BRIGHT INTERNATIONAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 1163

Annual Report 2007

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Hsu Chen Shen
(Chairman and Chief Executive Officer)
Mr. Hsu Shui Sheng *(Vice-Chairman)*
Mrs. Hsu Wei Jui Yun
Mr. Pak Ping Chun
Mr. Yang Hsien Lin
Mr. Hsu Chiang Lung

Independent Non-executive Directors

Mr. Leung Hok Lim
Dr. Hsiao Horng Ching
Mr. Cheng Yung Hui

REGISTERED OFFICE

Clarendon House, 2 Church Street,
Hamilton HM 11, Bermuda

HEAD OFFICE & PRINCIPAL PLACE OF BUSINESS

Room 09, 19th Floor, Block B,
Ming Pao Industrial Centre, 18 Ka Yip Street,
Chai Wan, Hong Kong

Pu-Jiang Road, Da-Ban-Di
Industrial Zone, Humen Town,
Dongguan, Guangdong, China

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Tsang Yuk Yan, Nicol

AUTHORIZED REPRESENTATIVES UNDER LISTING RULES

Mr. Hsu Chen Shen
Mr. Pak Ping Chun

AUDITORS

Grant Thornton, Certified Public Accountants

STOCK CODE & COMPANY'S WEBSITE

1163
www.big1163.com

AUDIT COMMITTEE MEMBERS

Mr. Leung Hok Lim *(Chairman)*
Dr. Hsiao Horng Ching
Mr. Cheng Yung Hui

REMUNERATION COMMITTEE MEMBERS

Dr. Hsiao Horng Ching *(Chairman)*
Mr. Hsu Chen Shen
Mr. Cheng Yung Hui

PRINCIPAL BANKERS

Bank of SinoPac
Bank of America, N.A.
The Bank of China (Hong Kong) Limited
The Hongkong & Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR & PRINCIPAL TRANSFER OFFICE

The Bank of Bermuda Limited
Bank of Bermuda Building, 6 Front Street,
Hamilton HM 11, Bermuda

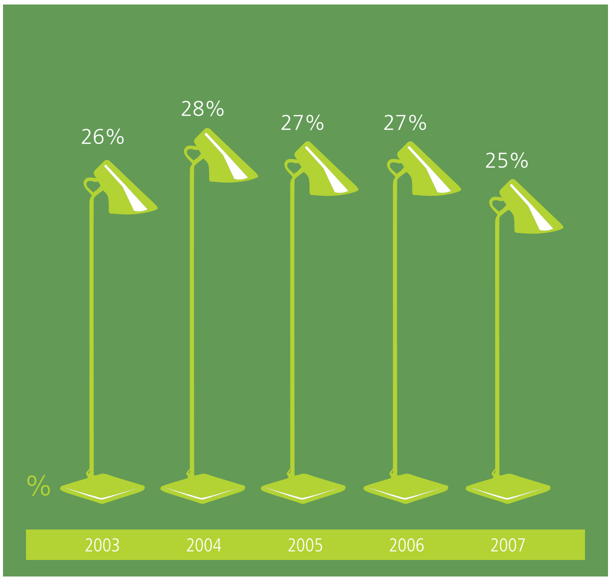
HONG KONG BRANCH SHARE REGISTRAR & BRANCH TRANSFER OFFICE

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

FINANCIAL HIGHLIGHTS

For the year ended 31 December	2003	2004	2005	2006	**2007**
Revenue (HK$'000)	696,244	740,654	774,573	806,413	**816,863**
Net Profit (HK$'000)	42,108	51,208	48,004	55,325	**18,212**
Gross Profit Margin	26%	28%	27%	27%	**25%**
Net Profit Margin	6%	7%	6%	7%	**2%**
Net Asset Value (HK$'000)	336,257	367,268	418,788	453,400	**517,189**
Dividend (HK cents) – annual	4.5	5.5	4	5.5	**1.7**
Basic Earnings Per Share (HK cents)	8.6	10.4	9.8	11.3	**3.6**

Gross Profit Margin
For the year ended 31 December



Net Profit Margin
For the year ended 31 December

Chairman's Statement

Mr. HSU Chen Shen, Keen
Chairman

I am pleased to present the annual results of Bright International Group Limited ("Bright" or the "Company", together with its subsidiaries collectively as the "Group") for the year ended 31 December 2007. During the year under review, turnover of the Group amounted to approximately HK$816,863,000, which maintained a similar level as compared with HK$806,413,000 in the corresponding period of last year. Profit for the year amounted to approximately HK$18,212,000, representing a decrease of approximately 67%. Basic earnings per share was HK3.6 cents (2006: HK11.3 cents).

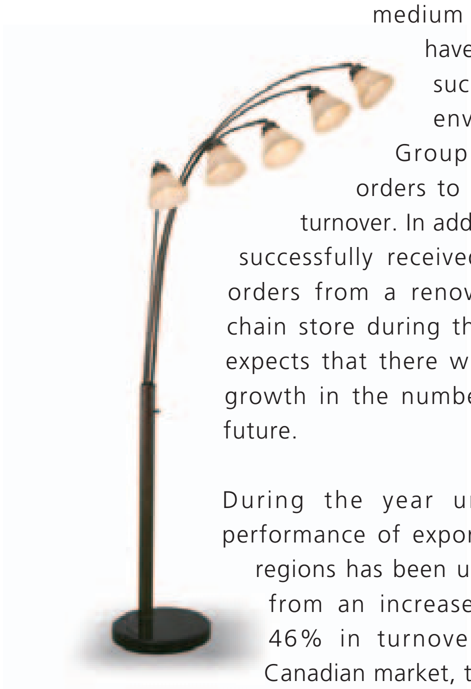
Final Dividend

The board of directors of the Company (the "Board") recommended the payment of HK0.4 cent per share as the final dividend (2006: HK2.5 cents) and the total dividend of the Group for the year amounted to HK1.7 cents per share (2006: HK5.5 cents).

Business Review

The difficult business environment for lighting industry has prevailed in recent years. Due to high raw material costs, continuous appreciation of Renminbi ("RMB"), rapid growth of the economy of the People's Republic of China ("PRC") and rise in price of commodities, the profit of the Group has been affected. During the year under review, the long term results of the Group were below expectation. Its turnover was maintained at a similar level while the profit experienced a substantial decrease.

There were no significant changes in the orders from major customers in the US market. However, given the unfavourable climate in the US property market and sub-prime loan crisis, our customers tended to place orders in a prudent manner. Many small to medium lighting producers have closed down under such arduous business environment and the Group retrieved certain orders to maintain its overall turnover. In addition, the Group has successfully received and fulfilled the orders from a renowned international chain store during the year. The Group expects that there will be a remarkable growth in the number of orders in the future.



During the year under review, the performance of export markets in other regions has been unsatisfactory. Apart from an increase of approximately 46% in turnover recorded in the Canadian market, the turnover in other regions showed a declining trend. In view of the downturn in the US market, the Group will endeavour to develop other export markets in order to diversify the risks of focusing on the US as its only market and to minimize the loss generated from the persistent depreciation of US dollars against RMB. The Group plans to focus on the development of the Canadian and the European market.

The Group has succeeded in gaining reputation in the commercial hotel lighting business. In addition to the cooperation with our existing customers, the number of orders from new customers has been increasing as the Group has established a good foundation and reputation in this market with guaranteed quality. The Group will spare no effort in developing this market and expects the commercial hotel lighting projects will contribute a considerable profit for the Group. The Group will also replicate its successful strategies to other similar projects, such as office and public facilities projects.

During the year under review, the Group recorded a satisfactory growth in turnover from the PRC domestic market. The increase was mainly due to a substantial growth in the home lighting division (franchised chain stores system). The franchised chain stores system has become mature after operating for years. The increasing consumption power in the PRC also accelerated the growth of the franchised chain stores system. In view of the successful operation of the franchised chain stores system, the Group currently plans to promote another brand of the Group in the same approach by focusing on the market of small to medium-sized residential units with medium to low-end products. The Group anticipates that this market will have great development opportunities in the future.

Prospects

Looking ahead, the Group will face a more difficult business environment without any indication of improvements in the short run and will encounter such challenge in a prudent and positive manner. In addition to consolidating our own strengths, the Group will look for new development opportunities to remain competitive in the market. The Group is conducting a feasibility study in respect of relocating parts of its production base. In the meantime, the Group also plans to increase its market share by acquisition to expand its existing sales network.

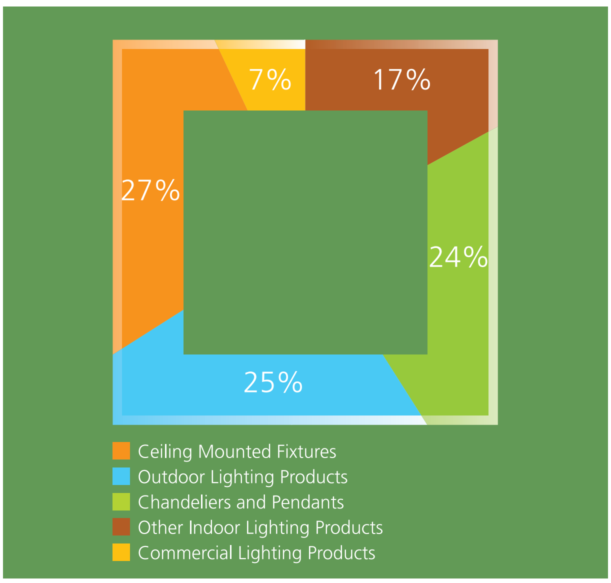
Appreciation

On behalf of the Board, I would like to express my heartfelt gratitude to our shareholders, investors and clients for their continuous support to and confidence in the Group. Furthermore, I would like to thank all the staff members for their dedication and exertions, as well as their valuable contribution to the Group's overall development.

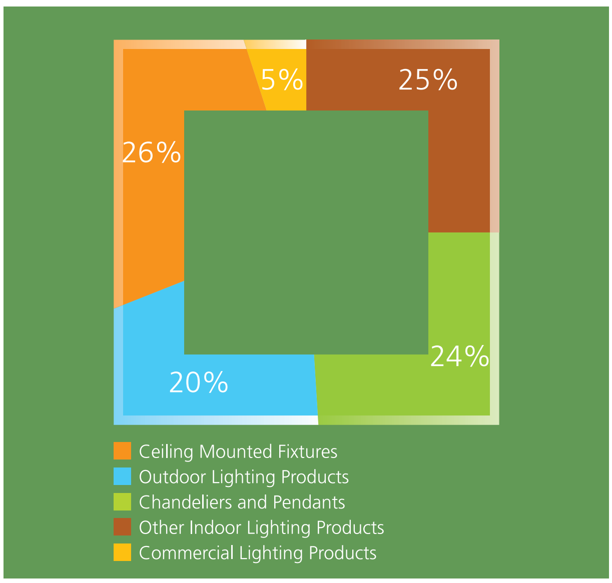
HSU Chen Shen
Chairman

Hong Kong, 2 April 2008

Comparison of turnover by products
2006

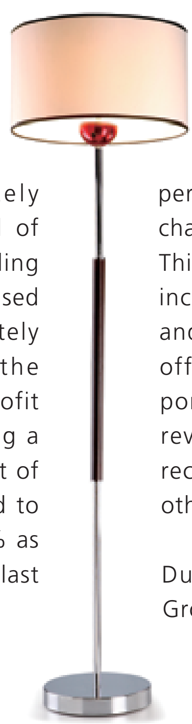


Comparison of turnover by products
2007



Business Review

During the year under review, the performance of the Group was unsatisfactory, mainly due to unsatisfactory results from the Group's major market, the US market. In the period, the sub-prime loan crisis in the US continued to adversely affect the US property market and economy. Although there was no significant decrease in the number of orders from the US market, the Group's profit showed a declining trend. Apart from this, commodity prices in the PRC continued to rise with the rapidly growing economy, which rising trend and pace showed no signs of easing despite various measures by the PRC government to control economic growth. Various other factors combined to deal a heavy blow to the export-oriented business of the Group. These factors included the appreciation of RMB by about 8% since the beginning of 2007; the continued high prices of raw materials due to escalating crude oil prices and strong domestic demand in the PRC; and a boom in wages of the domestic labour force due to enhanced labour protection policies of the PRC government. In the year under review, the Group's total turnover amounted to approximately HK$816,863,000, maintaining similar level of turnover as compared with the corresponding period of last year. Profit for the year decreased drastically by about 67% to approximately HK$18,212,000, as compared with the corresponding period of last year. Gross profit margin was approximately 25%, representing a decrease of about 2% as compared with that of last year. Basic earnings per share amounted to HK3.6 cents, representing a decrease of 68% as compared with the corresponding period of last year.



In the face of the increasingly difficult business environment, the Group adopted prudent strategies to overcome the challenges. In addition to stringent cost controls and ongoing product development, the Group introduced special measures for those products with low gross profit margin. During the year under review, the Group reassessed all such products and discontinued those that have extremely low gross profit margin or replaced them with similar products of different materials or colour in order to maintain reasonable profit level of the Group. To reduce the impact on profits from continually mounting costs with little leeway for adjustment of product prices, the Group has to find ways to control costs. It is expected that this arduous business environment will continue for some time and impose severe pressure on the Group in the near term.

