Liang resigned as a director of the Company on 17 August 2007.
2. Mrs. Hsu Wei Jui Yun was deemed to be interested in 28 shares of Bright International Assets Inc. through interest of her spouse, Mr. Hsu Chen Shen.

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 2007, 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 or short positions which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or any interests or short positions which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

At 30 June 2007, 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:

<b>Name</b>	<b>Long/Short position</b>	<b>Capacity</b>	<b>Number of ordinary shares held</b>	<b>Percentage of the Company's issued share capital</b>
Bright International Assets Inc. <i>(Note)</i>	Long	Beneficial owner	297,000,000	57.72%

*Note:* The above interest held by Bright International Assets Inc. was also disclosed as the interests 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 2007, 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 of the Company required to be kept pursuant to Section 336 of the SFO.

## SHARE OPTION SCHEME

The Company operates a share option 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 2007 is set out below:

Name of directors or employees	Number of share options outstanding at 1 January 2007	Number of share options granted/ cancelled/ lapsed during the period	Number of share options exercised during the period (Note)	Number of share options outstanding at 30 June 2007	Date of grant of share options	Exercise period of share options	Exercise price per share option
<b>Directors</b>							
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
<b>Employees other than the directors</b>							
In aggregate	15,000,000	-	15,000,000	-	2 March 2006	From 3 March 2006 to 2 March 2007	HK\$0.56
	<u>24,000,000</u>	<u>-</u>	<u>24,000,000</u>	<u>-</u>			

*Note:* The weighted average closing price of the shares immediately before the date on which the options were exercised was HK\$0.74.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 25 September 2007 to Friday, 28 September 2007 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitlement to the interim dividend for the six months ended 30 June 2007, all transfers accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tricor Tengis Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 24 September 2007.

## 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 for the six months ended 30 June 2007, 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 2007 annual general meeting held on 28 May 2007 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.

## **CORPORATE GOVERNANCE (continued)**

Subsequent to the Period end, on 15 July 2007, Mr. Chan Nien Po, the then independent non-executive director and member of both the Audit Committee and Remuneration Committee of the Company, passed away. Upon his decease, the Company is unable to comply with (a) Rule 3.10(1) of the Listing Rules, which prescribes that a listed issuer must have at least three independent non-executive directors; (b) Rule 3.21 of the Listing Rules, which prescribes that a listed issuer's Audit Committee must comprise a minimum of three members who should all be non-executive directors; and (c) the code provision B.1.1 of the Code on Corporate Governance Practices, which prescribes that a majority of the members of a listed issuer's Remuneration Committee should be independent non-executive directors. The Company is endeavouring to identify a suitable candidate to fill the above vacancies as soon as practicable. A further announcement will be published by the Company upon the relevant appointment is made.

## **CODE OF CONDUCT FOR SECURITIES TRANSACTIONS**

The Company has 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.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines") in respect of the dealings in the Company's securities by employees who are likely to be in possession of unpublished price-sensitive information of the Company or its securities.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company throughout the six months ended 30 June 2007.

## **AUDIT COMMITTEE**

The Audit Committee of the Company, which currently comprises the two independent non-executive directors of the Company, has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters, including the review of these interim results.



## 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 currently comprises an independent non-executive director of the Company, Dr. Hsiao Horng Ching (Chairman of the Remuneration Committee) 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 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 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 and Mr. Hsu Chiang Lung are the executive directors of the Company and Mr. Leung Hok Lim 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 2007