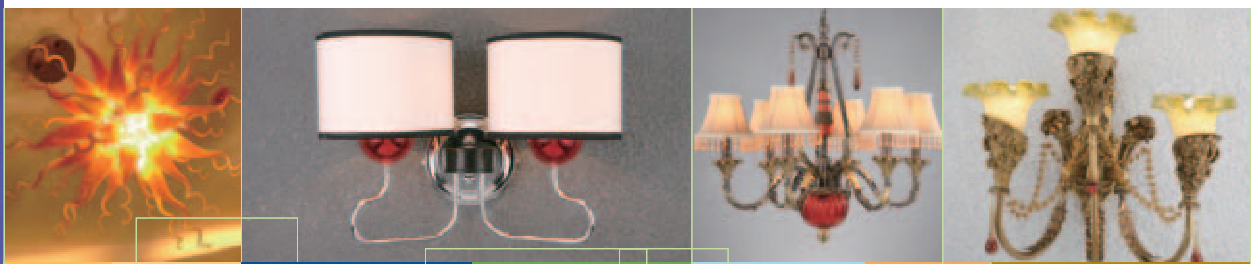
Export Markets

Home Lighting Division

In the year under review, turnover of the home lighting division at approximately HK$740,954,000 was similar to that of the same period of last year, and represented about 91% of the Group's total turnover. Sales of the Group's major customers, large-scale DIY chain stores in the US, were directly affected by the slowing down of the US property market, which in turn affected the Group's performance. However, there was no significant change in the Group's overall sales performance. This was due to sustained sales, though without increase, among the Group's major customers, and sales brought in by new customers, which offset the obvious decrease in sales among a portion of other customers. In the year under review, apart from an increase of about 46% recorded from sales in the Canadian market, all other export markets showed a declining trend.

During the said period, performance of the Group's major customers, affected mainly by the slowing down of the US property market, was less than satisfactory. Thus despite the Group's attempts to negotiate price adjustments with these customers in view of continually rising production costs, the negotiations were strongly opposed and the pressure exerted by rising costs could only be passed on to the customers to a limited


BRIGHT



extent. Such situation has definitely led to an adverse effect on the Group's net profit. In the said period, a sizable number of lighting manufacturers closed down under pressure of soaring costs, and some of their orders were taken over by the Group. Although these orders increased sales overall, their contribution to the Group's profits was limited.

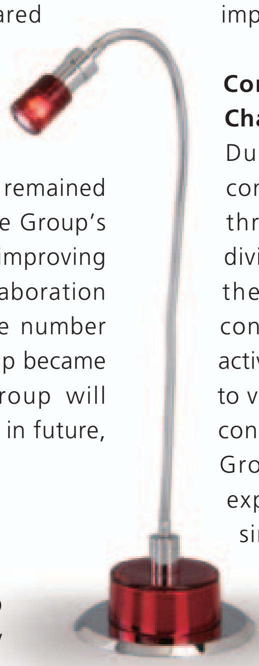
Commercial Lighting Division

During the year under review, the export market turnover of the commercial lighting division amounted to approximately HK$35,648,000, representing a decrease of approximately 19% as compared with the corresponding period of last year.

Although the Group's turnover from the export market of the commercial lighting division decreased in this period, prospects remained bright. With satisfactory development of the Group's commercial lighting business in hotels and improving relationship with existing customers, collaboration opportunities are gradually increasing. The number of new customers also increased as the Group became more established in this sector. The Group will enhance its efforts in developing this market in future, in view of the successful performance.

PRC Market

During the year under review, the Group recorded a total turnover of approximately HK$40,261,000 from the PRC domestic market, representing an increase of about 26% as compared with the corresponding period of last year. This was mainly due to the growth of about 72% in turnover from the consumer lighting division. However, turnover from the commercial lighting projects division decreased by about 66% as compared with the corresponding period of last year. The boom in the domestic consumption market was driven by speedily rising domestic consumption power, despite the hampering of the overheated PRC property market under the macroeconomic control measures implemented by the PRC government.



Consumer Lighting Division (Franchised Chain Stores System)

During the year under review, the Group continued its expansion in the PRC market through franchising. Turnover from this division recorded substantial growth. During the year, the Group for the first time conducted a major franchisee recruitment activity. The Group 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 and the Group will hold similar activities regularly in the future to attract more franchisees to join its ranks. Currently, the Group is focusing on medium to high-end products in this

sector, targeting at large-sized and luxury residential units. In view of the strong development trend of medium to small-sized units in the PRC property market, the Group is considering the introduction of another brand of medium to low-end products for this market.

Commercial Lighting Projects Division

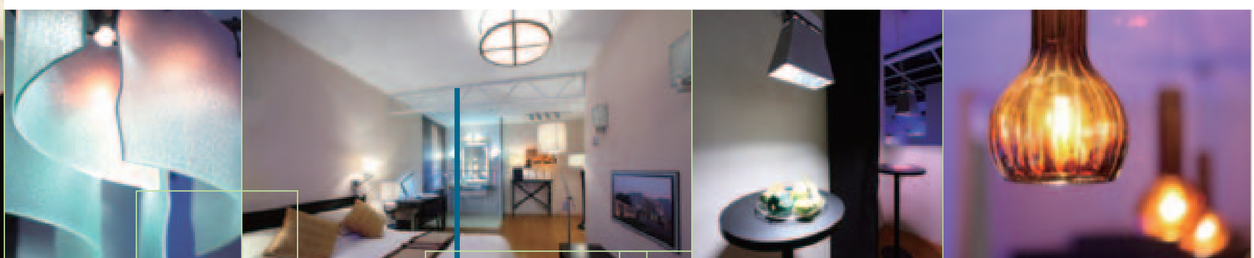
During the year under review, although turnover of this division experienced significant decline, the Group's strategy of focusing on large-scale foreign-invested supermarket chain stores achieved results to a certain extent. Although the Group's turnover for the year decreased in line with the development pace of its customers, the turnover is expected to recover in the future. Currently the Group's customers are mainly renowned supermarket chains, collection of whose account receivables is relatively easy to control. This will much alleviate the issue of the collection of account receivables. The Group is therefore actively seeking to develop in this direction.

Prospects

During the year under review, the Group continued to implement stringent cost control measures and optimized the production flow to minimize costs. Continuing increase in the prices of raw materials, reduction of tax rebate on exports by the PRC government and ongoing appreciation of RMB have adversely affected profits of the Group. The Group expects that the operating environment will become increasingly challenging and difficult. The Group is conducting a preliminary feasibility study in respect of relocating part of the Group's production base to other regions with a view to reducing the production costs and, in turn, enhancing profits.

The development of different types of energy-saving products will be the main trend around the world. The Group will go forward in this direction and develop more energy-saving lighting products. Some of those products have been introduced into the market and are well received. The Group will launch more energy-saving products to meet the market demand.

In face of the increasingly difficult business environment, the Group has responded in a prudent and positive manner, consolidating its own strengths to reduce adverse impacts from external factors. In addition, the Group will continue to seek alternative development opportunities to enhance its strengths. The Group expects that more small to medium-sized lighting manufacturers will close down under increasing cost pressure. As the Group consolidates its foundations and capabilities in the days ahead, when the currently difficult business environment improves, the Group believes it will be able to take a leadership position in the industry.



Directors and Senior Management Profile

Executive Directors

Mr. Hsu Chen Shen, aged 49, is the founder of the Group. He is the Chairman and the Chief Executive Officer of the Group and is responsible for the strategic planning, corporate policy and overall management and marketing aspects of the Group. He is also a director of various subsidiaries of the Company. In addition, Mr. Hsu is a director of Bright International Assets Inc., the controlling shareholder of the Company. He has over 29 years of experience in the lighting industry. Mr. Hsu had been the committee member of Taiwan Lighting Fixture Export Association for a term of three years from 1989. In 1998, Mr. Hsu was appointed as a consultant to 廣東台商照明聯誼會 (Taiwan Lighting Businessmen's Association). In 1999, Mr. Hsu was appointed as the director of the third general assembly for 台商協會 (Taiwan Businessmen's Association), Hu Men District of Dongguan. He is the younger brother of Mr. Hsu Shui Sheng *(executive director)*, the spouse of Mrs. Hsu Wei Jui Yun *(executive director)* and the uncle of Mr. Hsu Chiang Lung *(executive director)*.

Mr. Hsu Shui Sheng, aged 61, has been with the Group since its establishment. He is the Vice-Chairman of the Group and is responsible for the production department of the Group. He is also a director of Bright International Assets Inc., the controlling shareholder of the Company. Mr. Hsu has over 29 years of experience in the lighting industry. He is the elder brother of Mr. Hsu Chen Shen *(Chairman of the Board)*, the brother-in-law of Mrs. Hsu Wei Jui Yun *(executive director)* and the uncle of Mr. Hsu Chiang Lung *(executive director)*.

Mr. Pak Ping Chun, aged 66, joined the Group in October 1991. Mr. Pak is the sales director of the Group and is responsible for the sales functions of the Group. He has over 27 years of experience in the lighting industry. Before entering the lighting industry, Mr. Pak had worked in an U.S. international bank for over 20 years and had gained experience in international trade and corporate treasury.

Mr. Yang Hsien Lin, aged 45, has been with the Group since its establishment. He is the production director of the Group and is directly responsible for the Group's production as well as purchasing and materials control functions. He has over 25 years of experience in the lighting industry.

Mrs. Hsu Wei Jui Yun, aged 46, has been with the Group since its establishment. She is the administration director of the Group and is responsible for the customer relation functions as well as for the management and administration functions of the Group. She has over 24 years of experience in the lighting industry. Mrs. Hsu is the wife of Mr. Hsu Chen Shen *(Chairman of the Board)*, the sister-in-law of Mr. Hsu Shui Sheng *(executive director)* and the aunt of Mr. Hsu Chiang Lung *(executive director)*.

Mr. Hsu Chiang Lung, aged 39, joined the Group in October 1991. He is a senior manager of the Group and is responsible for the quality control and assurance process of the production. He has over 19 years of experience in the lighting industry. He is the nephew of Mr. Hsu Chen Shen *(Chairman of the Board)*, Mr. Hsu Shui Sheng *(executive director)* and Mrs. Hsu Wei Jui Yun *(executive director)*.

Independent Non-executive Directors

Mr. Leung Hok Lim, CPA (Aust.), CPA (Macau), FHKSA, CPA, aged 72, has been an independent non-executive director of the Company since 1999. He is the founder and senior partner of PKF, Certified Public Accountants. Mr. Leung obtained his fellowship with The Hong Kong Institute of Certified Public Accountants in 1973. He is a non-executive director of Beijing Hong Kong Exchange of Personnel Centre Limited. Mr. Leung is a member of the Chinese People's Political Consultative Commission of Hainan Province of the People's Republic of China since 1993. In the business sector, Mr. Leung is a director or non-executive director respectively of a number of private and listed companies.

Dr. Hsiao Horng Ching, aged 52, has been an independent non-executive director of the Company since 2004. He is the professor of the Electrical Engineering Faculty at the Nation Taiwan University of Science and Technology (台灣科技大學) currently. Dr. Hsiao holds a doctoral degree from the Nation Taiwan University of Science and Technology and an electrical engineer's professional licence. Dr. Hsiao has over 29 years of experience in electrical engineering and lighting industry. Since 1994, he has been the director of the Taiwan Lighting Council (台灣照明學會) and the consultant of the Taiwan Region Lighting and Lighting Products Export Industry Society (台灣區照明燈具輸出業同業公會). Furthermore, Dr. Hsiao acted as the consultant and convener at many departments in Taiwan government, such as Environmental Protection Bureau, Energy Ministry and the Investigation Commission and Special Case Team.

Mr. Cheng Yung Hui, aged 66, has been an independent non-executive director of the Company since October 2007. He is the chairman and chief executive officer of World Friendship Company Limited, an unlisted Taiwan company. Mr. Cheng has over 30 years of experience in operating his own company. He often travels between Taiwan, China and United States of America to manage his business. He has extensive experience in international business. Besides, Mr. Cheng has been an independent non-executive director of Eagle Nice (International) Holdings Limited (a main board listed company, stock code: 2368) since 30 September 2004.

Company Secretary and Qualified Accountant

Mr. Tsang Yuk Yan, Nicol, aged 34, is an Associate Member of The Hong Kong Institute of Certified Public Accountants and a Member of The Association of Chartered Certified Accountants. Mr. Tsang graduated from The Hong Kong Polytechnic University with a Bachelor of Arts in Accountancy. He is the Group financial controller and responsible for all the finance, company secretarial and investors relations matters of the Group. Prior to joining the Group in February 2002, Mr. Tsang had five years of experience in an international accounting and auditing firm in Hong Kong.

Senior Management

Mr. Lin Hua-Yin, Alex, aged 47, is the Chief Financial Officer and the personal assistant to the Chairman of the Group. Mr. Lin joined the Group in February 2002 and is responsible for the overall administration, corporate development and financial management of the Group. Mr. Lin graduated from Soochow University in Taiwan with a Bachelor of commerce degree in Accounting. He obtained his Master of Business Administration degree from Drexel University in Philadelphia, U.S.A.. Prior to joining the Group, he was a senior management of a number of listed companies in Taiwan.

Mr. Nugraha Soemampauw, aged 38, was appointed as a Vice President in 2004 and is responsible for the sales and marketing of the Group. He has over 17 years of experience in the lighting industry. He joined the Group in 1994.

Mr. Yu Wing Kin, Anthony, aged 38, is the financial controller of the Group and is responsible for the overall financial management and treasury matters of the Group. Mr. Yu graduated from the University of Abertay Dundee in Scotland with a Bachelor of Arts degree in Accountancy. He also holds a Master of Science degree in Financial Management from the University of London. Mr. Yu joined the Group in December 1998. Prior to joining the Group, Mr. Yu held a senior auditing position with an international accounting firm. He was involved in flotation and audit assignments of a wide variety of businesses.

Mr. Chung Shao Hung, aged 40, is a senior manager of research and development department of the Group. He joined the Group in October 1992. He has over 14 years of experience in the lighting industry.

The Board is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 December 2007.

CORPORATE GOVERNANCE PRACTICES OF THE COMPANY

The Board believes that good corporate governance practices are important for maintaining and promoting shareholder value and investor confidence. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company has applied the principles as set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Company has complied with the code provisions set out in the CG Code save for (i) the Code Provision A.2.1 which requires that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual; (ii) the Code Provision E.1.2 which stipulates that the Chairman of the Board should attend the annual general meeting; and (iii) a 3 months' non-compliance with the Code Provision B.1.1 which stipulates that a majority of the members of a listed issuer's remuneration committee should be independent non-executive directors. The details of such deviations will be explained below.

The Company periodically reviews its corporate governance practices to ensure that they align with the latest developments of statutory and professional standards. The key corporate governance principles and practices of the Company are summarized as follows:

A. THE BOARD

(1) Responsibilities and Delegation

The overall management and control of the Group's business are vested in its Board. The Board is responsible for establishing policies, strategies and plans, providing leadership in the attainment of the objective of creating value to shareholders and, on behalf of the shareholders, overseeing the Company's financial performance. All directors take decisions objectively in the interests of the Company.

The Board reserves for its decisions all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Every director carries out his/her duty in good faith and in compliance with the standards of applicable laws and regulations, and acts in the interests of the Group and the shareholders at all times.

The day-to-day management, administration and operation of the Group are delegated to the Executive Committee and the senior management of the Company. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the abovementioned officers.

There is a schedule of responsibilities delegated to the senior management of the Company, which include the implementation of decisions of the Board, the co-ordination and direction of day-to-day operation and management of the Company in accordance with the management strategies and plans approved by the Board, formulating and monitoring the production and operating plans and budgets, and supervising and monitoring the control systems.

The Board has the full support of the senior management to discharge its responsibilities.

(2) Board Composition

The following chart illustrates the structure and membership of the Board and the Board Committees:

Board of Directors

Executive Directors

Mr. Hsu Chen Shen *(Chairman of the Board and Chief Executive Officer)*
Mr. Hsu Shui Sheng *(Vice-Chairman)*
Mrs. Hsu Wei Jui Yun
Mr. Pak Ping Chun
Mr. Yang Hsien Lin
Mr. Hsu Chiang Lung

Independent Non-executive Directors

Mr. Leung Hok Lim
Dr. Hsiao Horng Ching
Mr. Cheng Yung Hui

Executive Committee

Mr. Hsu Chen Shen *(Chairman)*
Mr. Hsu Shui Sheng
Mrs. Hsu Wei Jui Yun
Mr. Pak Ping Chun
Mr. Yang Hsien Lin
Mr. Hsu Chiang Lung

Audit Committee

Mr. Leung Hok Lim *(Chairman)*
Dr. Hsiao Horng Ching
Mr. Cheng Yung Hui

Remuneration Committee

Dr. Hsiao Horng Ching *(Chairman)*
Mr. Hsu Chen Shen
Mr. Cheng Yung Hui

The list of directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

The relationships among the members of the Board are disclosed under "Directors and Senior Management Profile" on pages 12 to 14.

The composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business of the Group and for the exercise of independent judgement. Each executive director supervises specific area of the Group's business in accordance with his/her expertise. The independent non-executive directors bring a different range of business and financial expertise, experiences and independent judgement to the Board. Through providing their independent views to the Board, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all the independent non-executive directors make various contributions to the effective direction of the Group.

Rule 3.10(1) of the Listing Rules requires that every listed issuer must have at least three independent non-executive directors. During the year ended 31 December 2007, the Company has not complied with such requirement from 15 July 2007 to 10 October 2007 due to the decease of Mr. Chan Nien Po, the then independent non-executive director of the Company, on 15 July 2007. After the decease of Mr. Chan, there were left with two independent non-executive directors, namely Mr. Leung Hok Lim (who possesses appropriate professional qualifications and accounting and related financial management expertise) and Dr. Hsiao Horng Ching. The Company has subsequently fully complied with the aforementioned Listing Rule provision upon its appointment of Mr. Cheng Yung Hui as an independent non-executive director of the Company on 11 October 2007. Details of the said decease and appointment of independent non-executive director are set out in the Company's announcements dated 19 July 2007 and 11 October 2007 respectively.

The Company has received annual written confirmation from all of its independent non-executive directors in respect of their independence pursuant to the requirements of the Listing Rules. The Company considers them independent in accordance with the independence guidelines set out in the Listing Rules.

(3) Chairman and Chief Executive Officer

Code Provision A.2.1 of the CG Code 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 holds the offices of Chairman and Chief Executive Officer of the Company. Mr. Hsu is the founder of the Group and has extensive experience in the lighting industry. He has the appropriate standing, management skills and business acumen that are essential prerequisites for assuming the two roles. The Board believes that vesting both roles in Mr. Hsu provides the Group with strong and consistent leadership and, at the same time, allows for the continuous effective operations and development of the Group's business. As such, the structure is beneficial to the Group and the shareholders as a whole.

As other Board members are keeping abreast of the conduct, business activities and development of the Group and as the day-to-day business operations of the Group are delegated to the senior management, the Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority.

(4) Appointment and Re-election of Directors

Each of the executive directors of the Company is engaged on a service contract with the Company which will continue unless and until terminated by either party by not less than 3 months' written notice. All independent non-executive directors of the Company have been appointed for a specific term, subject to re-election. The term of office of each of Mr. Leung Hok Lim and Dr. Hsiao Horng Ching is up to the date of holding of the Company's 2008 annual general meeting while the term of office of Mr. Cheng Yung Hui is 2 years from his date of appointment, 11 October 2007.

In accordance with the Company's Bye-laws, all directors of the Company are subject to retirement by rotation at least once every three years and any new director appointed to fill a casual vacancy or as an addition to the Board shall submit himself/herself for re-election by shareholders at the first general meeting after appointment. Pursuant to the aforesaid, Mr. Cheng Yung Hui, having been appointed as an independent non-executive director of the Company during the year, shall retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting of the Company. In addition, Mr. Hsu Chen Shen, Mr. Hsu Shui Sheng and Mr. Hsu Chiang Lung shall retire by rotation and, being eligible, offer themselves for re-election at the said annual general meeting. The Board recommended the re-appointment of these four retiring directors standing for re-election at the forthcoming annual general meeting. The Company's circular, sent together with this annual report, contains detailed information of such directors standing for re-election.

Though the Company has not set up a nomination committee, the Board as a whole is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of directors, monitoring the appointment, re-appointment and succession planning of directors and assessing the independence of independent non-executive directors.

During the year under review, the Board met twice, with the presence of Mr. Hsu Chen Shen, Mr. Hsu Shui Sheng, Mrs. Hsu Wei Jui Yun, Mr. Pak Ping Chun, Mr. Yang Hsien Lin, Mr. Chan Nien Po and Dr. Hsiao Horng Ching for the first meeting and with the presence of Mr. Hsu Chen Shen, Mr. Hsu Shui Sheng, Mr. Pak Ping Chun and Mr. Yang Hsien Lin for the second meeting to perform the following work regarding matters relating to nomination of directors:

(i) review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Company; recommendation of the re-appointment of those directors standing for re-election at the 2007 annual general meeting of the Company; and assessment of the independence of all the independent non-executive directors of the Company; and

(ii) the nomination of Mr. Cheng Yung Hui as an independent non-executive director of the Company pursuant to the Directors' Nomination Procedures adopted by the Company after carrying out the relevant selection process with reference to his skills, experience, professional knowledge, personal integrity and time commitments, the Company's needs and other relevant statutory requirements and regulations.

(5) Induction and Continuing Development for Directors

Each newly appointed director, including Mr. Cheng Yung Hui who was appointed during the year ended 31 December 2007, receives induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Existing directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Continuing briefings and professional development to directors will be arranged whenever necessary.

Besides, the Company has taken the recommendation of the Hong Kong Companies Registry to send the "Non-statutory Guidelines on Directors' Duties" issued by the Registry to the Company's directors to provide them with more information on the required standard of care, skill and diligence in the performance of his/her functions and exercise of his/her powers as directors.

(6) Meetings of the Board and the Board Committees

(I) Board Practices and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors and committee members in advance and they are given reasonable time to include relevant matters for discussion at the meetings of the Board and the Board committees.

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least 3 days before each Board meeting or committee meeting to keep the directors and committee members apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management whenever necessary.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon making request to the Board.

The Chief Financial Officer, Qualified Accountant, Company Secretary and senior management normally attend regular Board meetings and when necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Group.

The Company Secretary is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. Pursuant to the Company's Bye-laws, directors are required to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

(II) Directors' Attendance Records

During the year ended 31 December 2007, 8 Board meetings were held, out of which 5 were regular meetings held at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

The attendance records of each director at the meetings of the Board, the Remuneration Committee and the Audit Committee during the year ended 31 December 2007 are set out below:

	Attendance/Number of Meetings		
Name of Directors	**Board**	**Remuneration Committee**	**Audit Committee**
Executive directors			
Mr. Hsu Chen Shen	8/8	1/1	N/A
Mr. Hsu Shui Sheng	8/8	N/A	N/A
Mrs. Hsu Wei Jui Yun	4/8	N/A	N/A
Mr. Pak Ping Chun	8/8	N/A	N/A
Mr. Yang Hsien Lin	8/8	N/A	N/A
Mr. Hsu Chiang Lung	4/8	N/A	N/A
Mr. Hsu Chin Liang *(Note 1)*	2/4	N/A	N/A
Independent non-executive directors			
Mr. Leung Hok Lim	3/8	N/A	2/2
Dr. Hsiao Horng Ching	5/8	1/1	1/2
Mr. Chan Nien Po *(Note 2)*	1/2	1/1	1/1
Mr. Cheng Yung Hui *(Note 3)*	0/2	N/A	N/A

Notes:

1. Mr. Hsu Chin Liang resigned as an executive director of the Company on 17 August 2007. Before his resignation, there were a total of 4 Board meetings held during the year ended 31 December 2007.

2. Mr. Chan Nien Po passed away on 15 July 2007 and accordingly he ceased as an independent non-executive director and a member of each of the Audit Committee and the Remuneration Committee of the Company on 15 July 2007. Before his death, there were a total of 2 Board meetings, 1 Audit Committee meeting and 1 Remuneration Committee meeting held during the year ended 31 December 2007.

3. Mr. Cheng Yung Hui was appointed as an independent non-executive director and a member of each of the Audit Committee and the Remuneration Committee of the Company on 11 October 2007. Subsequent to his appointment, there were a total of 2 Board meetings but no Audit Committee meeting or Remuneration Committee meeting held during the year ended 31 December 2007.

(7) Model Code for Securities Transactions

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Own Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Company's directors who have confirmed that they have complied with the Own Code and the Model Code in respect of the year ended 31 December 2007.

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

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

B. BOARD COMMITTEE

The Board has established 3 committees, namely the Executive Committee, the Remuneration Committee and the Audit Committee, for overseeing particular aspects of the Group's affairs. All Board committees of the Company are established with defined written terms of reference which are available to shareholders upon request.

Executive Committee

The Executive Committee comprises all the executive directors of the Company with the Chairman of the Board, Mr. Hsu Chen Shen, acting as the Chairman of such Committee. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decision. It monitors the execution of the Group's strategic plans and operations of all business units of the Group and discussing and making decisions on matters relating to day-to-day management and operations of the Group.

Remuneration Committee

The Remuneration Committee currently comprises 3 members, being one executive director, Mr. Hsu Chen Shen, and two independent non-executive directors, namely Dr. Hsiao Horng Ching (Chairman of the Committee) and Mr. Cheng Yung Hui. During the year ended 31 December 2007, the Company has not complied with the Code Provision B.1.1 of the CG Code (which stipulates that a majority of the members of a listed issuer's remuneration committee should be independent non-executive directors) for a period of approximately 3 months from 15 July 2007 to 10 October 2007 due to the decease of Mr. Chan Nien Po, the then member of the Remuneration Committee, on 15 July 2007 as mentioned before. Upon his decease, the Remuneration Committee was left with two members, being Mr. Hsu Chen Shen and Dr. Hsiao Horng Ching. The Company has subsequently complied with the said Code Provision upon its appointment of Mr. Cheng Yung Hui as a member of the Remuneration Committee on 11 October 2007.

The duties of the Remuneration Committee are mainly to (i) make recommendations to the Board on the remuneration policy and structure and remuneration packages of the executive directors and the senior management; (ii) determine the terms of the specific remuneration package of the executive directors and the senior management; and (iii) review and approve the performance-based remuneration tied to corporate goals and objectives achieved by the directors from time to time. The Remuneration Committee also has to ensure that no director or any of his/her associates is involved in deciding his/her own remuneration.

The Human Resources Department of the Company is responsible for collection and administration of the human resources data and making suggestions to the Remuneration Committee for consideration.

Details of the remuneration of each of the directors of the Company for the year ended 31 December 2007 are set out on pages 65 to 66 in note 9 to the financial statements.

The Remuneration Committee met once during the year ended 31 December 2007 and has generally reviewed the current remuneration packages of the directors of the Company. The attendance record is set out under "Directors' Attendance Records" on page 20.

Audit Committee

The Audit Committee currently comprises three independent non-executive directors, namely Mr. Leung Hok Lim (Chairman of the Committee), Dr. Hsiao Horng Ching and Mr. Cheng Yung Hui, and Mr. Leung Hok Lim possesses the appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditors.

Rule 3.21 of the Listing Rules requires the audit committee of a listed issuer to comprise a minimum of three members, all of whom must be non-executive directors with a majority being independent. During the year ended 31 December 2007, the Company has not complied with such requirement from 15 July 2007 to 10 October 2007 due to the decease of Mr. Chan Nien Po, the then Audit Committee member, on 15 July 2007 as mentioned before. Upon his decease, the Company's Audit Committee had only two members, namely Mr. Leung Hok Lim and Dr. Hsiao Horng Ching. Since then, the Company has endeavoured to identify a suitable candidate to fill the position and on 11 October 2007, Mr. Cheng Yung Hui was appointed as an independent non-executive director as well as a member of the Audit Committee of the Company.

The duties of the Audit Committee are mainly to (i) review the financial information of the Group; (ii) review the relationship with and the terms of appointment of the external auditors; and (iii) review the Group's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee provides supervision on the internal controls system of the Group and reports to the Board on any material issues and makes recommendations to the Board.

During the year under review, the Audit Committee met twice and has reviewed the Group's annual results and annual report for the year ended 31 December 2006, interim results and report for the six months ended 30 June 2007, the financial reporting and compliance procedures, and the report from the management on the Company's internal control and risk management; and considered the re-appointment of the external auditors. The external auditors were invited to attend one of the meetings without the presence of executive directors to discuss with the Audit Committee on issues arising from the audit and financial reporting matters.

The attendance records of the 2 Audit Committee meetings are set out under "Directors' Attendance Records" on page 20.

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The senior management provides such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial information and position of the Group put to the Board for approval. The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2007.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

D. INTERNAL CONTROLS

The Board has overall responsibility for the internal control system of the Group. The Board is responsible for maintaining an adequate internal control system to safeguard shareholder investments and the Group's assets and for reviewing the effectiveness of such system on an annual basis. The internal control system of the Group is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage potential risks and to safeguard assets of the Group. The senior management reviews and evaluates the control process, monitors any risk factors on a regular basis and reports to the Audit Committee on any findings and measures to address the variances and identified risks.

During the year under review, the Board has conducted a review of the effectiveness of the internal control system of the Company.

E. EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

The statement of the external auditors of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditors' Report" on pages 34 to 35.

The remuneration of the external auditors of the Company in respect of the audit services for the year ended 31 December 2007 amounted to HK$1,200,000. There were no non-audit services provided by the Company's external auditors for the year ended 31 December 2007.

F. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Group believes that a transparent and timely disclosure of its corporate information will enable shareholders and investors to make the best investment decision and to have better understanding on the Group's business performance and strategies. It is also vital for developing and maintaining continuing investor relations with the Company's potential and existing shareholders/investors.

The Company maintains a website at www.big1163.com, as a communication platform with shareholders and investors, where information and updates on the Company's announcements, business developments and operations and other information are available for public access. Shareholders and investors may write directly to the Company at its principal place of business for any inquiries. Besides, shareholders' meetings also provide a useful forum for shareholders to exchange views with the Board. Relevant Board members are available at shareholders' meetings of the Company to answer shareholders' questions.

Code Provision E.1.2 of the CG Code stipulates that the Chairman of a listed issuer should attend the issuer's annual general meeting. Mr. Hsu Chen Shen, the Chairman of the Company, has been heavily committed to business operations of the Group in the Mainland China and therefore, despite his utmost intention to be present at the Company's annual general meeting held on 28 May 2007, business circumstances made it impossible. However, although he was unable to attend, he had duly arranged for Mr. Pak Ping Chun, an executive director who has been with the Group for over 15 years and is well versed in all the business activities and operations of the Group, to attend on his behalf and to chair the meeting and respond to questions from the shareholders of the Company.

G. SHAREHOLDER RIGHTS

To safeguard the shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors.

The rights of shareholders and the procedures for demanding a poll on resolutions at shareholders' meetings are contained in the Company's Bye-laws. Details of such rights to demand a poll are included in all circulars sent to shareholders and will be explained during the proceedings of meetings.

Where poll voting is conducted at a shareholders' meeting, the poll voting results will be published on the websites of the Stock Exchange and the Company after the meeting.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2007.

Principal activities

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and dividends

The Group's profit for the year ended 31 December 2007 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 36 to 95.

An interim dividend of HK1.3 cents per ordinary share was paid on 5 October 2007. The directors recommended the payment of a final dividend of HK0.4 cent per ordinary share in respect of the year, to shareholders on the register of members on 19 May 2008. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

Summary financial information

A summary of the results and of the assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and reclassified as appropriate, is set out below.

RESULTS

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE	**816,863**	806,413	774,573	740,654	696,244
PROFIT BEFORE INCOME TAX	**23,114**	60,060	53,811	51,823	43,548
INCOME TAX EXPENSE	**(4,902)**	(4,735)	(5,807)	(919)	(2,201)
PROFIT FOR THE YEAR	**18,212**	55,325	48,004	50,904	41,347
Attributable to:					
Equity holders of the Company	**18,212**	55,325	48,004	51,208	42,108
Minority interests	**–**	–	–	(304)	(761)
	18,212	55,325	48,004	50,904	41,347

Summary financial information (continued)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2007	2006	2005	2004	2003
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**740,417**	660,655	598,700	506,592	467,235
TOTAL LIABILITIES	**(223,228)**	(207,255)	(179,912)	(139,324)	(130,674)
MINORITY INTERESTS	**–**	–	–	–	(304)
	517,189	453,400	418,788	367,268	336,257

Property, plant and equipment and investment properties

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 15 and 16 to the financial statements, respectively.

Further details of the Group's investment properties are set out on page 96.

Share capital and share options

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 27 and 28 to the financial statements respectively.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

Purchase, redemption or sale of listed securities of the Company

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

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 29(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

At 31 December 2007, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to HK$223,422,000, of which HK$2,058,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK$66,852,000, may be distributed in the form of fully paid bonus shares.

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for approximately 82% of the total sales for the year and sales to the largest customer included therein amounted to approximately 57%. Purchases from the Group's five largest suppliers accounted for approximately 36% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 36%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers and suppliers.

Directors

The directors of the Company during the year were:

Executive directors:
Hsu Chen Shen
Hsu Shui Sheng
Hsu Wei Jui Yun
Pak Ping Chun
Yang Hsien Lin
Hsu Chin Liang (resigned on 17 August 2007)
Hsu Chiang Lung

Independent non-executive directors:
Leung Hok Lim
Chan Nien Po (passed away on 15 July 2007)
Hsiao Horng Ching
Cheng Yung Hui (appointed on 11 October 2007)

In accordance with clause 87 of the Company's bye-laws, Mr. Hsu Chen Shen, Mr. Hsu Shui Sheng and Mr. Hsu Chiang Lung will retire by rotation at the Company's forthcoming annual general meeting to be held on 19 May 2008. In addition, pursuant to clause 86(2)(b) of the Company's bye-laws, Mr. Cheng Yung Hui, who was appointed by the Board during the year, will also retire at the said general meeting. All the above retiring directors, being eligible, will offer themselves for re-election at the meeting.

Directors' and senior management's biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 12 to 14 of the annual report.

Directors' service contracts

All the executive directors of the Company (except Mr. Hsu Chiang Lung) have entered into service contracts with the Company in 1999 which will continue and are subject to termination by either party giving not less than three months' prior notice in writing.

Mr. Hsu Chiang Lung has entered into a service contract with the Company commencing on 1 April 2002, which will continue and is subject to termination by either party giving not less than three months' prior notice in writing. Such notice may only be given on or after the third anniversary of the commencement date of the service contract.

On 17 March 2003, Mr. Hsu Chen Shen, Mr. Hsu Shui Sheng and Mr. Yang Hsien Lin entered into new service contracts with the Company which ratified as commencing on 21 October 2002, their respective service contracts will continue and are subject to termination by either party giving not less than three months' prior notice in writing and such notice may only be given on or after the second anniversary of the commencement date of the new service contracts.

Pursuant to Rule 13.69 of the Listing Rules, the aforementioned service contracts between the Company and its executive directors are exempt from the shareholders' approval requirement under Rule 13.68 of the Listing Rules.

On 11 October 2007, Mr. Cheng Yung Hui entered into a service contract with the Company for a term of 2 years commencing on 11 October 2007.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' interests in contracts

Save as disclosed in note 33 to the financial statements, no director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

Directors' interests and short positions in shares and underlying shares of the Company and its associated corporations

As at 31 December 2007, the interests of the directors of the Company in the shares and underlying shares 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 pursuant to the Model Code 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 held by controlled corporation	297,000,000	*1*	57.72
Mrs. Hsu Wei Jui Yun	Interest held by spouse	297,000,000	*2*	57.72

Notes:

1. Mr. Hsu Chen Shen was deemed to be interested in the 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 the SFO.

2. Mrs. Hsu Wei Jui Yun was deemed to be interested in the 297,000,000 shares of the Company through the 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 option granted	Percentage of the underlying shares over the Company's issued share capital
Mr. Pak Ping Chun	Beneficial owner	5,144,000 *(Note)*	0.99
Mr. Yang Hsien Lin	Beneficial owner	5,144,000 *(Note)*	0.99

Note: Details of the above share options granted by the Company are set out in note 28 to these financial statements.

C. 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	Percentage of the associated corporation's issued share capital
Mr. Hsu Chen Shen	Beneficial owner	52	52
Mr. Hsu Shui Sheng	Beneficial owner	24	24
Mr. Hsu Chiang Lung	Beneficial owner	12	12
Mrs. Hsu Wei Jui Yun	Interest held by spouse	52 *(Note)*	52

Note: Mrs. Hsu Wei Jui Yun was deemed to be interested in the 52 shares of Bright International Assets Inc. through the 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)

In addition to the above, a director of the Company 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 previous minimum company membership statutory requirement.

Save as disclosed above and in note 28 to the financial statements, as at 31 December 2007, none of the directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange; nor had there been any grant or exercise of rights during the year ended 31 December 2007.

Directors' rights to acquire shares or debentures

Save as disclosed in note 28 of these financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Interests and short positions of substantial shareholders in shares and underlying shares of the Company

At 31 December 2007, the following parties had interests of 5% or more 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 of substantial shareholder	Long/short position	Capacity	Number of ordinary shares held/interested	*Note*	Percentage of the Company's issued share capital
Bright International Assets Inc.	Long	Beneficial owner	297,000,000	*1*	57.72
Lim Mee Hwa	Long	Beneficial owner	3,000,000		
		Interest held by spouse	200,000		
		Interest held by controlled corporations	22,550,000		
			25,750,000	*2*	5.00
Yeo Seng Chong	Long	Beneficial owner	200,000		
		Interest held by spouse	3,000,000		
		Interest held by controlled corporations	22,550,000		
			25,750,000	*3*	5.00

Interests and short positions of substantial shareholders in shares and underlying shares of the Company (continued)

Notes:

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

2. Out of these shares, the interest in 200,000 shares of the Company was the interest of Yeo Seng Chong, spouse of Lim Mee Hwa; and the interest in 22,550,000 shares of the Company was the interest of Yeoman Capital Management Pte Ltd, a controlled corporation of Lim Mee Hwa, being 1,000,000 shares held directly by itself and 21,550,000 shares held by its controlled corporations, namely Yeoman 3-Rights Value Asia Fund (for 20,250,000 shares), BMT Yeoman Client 1 (for 300,000 shares) and BMT Yeoman Client 2 (for 1,000,000 shares).

3. Out of these shares, the interest in 3,000,000 shares of the Company was the interest of Lim Mee Hwa, spouse of Yeo Seng Chong; and the interest in 22,550,000 shares of the Company was the interest of Yeoman Capital Management Pte Ltd, a controlled corporation of Yeo Seng Chong, being 1,000,000 shares held directly by itself and 21,550,000 shares held by its controlled corporations, namely Yeoman 3-Rights Value Asia Fund (for 20,250,000 shares), BMT Yeoman Client 1 (for 300,000 shares) and BMT Yeoman Client 2 (for 1,000,000 shares).

Save as disclosed above, as at 31 December 2007, no person, other than the directors of the Company whose interests are set out in the section headed "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 who contribute to the success of the Group's operations. During the year ended 31 December 2007, a total of 15,432,000 share options were granted by the Company, details of which are set out in note 28 to these financial statements. The closing price of the shares immediately before the date of grant of such options was HK$0.56. No share options were cancelled or lapsed during the year ended 31 December 2007.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Continuing connected transactions

During the year, the Group had related party transactions, as detailed in note 33 to the financial statements. The transaction as detailed in note 33(a) to the financial statements also constituted a continuing connected transaction under the Listing Rules. In the opinion of the directors, such continuing connected transaction was conducted in the normal commercial terms and was exempted from reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

Auditors

Grant Thornton have been appointed as auditors of the Company with effect from 29 November 2006 to fill the vacancy left by the resignation of Ernst & Young.

Grant Thornton will retire at the conclusion of the Company's forthcoming annual general meeting and a resolution for their re-appointment as auditors of the Company will be proposed at the said meeting.

Closure of register of members

The register of members of the Company will be closed from Wednesday, 14 May 2008 to Monday, 19 May 2008 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for entitlement to the proposed final dividend of the Company for the year ended 31 December 2007 and for attending and voting at the annual general meeting of the Company to be held on 19 May 2008, unregistered holders of shares of the Company should ensure that all transfers of shares accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration no later than 4:30p.m. on Tuesday, 13 May 2008.

ON BEHALF OF THE BOARD
HSU Chen Shen
Chairman

Hong Kong
2 April 2008

Grant Thornton
均富

Member of Grant Thornton International Ltd

To the members of Bright International Group Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Bright International Group Limited (the "Company") and its subsidiaries (the "Group") set out on pages 36 to 95, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group’s profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower
The Landmark
15 Queen’s Road Central
Hong Kong

2 April 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Notes	**2007** ***HK$'000***	2006 *HK$'000*
Revenue	*6*	**816,863**	806,413
Cost of sales		**(612,240)**	(591,029)
Gross profit		**204,623**	215,384
Other income and gains	*6*	**8,629**	5,275
Selling and distribution costs		**(46,888)**	(41,187)
Administrative expenses		**(112,173)**	(105,773)
Other operating expenses		**(30,772)**	(13,153)
Operating profit		**23,419**	60,546
Finance costs	*8*	**(305)**	(486)
Profit before income tax	*7*	**23,114**	60,060
Income tax expense	*11*	**(4,902)**	(4,735)
Profit for the year		**18,212**	55,325
Dividends	*13*	**9,347**	26,978
Earnings per share	*14*		
– Basic		**HK3.6 cents**	HK11.3 cents
– Diluted		**HK3.6 cents**	HK11.2 cents

Consolidated Balance Sheet

As at 31 December 2007

	Notes	**2007** **HK$'000**	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*15*	**366,163**	308,675
Investment properties	*16*	**4,570**	3,380
Goodwill	*17*	**22,127**	23,906
		392,860	335,961
Current assets			
Financial assets at fair value through profit or loss	*19*	**2,819**	3,371
Inventories	*20*	**133,448**	115,126
Trade and bills receivables	*21*	**105,984**	113,692
Prepayments, deposits and other receivables		**31,297**	28,175
Cash and cash equivalents	*22*	**74,009**	64,330
		347,557	324,694
Current liabilities			
Trade payables	*23*	**95,893**	80,299
Provision for tax		**29,783**	26,271
Other payables and accruals		**45,971**	36,694
Due to a related company	*24*	**468**	468
Discounted bills with recourse	*25*	**24,246**	49,343
		196,361	193,075
Net current assets		**151,196**	131,619
Total assets less current liabilities		**544,056**	467,580
Non-current liabilities			
Deferred tax liabilities	*26*	**26,867**	14,180
Net assets		**517,189**	453,400
EQUITY			
Equity attributable to Company's equity holders			
Share capital	*27*	**51,450**	49,050
Reserves	*29(a)*	**463,681**	392,087
Proposed final dividend	*13*	**2,058**	12,263
Total equity		**517,189**	453,400

HSU Chen Shen
Director

HSU Shui Sheng
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (note 29(a))	Asset revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Share based payment reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total equity 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
Surplus on revaluation	–	–	–	39,000	–	–	–	–	39,000
Exchange realignment	–	–	–	–	11,578	–	–	–	11,578
Total income and expenses for the year recognised directly in equity	–	–	–	39,000	11,578	–	–	–	50,578
Net profit for the year	–	–	–	–	–	–	18,212	–	18,212
Total income and expenses for the year	–	–	–	39,000	11,578	–	18,212	–	68,790
Exercise of share options	2,400	12,600	–	–	–	(1,560)	–	–	13,440
Recognition of equity-settled share based payments	–	–	–	–	–	1,111	–	–	1,111
Final 2006 dividend paid	–	–	–	–	–	–	(600)	(12,263)	(12,863)
Interim 2007 dividend paid	–	–	–	–	–	–	(6,689)	–	(6,689)
Proposed final 2007 dividend	–	–	–	–	–	–	(2,058)	2,058	–
Balance at 31 December 2007	**51,450**	**66,852***	**286***	**78,774***	**17,470***	**1,111***	**299,188***	**2,058**	**517,189**

* *These reserve accounts comprise the consolidated reserves of HK$463,681,000 (2006: HK$392,087,000) in the consolidated balance sheet.*

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	2007	2006
	HK$'000	*HK$'000*
Cash flows from operating activities		
Profit before income tax	**23,114**	60,060
Adjustments for:		
Finance costs	**305**	486
Interest income	**(1,592)**	(728)
Gain on disposal of property, plant and equipment	**–**	(23)
Depreciation	**29,927**	30,120
Fair value gain on financial assets at fair value through profit or loss	**(2,197)**	(629)
Impairment of goodwill	**1,779**	1,780
Share based payment	**1,111**	1,560
Provision for impairment of trade receivables	**5,895**	3,093
Write-off of items of property, plant and equipment	**331**	1,164
Write down of inventories to net realisable value	**9,203**	1,556
Surplus on revaluation of leasehold land and buildings	**(466)**	(189)
Changes in fair value of investment properties	**(1,190)**	–
Operating profit before working capital changes	**66,220**	98,250
Increase in inventories	**(27,525)**	(7,004)
Increase in trade and bills receivables	**(23,284)**	(6)
Increase in prepayments, deposits and other receivables	**(3,122)**	(2,574)
Increase/(decrease) in trade payables	**15,594**	(15,562)
Increase/(decrease) in other payables and accruals	**9,277**	(12,714)
Cash generated from operations	**37,160**	60,390
Interest received	**1,592**	728
Interest paid	**(305)**	(486)
Dividends paid	**(19,552)**	(34,335)
Corporate income tax paid	**(1,033)**	(1,436)
Net cash generated from operating activities	**17,862**	24,861
Cash flows from investing activities		
Purchases of items of property, plant and equipment	**(31,427)**	(22,110)
Proceeds from disposal of property, plant and equipment	**–**	69
Proceeds from disposal of financial assets at fair value through profit or loss	**11,780**	9,772
Purchases of financial assets at fair value through profit or loss	**(9,031)**	(9,380)
Decrease in time deposits with original maturity of more than three months when acquired	**–**	6,663
Net cash used in investing activities	**(28,678)**	(14,986)

Consolidated Cash Flow Statement (continued)

For the year ended 31 December 2007

	2007 ***HK$'000***	2006 *HK$'000*
Cash flows from financing activities		
Proceeds from bank loans	**21,500**	25,000
Repayment of bank loans	**(21,500)**	(25,000)
Proceeds from other loans	**–**	32,000
Repayment of other loans	**–**	(32,000)
Proceeds from exercise of share options	**13,440**	–
Net cash generated from financing activities	**13,440**	–
Net increase in cash and cash equivalents	**2,624**	9,875
Cash and cash equivalents at 1 January	**64,330**	53,301
Effect of foreign exchange rate changes, net	**7,055**	1,154
Cash and cash equivalents at 31 December	**74,009**	64,330
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**71,225**	61,668
Non-pledged time deposits with original maturity of less than three months when acquired	**2,784**	2,662
	74,009	64,330

Balance Sheet
As at 31 December 2007

	Notes	2007 HK$'000	2006 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Interests in subsidiaries	*18*	**343,677**	252,933
Current assets			
Prepayments		**224**	250
Dividend receivable		**–**	100,000
Cash at banks and in hand	*22*	**488**	76
		712	100,326
Current liabilities			
Other payables and accruals		**1,554**	1,723
Net current (liabilities)/assets		**(842)**	98,603
Net assets		**342,835**	351,536
EQUITY			
Share capital	*27*	**51,450**	49,050
Reserves	*29(b)*	**289,327**	290,223
Proposed final dividend	*13*	**2,058**	12,263
Total equity		**342,835**	351,536

HSU Chen Shen
Director

HSU Shui Sheng
Director

1. GENERAL INFORMATION

Bright International Group Limited (the "Company") is a limited liability company incorporated and domiciled in Bermuda. The address of the registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 18 to the financial statements. The directors consider the ultimate holding company to be Bright International Assets Inc., which is incorporated in the British Virgin Islands.

The financial statements on pages 36 to 95 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The financial statements also included the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

2. ADOPTION OF NEW AND REVISED HKFRS

2.1 The Group has adopted the following new and revised HKFRS for the first time for the current year financial statements.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments – Disclosures
HK(IFRIC) 8	Scope of HKFRS 2
HK(IFRIC) 10	Interim Financial Reporting and Impairment

There have been no significant changes to the accounting policies applied in these consolidated financial statements for the years presented as a result of the adoption of the new HKFRS but gave rise to additional disclosures as follows:

2.1.1 HKAS 1 (Amendment) – Capital Disclosures

HKAS 1 (Amendment) – introduces additional disclosure requirements to provide information about the level of capital and the Group's capital management objectives, policies and procedures. The new disclosures that become necessary due to this change are set out in note 36.

2. ADOPTION OF NEW AND REVISED HKFRS (continued)

2.1.2 HKFRS 7 – Financial Instruments: Disclosures

HKFRS 7 is mandatory for accounting period beginning on or after 1 January 2007. It replaces and amends the disclosure requirements previously set out in HKAS 32 – Financial Instruments: Presentation and Disclosures. As a result of the adoption of HKFRS 7, the Group's financial statements for the year ended 31 December 2007 include expanded disclosures about the significance of the Group's financial instruments and the nature and the extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32.

The adoption of HKAS 1 (Amendment) and HKFRS 7 has had no material financial impact on the Group's results and financial position in the current and prior accounting periods but gives rise to additional disclosures in the consolidated financial statements.

2.2 The Group has not early adopted the following standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statement[5]
Amendments to HKFRS 2	Share-based payment – Vesting conditions and cancellation[1]
HKFRS 3 (Revised)	Business combinations[5]
HKFRS 8	Operating segment[1]
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions[2]
HK(IFRIC) – Int 12	HKFRS 2: Service Concession Arrangements[3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 14	HKAS19: The Limit on Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

Notes:

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 March 2007
3 Effective for annual periods beginning on or after 1 January 2008
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for annual periods beginning on or after 1 July 2009

2. ADOPTION OF NEW AND REVISED HKFRS (continued)

2.2 Among these new standards and interpretations, HKAS1 (revised) is expected to be relevant to the Group's financial statements.

Amendment to HKAS 1 Presentation of Financial Statements

This amendment affects the presentation of owner changes in equity and introduces a statement of comprehensive income. Preparers will have the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements (a separate income statement followed by a statement of other comprehensive income). This amendment does not affect the financial position or results of the Group but will give rise to additional disclosures. Management is currently assessing the detailed impact of this amendment on the Group's financial statements.

The directors of the Company are currently assessing the impact of the other new standards and interpretations but are not yet in a position to state whether they would have material impact on the Group's financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

The financial statements have been prepared on the historical cost basis except for:

– investment properties,
– land and buildings,
– financial instruments classified as financial assets at fair value through profit or loss, and
– derivative financial instruments (other than designated as hedging instruments or linked to and must be settled by delivery of unquoted equity instruments whose fair value cannot be reliably measured)

which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Subsidiaries

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from consolidation from the date that control ceases.

Business combinations are accounted for by applying the purchase method. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

In the Company's balance sheet, subsidiaries are carried at cost less impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the balance sheet date.

3.4 Foreign currency translation

The financial statements are presented in Hong Kong dollars (HK$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the balance sheet date retranslation of monetary assets and liabilities are recognised in the income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Foreign currency translation (continued)

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the balance sheet date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been dealt with separately in the currency translation reserve in equity. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into Hong Kong dollars at the closing rates. Goodwill arising on the acquisitions of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

Other exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

3.5 Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. The cost of the business combination is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group, plus any costs directly attributable to the business combination.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Research and development costs

Costs associated with research activities are expensed in the income statement as they occur. Expenditure incurred on projects to develop new products is capitalised and deferred only when they meet the following recognition requirements :

(i) demonstration of technical feasibility of the prospective product for internal use or sale;

(ii) the intangible asset will generate probable economic benefits through internal use or sale;

(iii) sufficient technical, financial and other resources are available for completion;

(iv) the Group has the intention to complete the development and use or sell the new products; and

(v) the expenditure attributable to the intangible asset can be reliably measured.

All other development costs are expensed as incurred.

3.7 Property, plant and equipment

Leasehold land and buildings (where the fair value of the leasehold interest in the land and buildings cannot be measured separately at the inception of the lease and the building is not clearly held under an operating lease) are stated at revalued amounts, being fair value at the date of revaluation less subsequent accumulated depreciation and any subsequent impairment losses. Fair value is determined in appraisals by external professional valuers with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

Any surplus arising on revaluation of land and buildings is credited to the revaluation reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss as described in note 3.9. To the extent that any decrease has previously been recognised in income statement, a revaluation increase is credited to income statement with the remaining part of the increase dealt with in the revaluation reserve. A decrease in net carrying amount of land and buildings arising on revaluations or impairment testing is charged against any revaluation surplus in the revaluation reserve relating to the same asset and the remaining decrease is recognised in income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.7 Property, plant and equipment (continued)

Depreciation is provided to write off the cost or revalued amounts less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum :

Leasehold land and buildings	The shorter of the lease terms and 20 years
Leasehold improvements	20%
Plant, machinery and moulds	10% – 33%
Furniture, fixtures and equipment	20% – 33%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement. Any revaluation surplus remaining in equity is transferred to retained earnings on the disposal of land and buildings.

Construction in progress represents factory buildings, plant and machinery under construction and installation, which is stated at cost less any impairment losses and is not depreciated. Cost comprises direct costs of construction, installation and testing. Construction in progress is reclassified to the appropriate category of property, plant and equipment or investment properties when completed and ready for use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use.

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at fair value. Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised in the balance sheet reflect the prevailing market conditions at the balance sheet date.

Gains or losses arising from changes in the fair value of an investment property is included in the profit or loss for the period in which they arise.

3.9 Impairment of assets

Goodwill arising on an acquisition of subsidiary, other intangible assets, property, plant and equipment, interests in subsidiaries are subject to impairment testing.

Goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount unless the relevant asset is carried at a revalued amount under the Group's accounting policy, in which case the impairment loss is treated as a revaluation decrease according to that policy (refer to note 3.7 for details). The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Impairment of assets (continued)

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favorable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.10 Related parties

A party is considered to be related to the Group if:

(a) directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, the Company/Group; (ii) has an interest in the Company that gives it significant influence over the Company/Group; or (iii) has joint control over the Company/Group;

(b) the party is an associate or a jointly-controlled entity of the Company/Group;

(c) the party is a member of the key management personnel of the Company or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (c);

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d); or

(f) the party is a post-employment benefit plan for the benefit of employees of the Company/Group, or of any entity that is a related party of the Company/Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.11 Leases

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease (see note 3.8); and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon, at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease (see note 3.7). For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rental are charged to the income statement in the accounting period in which they are incurred.

(iii) Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial assets

The Group classifies its financial assets into the following categories: Loan and receivables and financial assets at fair value through profit or loss.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. At each balance sheet date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Financial assets (continued)

(ii) Financial assets at fair value through profit or loss (continued)

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

– the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the group of financial assets is provided internally on that basis to the key management personnel; or

– the financial asset contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in income statement.

3.13 Impairment of financial assets

At each balance sheet date, financial assets carried at amortised cost are reviewed to determine whether there is any objective evidence of impairment. If any such evidence exists, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis, and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads absorbing direct labour and overheads. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

3.15 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of cash flow statement presentation, cash and cash equivalents include bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

3.16 Income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred tax is calculated using the liability method on temporary differences at the balance sheet date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Income taxes (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised in the income statement, or in equity if they relate to items that are charged or credited directly to equity.

3.17 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(c) rental income, on a time proportion basis over the lease terms.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Employee benefits

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Employee benefits (continued)

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the participating employees' basic salaries and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of the payroll costs to the central pension scheme. The contributions are charged to the income statement as they become payable in accordance with the rules of the central pension scheme.

3.19 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities are recognised in the course of the allocation of purchase price to the assets and liabilities acquired in a business combination. They are initially measured at fair value at the date of acquisition and subsequently measured at the higher of the amount that would be recognised in a comparable provision as described above and the amount initially recognised less any accumulated amortisaton, if appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised if and when it becomes probable that the holder of the guarantee will call upon the Group under the guarantee and the amount of that claim on the Group is expected to exceed the current carrying amount i.e. the amount initially recognised less accumulated amortisation, where appropriate.

3.21 Financial liabilities

Financial liabilities include discounted bills with recourse, trade payables, other payables and accruals. They are included in balance sheet line items under current liabilities.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in financial costs in the income statement. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Borrowings are recognised initially at fair value, net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Trade payables and other payables and accruals are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, is discussed below:

(i) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2007 was HK$22,127,000 (2006: HK$23,906,000). More details are given in note 17.

(ii) Share-based payment

The fair value of options granted are estimated by independent professional valuer based on the various assumptions of volatility, life of options, dividend yield and annual risk-free rate, excluding the impact of non-market vesting conditions, which generally represent the best estimate of the fair value of the option at the date of granting the options.

(iii) Impairment of receivables

The Group's management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers/borrowers and current market conditions. Management reassess the impairment of receivables at the balance sheet date.

(iv) Income taxes

The Group is subject to income taxes in Mainland China. Significant judgement is required in determining the amount of the provision for income taxes and the timing of payment of related taxes. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which the tax outcome is finalised.

(v) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management will reassess the estimations at the balance sheet date.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as investment property.

5. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that business segment be presented as the primary reporting format. Since over 90% of the Group's revenue, results and assets are derived from the design, manufacture and sale of lighting products, no separate analysis of financial information by business segment is presented in the financial statements.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

The Group's operations are located in five main geographical areas. The following table provides an analysis of the Group's sales:

Segment revenue:

	2007	2006
	HK$'000	*HK$'000*
Hong Kong and Mainland China	**40,261**	32,010
United States of America	**703,305**	706,732
Canada	**42,779**	29,355
Europe (principally Italy, Germany and France)	**8,966**	10,284
Others (principally Japan and Taiwan)	**21,552**	28,032
	816,863	806,413

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located.

	Segment assets		**Capital expenditures**	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong and Mainland China	**673,024**	600,207	**31,406**	22,045
United States of America	**1,437**	8,460	**–**	46
Canada	**41,010**	24,711	**21**	19
Europe	**–**	–	**–**	–
Others*	**24,946**	27,277	**–**	–
	740,417	660,655	**31,427**	22,110

* Others represent unallocated items.

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the year.

An analysis of revenue, other income and gains is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Revenue – sale of goods	**816,863**	806,413
Other income:		
Gross rental income from investment properties	**620**	883
Bank interest income	**1,592**	728
Others	**2,564**	2,823
	4,776	4,434
Gains:		
Surplus on revaluation of leasehold land and buildings	**466**	189
Gain on disposal of property, plant and equipment	**–**	23
Fair value gain on financial assets at fair value through profit or loss	**2,197**	629
Changes in fair value of investment properties	**1,190**	–
	3,853	841
	8,629	5,275

7. PROFIT BEFORE INCOME TAX

	Group 2007 HK$'000	2006 HK$'000
Profit before income tax is arrived at after charging/(crediting):		
Cost of inventories sold	**458,045**	465,383
– including write-down of inventories to net realisable value	**9,203**	1,556
Depreciation	**29,927**	30,120
Minimum lease payments under operating leases:		
Land and buildings	**4,517**	4,575
Office equipment	**2**	178
Auditors' remuneration	**1,200**	1,100
Staff costs (including directors' remuneration and retirement scheme contribution)	**89,464**	77,877
Other operating expenses:		
Impairment of goodwill	**1,779**	1,780
Research and development costs	**4,921**	3,822
Provision for impairment of trade receivables	**5,895**	3,093
Write-off of items of property, plant and equipment	**331**	1,164
Foreign exchange differences, net	**14,806**	2,365
Surplus on revaluation of leasehold land and buildings	**(466)**	(189)

8. FINANCE COSTS

	Group 2007 HK$'000	2006 HK$'000
Interest on bank loans and overdrafts	**305**	162
Interest on other loans	**–**	324
Total interest on financial assets stated at amortised cost	**305**	486

9. DIRECTORS' REMUNERATION

Remuneration of the directors disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Fees:		
Executive directors	**600**	700
Independent non-executive directors	**233**	300
	833	1,000
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	**6,183**	6,500
Discretionary bonuses	**1,909**	2,585
Employee share option benefits	**740**	586
	9,665	10,671

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Mr. Leung Hok Lim	**100**	100
Mr. Chan Nien-Po	**33**	100
Mr. Hsiao Horng Ching	**100**	100
Mr. Cheng Yung Hui	**–**	–
	233	300

There were no other emoluments payable to the independent non-executive directors during the year (2006: Nil).

9. DIRECTORS' REMUNERATION (continued)

(b) Executive directors

	Fees *HK$'000*	Salaries, allowances and benefits in kind *HK$'000*	Discretionary bonuses *HK$'000*	Employee share option benefits *HK$'000*	Total remuneration *HK$'000*
2007					
Mr. Hsu Chen Shen	**100**	**1,700**	**528**	**–**	**2,328**
Mr. Hsu Shui Sheng	**100**	**1,200**	**382**	**–**	**1,682**
Mrs. Hsu Wei Jui Yun	**100**	**400**	**50**	**–**	**550**
Mr. Pak Ping Chun	**100**	**900**	**264**	**370**	**1,634**
Mr. Yang Hsien Lin	**100**	**900**	**511**	**370**	**1,881**
Mr. Hsu Chin Liang	**–**	**583**	**40**	**–**	**623**
Mr. Hsu Chiang Lung	**100**	**500**	**134**	**–**	**734**
	600	**6,183**	**1,909**	**740**	**9,432**
2006					
Mr. Hsu Chen Shen	100	1,700	669	–	2,469
Mr. Hsu Shui Sheng	100	1,200	487	–	1,787
Mrs. Hsu Wei Jui Yun	100	400	74	–	574
Mr. Pak Ping Chun	100	900	417	293	1,710
Mr. Yang Hsien Lin	100	900	524	293	1,817
Mr. Hsu Chin Liang	100	900	241	–	1,241
Mr. Hsu Chiang Lung	100	500	173	–	773
	700	6,500	2,585	586	10,371

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year were all (2006: all) directors of the Company, details of whose remuneration are set out in note 9 above.

11. INCOME TAX EXPENSE

No provision for Hong Kong profits tax has been made since the Group had tax losses brought forward which were available to set off against the assessable profit for the year. Taxes on profits assessable elsewhere have been calculated at the prevailing rates of tax based on existing legislation, interpretations and practices.

	Group	
	2007	2006
	HK$'000	*HK$'000*
Current tax – Mainland China	**4,484**	4,392
Elsewhere	**61**	343
Deferred tax *(note 26)*	**357**	–
Income tax expense	**4,902**	4,735

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the tax jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates are as follows:

	2007	2006
	HK$'000	*HK$'000*
Profit before income tax	**23,114**	60,060
Tax at the statutory tax rates	**4,680**	16,426
Tax losses not recognised	**5,831**	2,325
Income not subject to tax	**(8,400)**	(15,837)
Expenses not deductible for tax	**2,912**	1,877
Tax losses utilised from previous period	**(121)**	(56)
Tax charge at the Group's effective rate	**4,902**	4,735

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The consolidated profit attributable to equity holders of the Company for the year ended 31 December 2007 include a loss of approximately HK$3,700,000 (2006: profit of approximately HK$95,322,000) which has been dealt with in the financial statements of the Company (note 29(b)).

13. DIVIDENDS

	2007 *HK$'000*	2006 *HK$'000*
Final dividend paid in respect of the previous financial year on new shares issued (note 27) subsequent to the balance sheet date and before the close of the Register of Members of the Company of HK2.5 cents per ordinary share (2006: Nil)	**600**	–
Interim – HK1.3 cents (2006: HK3 cents) per ordinary share	**6,689**	14,715
Proposed final – HK0.4 cent (2006: HK2.5 cents) per ordinary share	**2,058**	12,263
	9,347	26,978

Dividends recognised as distributions during the year ended 31 December 2007 amounted to HK$19,552,000 (2006: HK$34,335,000) or HK$0.038 per ordinary share (2006: HK$0.07 per ordinary share).

14. EARNINGS PER SHARE

The calculation of basic earnings per share amount is based on the net profit for the year of HK$18,212,000 (2006: HK$55,325,000) attributable to ordinary equity holders of the Company, and weighted average of 511,738,356 (2006: 490,500,000) ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year is based on the net profit for the year of HK$18,212,000 (2006: HK$55,325,000) attributed to equity holders of the Company and the weighted average of 512,280,049 (2006: 493,198,551) ordinary shares outstanding during the year, after adjusting for the effects of all dilutive potential shares. The weighted average number of ordinary shares used in the calculation of diluted earnings per share is calculated based on the 511,738,356 (2006: 490,500,000) weighted average number of ordinary shares in issue during the year, plus the weighted average number of 541,693 (2006: 2,698,551) ordinary shares deemed to be issued at no consideration as if the share options had been exercised.

15. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings#	Leasehold improvements	Plant, machinery and moulds	Furniture, fixtures and equipment	Motor vehicles	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2007							
At 31 December 2006 and 1 January 2007:							
Cost or valuation	211,630	26,201	94,629	22,678	12,527	21,235	388,900
Accumulated depreciation	–	(12,703)	(44,870)	(15,659)	(6,993)	–	(80,225)
Net carrying amount	211,630	13,498	49,759	7,019	5,534	21,235	308,675
At 1 January 2007, net of accumulated depreciation	211,630	13,498	49,759	7,019	5,534	21,235	308,675
Additions	2,203	497	8,972	1,205	–	18,550	31,427
Transfers	350	–	588	–	–	(938)	–
Write-off	–	–	(41)	(35)	–	(255)	(331)
Surplus on revaluation	51,796	–	–	–	–	–	51,796
Depreciation provided during the year	(9,124)	(3,170)	(12,705)	(3,738)	(1,190)	–	(29,927)
Exchange realignment	3,145	13	30	239	101	995	4,523
At 31 December 2007, net of accumulated depreciation	260,000	10,838	46,603	4,690	4,445	39,587	366,163
At 31 December 2007:							
Cost or valuation	260,000	26,739	104,709	24,035	12,689	39,587	467,759
Accumulated depreciation	–	(15,901)	(58,106)	(19,345)	(8,244)	–	(101,596)
Net carrying amount	260,000	10,838	46,603	4,690	4,445	39,587	366,163
Analysis of cost or valuation:							
At cost	–	10,838	46,603	4,690	4,445	39,587	106,163
At 2007 valuation	260,000	–	–	–	–	–	260,000
	260,000	10,838	46,603	4,690	4,445	39,587	366,163

15. PROPERTY, PLANT AND EQUIPMENT (continued)

Group

	Leasehold land and buildings# HK$'000	Leasehold improvements HK$'000	Plant, machinery and moulds HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 31 December 2006							
At 31 December 2005 and 1 January 2006:							
Cost or valuation	196,810	26,144	89,432	21,873	11,782	19,174	365,215
Accumulated depreciation	–	(9,707)	(32,098)	(11,972)	(7,617)	–	(61,394)
Net carrying amount	196,810	16,437	57,334	9,901	4,165	19,174	303,821
At 1 January 2006, net of accumulated depreciation	196,810	16,437	57,334	9,901	4,165	19,174	303,821
Additions	2,961	9	5,106	995	3,137	9,902	22,110
Transfers	7,520	114	580	–	–	(8,214)	–
Disposal/write-off	(378)	(64)	(38)	(84)	(646)	–	(1,210)
Surplus on revaluation	12,059	–	–	–	–	–	12,059
Depreciation provided during the year	(8,827)	(2,998)	(13,223)	(3,914)	(1,158)	–	(30,120)
Exchange realignment	1,485	–	–	121	36	373	2,015
At 31 December 2006, net of accumulated depreciation	211,630	13,498	49,759	7,019	5,534	21,235	308,675
At 31 December 2006:							
Cost or valuation	211,630	26,201	94,629	22,678	12,527	21,235	388,900
Accumulated depreciation	–	(12,703)	(44,870)	(15,659)	(6,993)	–	(80,225)
Net carrying amount	211,630	13,498	49,759	7,019	5,534	21,235	308,675
Analysis of cost or valuation:							
At cost	–	13,498	49,759	7,019	5,534	21,235	97,045
At 2006 valuation	211,630	–	–	–	–	–	211,630
	211,630	13,498	49,759	7,019	5,534	21,235	308,675

As the prepaid land premium cannot be allocated reliably between the land and buildings elements, the entire land premium are included in the cost of land and buildings as finance leases in property, plant and equipment in accordance with HKAS 17.

15. PROPERTY, PLANT AND EQUIPMENT (continued)

The Group's leasehold land and buildings included above are held under the following lease terms:

2007

	Hong Kong *HK$'000*	**Mainland China** *HK$'000*	**Total** *HK$'000*
At valuation:			
Medium term leases	**3,000**	**247,000**	**250,000**
Long term lease	**–**	**10,000**	**10,000**
	3,000	**257,000**	**260,000**

2006

	Hong Kong *HK$'000*	Mainland China *HK$'000*	Total *HK$'000*
At valuation:			
Medium term leases	1,430	203,100	204,530
Long term lease	–	7,100	7,100
	1,430	210,200	211,630

The Group's leasehold land and buildings were revalued individually as at 31 December 2007 by Asset Appraisal Limited ("Asset Appraisal") (2006: Greater China Appraisal Limited ("Greater China")), an independent professionally qualified valuer, at an aggregate open market value of HK$260,000,000 (2006: HK$211,630,000) based on their existing use. A revaluation surplus of HK$39,000,000 (2006: HK$8,893,000), net of deferred tax liabilities of HK$12,330,000 (2006: HK$2,977,000) (note 26), and a revaluation surplus of HK$466,000 (2006: HK$189,000) (note 7) resulting from the above valuations have been credited to the asset revaluation reserve and the consolidated income statement, respectively.

Had these leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying values would have been approximately HK$149,054,000 (2006: HK$152,841,000).

16. INVESTMENT PROPERTIES

	Group 2007 HK$'000	2006 HK$'000
Carrying amount at 1 January	**3,380**	3,380
Net gain from fair value adjustments	**1,190**	–
Carrying amount at 31 December	**4,570**	3,380

The Group's investment properties are held under medium term leases and were revalued as at 31 December 2007 by Asset Appraisal (2006: Greater China) at HK$4,570,000 (2006: HK$3,380,000) on an open market, existing use basis. A surplus of HK$1,190,000 (2006: Nil) so arising has been credited to the consolidated income statement. The investment properties are situated in Mainland China and leased to third parties under operating leases, further details of which are included in note 32(a) to the financial statements.

Further particulars of the Group's investment properties are included on page 96 of this annual report.

17. GOODWILL

	Group 2007 *HK$'000*	2006 *HK$'000*
At 1 January		
Cost	**35,309**	35,309
Accumulated impairment	**(11,403)**	(9,623)
Net carrying amount	**23,906**	25,686
Year ended 31 December		
Opening net book amount	**23,906**	25,686
Impairment during the year *(note 7)*	**(1,779)**	(1,780)
Net carrying amount	**22,127**	23,906
At 31 December		
Cost	**35,309**	35,309
Accumulated impairment	**(13,182)**	(11,403)
Net carrying amount	**22,127**	23,906

17. GOODWILL (continued)

Impairment testing of goodwill

The carrying amount of goodwill has been allocated to the cash-generating units for impairment test, i.e. sale of light products.

The recoverable amount has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period and approved by senior management. The key assumptions include stable profit margins, which have been determined based on past experience in this market. The management believes that this is the best available input for forecasting this mature market. The discount rate applied to cash flow projection is 8.5% (2006: 8.5%) and cash flows beyond five-year period are extrapolated using a growth rate of 2% (2006: 2%) which is similar to the long term average growth rate of the lighting industry.

Impairment of goodwill of approximately HK$1,779,000 (2006: HK$1,780,000) has been charged in other operating expenses on the face of the consolidated income statement. The impairment loss recognised during the year relates to the unsatisfactory business performance of Bright Lighting Inc.

18. INTERESTS IN SUBSIDIARIES

	Company	
	2007	2006
	HK$'000	*HK$'000*
Unlisted shares, at cost	**43,715**	43,715
Due from subsidiaries	**299,962**	209,218
	343,677	252,933

The balances with subsidiaries for the year ended 31 December 2007 are unsecured, interest-free and are repayable at least twelve months after the balance sheet date.

18. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
Bright Group (BVI) Ltd.	BVI/Hong Kong	US$702 Ordinary	100	–	Investment holding
Full Scene Developments Limited	BVI/Hong Kong	US$50,000 Ordinary	–	100	Investment holding
Whole Bright Industries (HK) Limited	Hong Kong	HK$1,000 Ordinary HK$100,000 Non-voting deferred	–	100	Investment and property holding
Whole Bright Industries Limited	BVI/Mainland China	US$1 Ordinary	–	100	Trading of lighting products
Dongguan Bright Yin Huey Lighting Co., Ltd.#	Mainland China	HK$15,240,000	–	100	Design, manufacture and sale of lighting products
Willy Garden Limited	BVI/Hong Kong	US$50,000 Ordinary	–	100	Investment holding
Whole Bright Industries (Macao Commercial Offshore) Limited	Macau	MOP100,000	–	100	Trading of lighting products
Everprofit Enterprise Co., Ltd.	BVI/Hong Kong	HK$11,610,000 Ordinary	–	100	Investment holding
東莞嘉盛照明科技有限公司#	Mainland China	HK$71,000,000	–	100	Design, manufacture and sale of lighting products
Ticko Inc.	BVI/Hong Kong	US$50,000 Ordinary	–	100	Investment holding
Newgreat Asia Limited	BVI/Hong Kong	US$50,000 Ordinary	–	100	Investment holding
Sinograce Holdings Limited	BVI/Hong Kong	US$50,000 Ordinary	–	100	Investment holding
Oriental Bright Holdings Limited	BVI/Hong Kong	US$50,000 Ordinary	–	100	Investment holding
Perfect Rich Holdings Limited	BVI/Hong Kong	US$50,000 Ordinary	–	100	Investment holding

18. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/ registered capital	Percentage of equity interest attributable to the Company Direct	Indirect	Principal activities
上海瑩輝照明科技有限公司#	Mainland China	US$12,000,000	–	100	Design, manufacture and sale of lighting products
上海瑩輝照明工程有限公司#	Mainland China	US$2,000,000	–	100	Trading of lighting products
永瑩輝貿易(上海)有限公司#	Mainland China	US$2,500,000	–	100	Trading of lighting products
Bright Lighting Inc.	United States of America	US$722 Ordinary	–	100	Design and sale of lighting products
Bright and Best Co., Ltd	BVI/Mainland China	US$1 Ordinary	–	100	Trading of lighting products
Bright China Investments Holdings Limited	BVI/Hong Kong	US$1 Ordinary	–	100	Investment holding
Profitmark Investments Limited	BVI/Hong Kong	US$1 Ordinary	–	100	Investment holding
R.A.M. Lighting Holdings Ltd.	Canada	C$1,560,100 Common	–	100	Investment holding
R.A.M. Lighting Ltd.	Canada	C$3 Common C$3,000,000 Preference	–	100	Design and distribution of lighting products

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Registered as a wholly-owned foreign investment enterprise in Mainland China.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2007	2006
	HK$'000	*HK$'000*
Listed equity investments, at market value:		
Hong Kong	**2,642**	3,169
Elsewhere	**177**	202
	2,819	3,371

The above equity investments at 31 December 2007 and 2006 were classified as held for trading.

20. INVENTORIES

	Group	
	2007	2006
	HK$'000	*HK$'000*
Raw materials	**75,754**	61,748
Work in progress	**1,215**	6,588
Finished goods	**56,479**	46,790
	133,448	115,126

21. 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:

	Group	
	2007	2006
	HK$'000	*HK$'000*
0 – 30 days	**61,353**	55,849
31 – 90 days	**32,721**	37,363
91 – 180 days	**5,123**	4,753
181 – 360 days	**2,644**	1,619
Over 360 days	**4,143**	14,108
	105,984	113,692

The Group allows a credit period from 30 to 90 days (2006: 30 to 90 days) to its customers.

21. TRADE AND BILLS RECEIVABLES (continued)

The carrying value of trade and bills receivables is considered as reasonable approximation of fair value. Impairment of trade and bills receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtors and default or delinquency in payments are considered indicators that the trade and bills receivables is impaired. All of the Group's trade and bills receivables have been reviewed for indicators of impairment. Certain trade and bills receivables were found to be impaired and bad debts of HK$5,895,000 (2006: HK$3,093,000) has been recognised accordingly. The impaired trade and bills receivables are mostly due from customers in the Group business-to-business market that encounter financial difficulties.

In addition, some of the unimpaired trade and bills receivables are past due as at the reporting date. Aging analysis of trade and bills receivables past due but not impaired is as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Neither past due nor impaired	**94,074**	92,880
1 – 90 days past due	**5,123**	4,968
91 – 270 days past due	**2,644**	1,736
Over 270 days	**4,143**	14,108
Total trade and bills receivables, net	**105,984**	113,692

Included in trade and bills receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2007	2006
	US$'000	*US$'000*
US dollars	**10,941**	11,144

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**71,225**	61,668	**488**	76
Time deposits	**2,784**	2,662	**–**	–
	74,009	64,330	**488**	76

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to approximately HK$50,881,000 (2006: HK$31,604,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

23. TRADE PAYABLES

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

	Group	
	2007	2006
	HK$'000	*HK$'000*
0 – 90 days	**88,315**	70,692
91 – 180 days	**1,747**	3,395
181 – 360 days	**1,958**	1,385
Over 360 days	**3,873**	4,827
	95,893	80,299

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

24. DUE TO A RELATED COMPANY

The amount due to a related company, in which certain directors of the Company have beneficial interest, is unsecured, non-interest bearing and is repayable on demand. The amount represents reimbursement payable to a related company, 瑩輝興業股份有限公司, for expenses and purchases paid on behalf of the Group.

25. DISCOUNTED BILLS WITH RECOURSE

	Group	
	2007	2006
	HK$'000	*HK$'000*
Discounted bills with recourse – secured	**24,246**	49,343

Balance represented proceeds from banks on discounted bills at 31 December 2007 which were secured by the related bills receivable and bear interests ranging from 5.9% to 6.2% (2006: 6.2% to 6.6%) per annum. All bank loans were repayable within one year.

The Group's bank borrowing facilities amounting to HK$134,000,000 (2006: HK$134,000,000), of which approximately HK$24,000,000 (2006: HK$49,000,000) has been utilised as at the balance sheet date, are supported by the corporate guarantees provided by the Company.

Included in the bank advances from discounted bills are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	Group	
	2007	2006
	US$'000	*US$'000*
US dollars	**3,116**	6,342

26. DEFERRED TAX

The movement in the Group's deferred tax liabilities during the year is as follows:

	Revaluation of investment properties	**Revaluation of leasehold land and buildings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January 2006	444	10,759	11,203
Deferred tax debited to equity during the year *(note 15)*	–	2,977	2,977
At 31 December 2006 and 1 January 2007	444	13,736	14,180
Deferred tax charged to income statement during the year *(note 11)*	357	–	357
Deferred tax debited to equity during the year *(note 15)*	–	12,330	12,330
At 31 December 2007	801	26,066	26,867

26. DEFERRED TAX (continued)

The Group has tax losses of HK$275,000 (2006: HK$965,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as it is considered not probable that future taxable profits will be available from these group companies against which the tax losses can be utilised.

27. SHARE CAPITAL

	2007 Number of shares	**2007** *HK$'000*	2006 Number of shares	2006 *HK$'000*
Authorised, issued and fully paid:				
Ordinary shares of HK$0.1 each				
At 1 January and 31 December	**1,000,000,000**	**100,000**	1,000,000,000	100,000
Issued and fully paid:				
Ordinary shares of HK$0.1 each				
At 1 January	**490,500,000**	**49,050**	490,500,000	49,050
Exercise of share options*	**24,000,000**	**2,400**	–	–
At 31 December	**514,500,000**	**51,450**	490,500,000	49,050

* On 12 February 2007, 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.

28. SHARE OPTION SCHEME

Share option scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, employees, whether full-time or part-time, of the Group or any Invested Entity (as defined in the Scheme), suppliers of goods or services to the Group or any Invested Entity, customers of the Group or any Invested Entity, person or entity that provides research, development or other technological support to the Group or any Invested Entity, and any shareholder of any member of the Group or any Invested Entity or holder of securities issued by any member of the Group or any Invested Entity. The Scheme became effective on 25 April 2002 and, unless otherwise cancelled or amended, will remain in force for 10 years from 29 April 2002, the date on which the Listing Committee of the Stock Exchange granting the listing of, and the permission to deal in, the shares to be issued pursuant to the exercise of options under the Scheme.

The total number of shares of the Company available at 31 December 2007 for issue under the Scheme is 5,568,000 shares, representing approximately 1.08% of the issued share capital of the Company as at the date of this annual report. The maximum entitlement of each eligible participant (including both exercised and outstanding options) under the Scheme is 1% of the shares of the Company in issue within any 12-month period. Any grant or further grant of share options in excess of this limit is subject to shareholders' approval in advance in a general meeting of the Company.

Each grant of share options to a director, chief executive or substantial shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive directors of the Company. In addition, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, resulting in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person, in a 12-month period up to and including the date of such grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, is subject to shareholders' approval in advance in a general meeting of the Company.

The offer of a grant of share options may be accepted within 28 days from the date of the offer upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determined by the directors, save that such period shall not be more than 10 years from the date of the offer of the share options, subject to the provisions for early termination set out in the Scheme. There is no specific requirement that an option must be held for any minimum period before it can be exercised but the board of directors is empowered to impose at its discretion any such minimum period at the time of offering any particular option.

28. SHARE OPTION SCHEME (continued)

Share option scheme (continued)

The exercise price of the share options is determined by the directors, but shall not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of the offer of the share options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of a share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

All shares option expense will be settled in equity. The Group has no legal or constructive obligation to repurchase or settle the options.

The particulars in relation to the share option scheme of the Company are disclosed as follows:

2007				Number of share options			
	Date of grant	Exercise price per share	Exercisable period	Outstanding at 1 January 2007	Granted during the year	Exercised during the year	Outstanding at 31 December 2007
Directors:							
Mr. Pak Ping Chun	2 Mar 2006	HK$0.56	3 Mar 2006 to 2 Mar 2007	4,500,000	–	(4,500,000)	–
	18 Dec 2007	HK$0.54	18 Dec 2007 to 17 Dec 2009	–	5,144,000	–	5,144,000
Mr. Yang Hsien Lin	2 Mar 2006	HK$0.56	3 Mar 2006 to 2 Mar 2007	4,500,000	–	(4,500,000)	–
	18 Dec 2007	HK$0.54	18 Dec 2007 to 17 Dec 2009	–	5,144,000	–	5,144,000
				9,000,000	10,288,000	(9,000,000)	10,288,000

28. SHARE OPTION SCHEME (continued)

Share option scheme (continued)

2007	Date of grant	Exercise price per share	Exercisable period	Number of share options: Outstanding at 1 January 2007	Granted during the year	Exercised during the year	Outstanding at 31 December 2007
Employees:							
Mr. Lin Hua-Yin, Alex	2 Mar 2006	HK$0.56	3 Mar 2006 to 2 Mar 2007	4,000,000	–	(4,000,000)	–
Mr. Nugraha Soemampauw	2 Mar 2006	HK$0.56	3 Mar 2006 to 2 Mar 2007	4,000,000	–	(4,000,000)	–
	18 Dec 2007	HK$0.54	18 Dec 2007 to 17 Dec 2009	–	5,144,000	–	5,144,000
Mr. Cheung Yau Man	2 Mar 2006	HK$0.56	3 Mar 2006 to 2 Mar 2007	3,500,000	–	(3,500,000)	–
Mr. Chiang Yu Lung	2 Mar 2006	HK$0.56	3 Mar 2006 to 2 Mar 2007	3,500,000	–	(3,500,000)	–
				15,000,000	5,144,000	(15,000,000)	5,144,000
				24,000,000	**15,432,000**	**(24,000,000)**	**15,432,000**

28. SHARE OPTION SCHEME (continued)

Share option scheme (continued)

2006				Number of share options			
	Date of grant	Exercise price per share	Exercisable period	Outstanding at 1 January 2006	Granted during the year	Exercised during the year	Outstanding at 31 December 2006
Directors:							
Mr. Pak Ping Chun	2 Mar 2006	HK$0.56	3 Mar 2006 to 2 Mar 2007	–	4,500,000	–	4,500,000
Mr. Yang Hsien Lin	2 Mar 2006	HK$0.56	3 Mar 2006 to 2 Mar 2007	–	4,500,000	–	4,500,000
				–	9,000,000	–	9,000,000
Employees:							
Mr. Lin Hua-Yin, Alex	2 Mar 2006	HK$0.56	3 Mar 2006 to 2 Mar 2007	–	4,000,000	–	4,000,000
Mr. Nugraha Soemampauw	2 Mar 2006	HK$0.56	3 Mar 2006 to 2 Mar 2007	–	4,000,000	–	4,000,000
Mr. Cheung Yau Man	2 Mar 2006	HK$0.56	3 Mar 2006 to 2 Mar 2007	–	3,500,000	–	3,500,000
Mr. Chiang Yu Lung	2 Mar 2006	HK$0.56	3 Mar 2006 to 2 Mar 2007	–	3,500,000	–	3,500,000
				–	15,000,000	–	15,000,000
				–	**24,000,000**	**–**	**24,000,000**

28. SHARE OPTION SCHEME (continued)

Share option scheme (continued)

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

	2007	2006
Share price per share at offer date	**HK$0.54**	HK$0.56
Exercise price	**HK$0.54**	HK$0.56
Expected volatility	**31.03%**	24.10%
Expected life	**2 years**	1 year
Risk free rate	**1.84% to 2.07%**	4.03%
Expected dividend yield	**5.36%**	0%
Fair value per option	**HK$0.072**	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 including early exercise. Risk free rate was reference to the approximate yield of the 24-month Exchange Fund Note traded on 18 December 2007.

During the year, 24,000,000 (2006: Nil) options were exercised, the weighted average exercise price was HK$0.56.

The Group recognised the total expense of approximately HK$1,111,000 for the year ended 31 December 2007 (2006: HK$1,560,000) in relation to the share options granted by the Company, of which approximately HK$371,000 (2006: HK$974,000) related to options granted to the Group's employees and shown as staff costs, and the remaining balance represents share option expense for directors.

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 38 of the financial statements.

The Group's contributed surplus represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1999 over the nominal value of the Company's shares issued in exchange therefor.

29. RESERVES (continued)

(b) Company

	Share based payment reserve *HK$'000*	Share premium account *HK$'000*	Contributed surplus *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2006	–	54,252	43,515	122,552	220,319
Net profit for the year	–	–	–	95,322	95,322
Interim 2006 dividend	–	–	–	(14,715)	(14,715)
Proposed final 2006 dividend	–	–	–	(12,263)	(12,263)
Recognition of equity-settled share based payments *(note 28)*	1,560	–	–	–	1,560
At 31 December 2006 and 1 January 2007	1,560	54,252	43,515	190,896	290,223
Net loss for the year	–	–	–	(3,700)	(3,700)
Final 2006 dividend	–	–	–	(600)	(600)
Interim 2007 dividend	–	–	–	(6,689)	(6,689)
Proposed final 2007 dividend	–	–	–	(2,058)	(2,058)
Exercise of share options	(1,560)	12,600	–	–	11,040
Recognition of equity-settled share based payments *(note 28)*	1,111	–	–	–	1,111
At 31 December 2007	**1,111**	**66,852**	**43,515**	**177,849**	**289,327**

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1999, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda, the Company may make distributions to its members out of its contributed surplus in certain circumstances.

30. CONTINGENT LIABILITIES

At the balance sheet date, the Group and the Company had no significant contingent liabilities (2006: Nil).

31. FINANCIAL GUARANTEE CONTRACTS

	Group		Company	
	2007	2006	**2007**	2006
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Corporate guarantees given and utilised*	**24,246**	49,343	**24,246**	49,343

* As at 31 December 2007, the Company provided corporate guarantees to the extent of HK$134,000,000 (2006: HK$134,000,000) in relation to the discounted bills with recourse as set out in note 25 to the financial statements, HK$24,246,000 (2006: HK$49,343,000) of which was utilised.

In the opinion of the directors of the Company, the fair value of the corporate guarantees granted by the Company is immaterial. Under the guarantee, the Group would be liable to pay the bank if the bank is unable to recover the loan. At the balance sheet date, no provision for the Group's obligations under the guarantee contract has been made as the directors considered that it was not probable that the repayment of the loan would be in default.

32. COMMITMENTS

At the balance sheet date, the Group had the following outstanding commitments:

(a) Operating lease commitments

As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

32. COMMITMENTS (continued)

(a) Operating lease commitments (continued)

As lessor (continued)

At the balance sheet date, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Within one year	**525**	338
In the second to fifth years, inclusive	**–**	18
	525	356

As lessee

The Group leases certain of its office equipment, office premises, staff quarters and warehouses under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

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

	Group					
	2007			2006		
	Office equipment	**Office premises, staff quarters and warehouses**	**Total**	Office equipment	Office premises, staff quarters and warehouses	Total
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	**235**	**2,011**	**2,246**	16	4,246	4,262
In the second to fifth years, inclusive	**148**	**1,342**	**1,490**	3	2,713	2,716
	383	**3,353**	**3,736**	19	6,959	6,978

32. COMMITMENTS (continued)

(b) Capital commitments

At the balance sheet date, the Group had the following capital commitments:

	Group	
	2007	2006
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Purchase of equipment	**1,123**	32
Construction of properties	**12,367**	27,370
	13,490	27,402

At the balance sheet date, the Company had no significant commitments (2006: Nil).

33. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances with related parties detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

(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$716,000 (2006: HK$807,000) for the provision of services to the Group's business partners and business associates during their visits to the Group's factory in Mainland China. 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 the related company to independent third parties.

(b) Compensation of key management personnel of the Group:

The remuneration of directors and other members of key management during the year were as follows:

	2007	2006
	HK$'000	*HK$'000*
Short term employee benefits	**8,925**	10,085
Share-based payment	**740**	586
	9,665	10,671

Further details of directors' emoluments are included in note 9 to the financial statements.

34. DERIVATIVE FINANCIAL INSTRUMENTS

As at the year end date, the Group has certain outstanding foreign currency forward contracts in the total amount of approximately HK$321,000,000 (2006: HK$250,000,000). These contracts have maturity dates varying from 8 January 2008 to 15 October 2008 (2006: 12 January 2007 to 12 December 2007).

The fair value of the foreign forward exchange contracts are not material to these financial statements.

The fair value gains and losses of the derivatives are not material to these financial statements because of the immaterial fluctuation of the contracted forward exchange rates.

35. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Group's exposure to market risk, including principally changes in interest rates, currency exchange rates, credit risk and liquidity risk. Generally, the Group employs a conservative strategy regarding its risk management. As the Group's exposure to market risks is kept at a minimum level, the Group has not used any derivatives or other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes.

The Group's principal financial instruments comprise cash and bank balances, trade and bills receivables, other receivables, financial assets at fair value through profit or loss, amount due to a related company, trade payables, other payables and discounted bills with recourse. The most significant financial risks to which the Group is exposed to are described below.

Interest rate risk

The Group does not have material exposure to interest rate risk, as the Group has no financial assets and liabilities of material amounts with floating interest rates except for certain discounted bills with recourse. A reasonably possible change in interest rate in the next twelve months is assessed, which could have immaterial change in the Group's profits after tax and retained earnings. Changes in interest rates have no impact on the Group's other components of equity. The Group adopts centralised treasury policies in cash and financial management and focuses on reducing the Group's overall interest expense.

Foreign currency risk

The Group is exposed to foreign currency risk primarily through sales that are denominated in a currency other than the functional currency of the operations to which they related. The Group is also exposed to immaterial foreign currency risk arising from certain outstanding foreign currency forward contracts as at the year end date. The currency giving rise to this risk is United States dollar ("US$"). The Group reviews its foreign currency exposures regularly and does not consider its foreign exchange risk to be significant.

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

Foreign currency risk exposure

The following table details the Group's exposure at the balance sheet date to foreign currency risk from the financial assets and financial liabilities denominated in a currency other than the functional currency to which the operating entities relate:

	2007	2006
	US$'000	*US$'000*
Trade and bills receivables	**10,941**	11,144
Trade payables	**(66)**	–
Discounted bills with recourse	**(3,116)**	(6,342)

Foreign currency risk sensitively analysis

The Group is mainly exposed to the fluctuation in US$ against RMB.

The following table indicates the approximate change in the Group's profit after tax and retained earnings in response to reasonable possible strengthening/weakening in US$ against RMB. There is no impact on other components of consolidated equity.

	2007		2006	
	Increase/ (Decrease) in foreign exchange rates	**Effect on profit after tax and retained earnings**	Increase/ (Decrease) in foreign exchange rates	Effect on profit after tax and retained earnings
	%	***HK$'000***	%	*HK$'000*
US$	**6.44%**	**4,143**	3.19%	1,344
	(6.44%)	**(4,143)**	(3.19%)	(1,344)

The sensitivity rate of 6.44% (2006: 3.19%) is used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 6.44% (2006: 3.19%) change in foreign currency rates. The functional currency of the Group's major operating subsidiaries is in RMB. A strengthening/ weakening of the above foreign currencies against RMB at each balance sheet date would have had a profit/loss effect respectively to the amounts shown above, on the basis that all other variables remain constant.

The Company is not exposed to any foreign currency risk.

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group's exposure to credit risk is mainly limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

Group

	2007 HK$'000	2006 HK$'000
Classes of financial assets		
Financial assets at fair value through profit or loss	**2,819**	3,371
Cash and cash equivalents	**74,009**	64,330
Trade and bills receivables	**105,984**	113,692
Other receivables	**7,883**	14,989
	190,695	196,382

Company

	2007 HK$'000	2006 HK$'000
Classes of financial assets		
Cash and cash equivalents	**488**	76
Dividend receivables	**–**	100,000
	488	100,076

The Group is also exposed to credit risk as the Group has certain outstanding foreign currency forward contracts, further details of which are disclosed in note 34 to the financial statement.

The Company is also exposed to credit risk through the granting of financial guarantees, further details of which are disclosed in note 31 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. The Group closely monitors the concentration of credit risk on individual customers based on their credit worthiness. The Group has certain concentration of credit risk as 70.4% (2006: 63.8%) of the Group's trade receivables were due from the Group's two largest customers.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables are disclosed in note 21 to the financial statements.

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair values

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

Liquidity risk

The Group's objective is to ensure adequate funds to meet commitments associated with its financial liabilities. Cash flows are closely monitored on an ongoing basis. The Group will raise funds from the realisation of its assets if required.

As at 31 December 2007 and 31 December 2006, the remaining contractual maturity of the Group's and the Company's financial liabilities which are based on undiscounted cash flows are summarised below:

Group

	On demand *HK$'000*	Less than 3 months *HK$'000*	3 to less than 6 months *HK$'000*	6 to less than 12 months *HK$'000*	Over 1 year *HK$'000*
At 31 December 2007					
– Trade payables	**–**	**93,666**	**2,227**	**–**	**–**
– Other payables	**–**	**13,221**	**–**	**–**	**–**
– Discounted bills with recourse	**–**	**24,246**	**–**	**–**	**–**
– Due to a related company	**468**	**–**	**–**	**–**	**–**
	468	**131,133**	**2,227**	**–**	**–**
At 31 December 2006					
– Trade payables	–	77,838	2,461	–	–
– Other payables	–	9,546	–	–	–
– Discounted bills with recourse	–	49,343	–	–	–
– Due to a related company	468	–	–	–	–
	468	136,727	2,461	–	–

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Company

	On demand *HK$'000*	Less than 3 months *HK$'000*	3 to less than 6 months *HK$'000*	6 to less than 12 months *HK$'000*	Over 1 year *HK$'000*
At 31 December 2007					
– Other payables	**–**	**354**	**–**	**–**	**–**
At 31 December 2006					
– Other payables	–	489	–	–	–

The carrying amounts of the Group's and the Company's financial assets and liabilities recognised at the balance sheet dates may also be categorised as follows. See notes 3.12 and 3.21 for explanations on how the category of financial instruments affects their subsequent measurement.

Financial assets

	Group 2007 *HK$'000*	Group 2006 *HK$'000*
Financial assets at fair value through profit or loss	**2,819**	3,371
Loans and receivables:		
– Trade and bills receivables	**105,984**	113,692
– Other receivables	**7,883**	14,989
Cash and cash equivalents	**74,009**	64,330
	190,695	196,382

	Company 2007 *HK$'000*	Company 2006 *HK$'000*
Loans and receivables:		
– Dividend receivable	**–**	100,000
Cash and cash equivalents	**488**	76
	488	100,076

35. RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Financial liabilities

	Group	
	2007	2006
	HK$'000	*HK$'000*
Financial liabilities measured at amortised cost		
– Trade payables	**95,893**	80,299
– Other payables	**13,221**	9,546
– Due to a related company	**468**	468
– Discounted bills with recourse	**24,246**	49,343
	133,828	139,656

	Company	
	2007	2006
	HK$'000	*HK$'000*
Financial liabilities measured at amortised cost		
– Other payables	**354**	489

36. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

(a) To safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders;

(b) To support the Group's stability and growth; and

(c) To provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

Management regards total equity as capital. The amount of capital as at 31 December 2007 and 2006 amounted to approximately HK$517,189,000 and HK$453,400,000 respectively which the management considers as optimal having consider the projected capital expenditures and the projected strategic investment opportunities.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 2 April 2008.

Summary of Investment Properties

Particulars of the investment properties held by the Group as at 31 December 2007 are as follows:

Location		Use	Group's interest	Tenure of lease
1.	Portion of Level 1 of Dormitory Building, Bright Yin Huey Factory Complex, (Factory No. 1) Chuangxin Road, Dapandi Industrial Zone, Daning Management District, Humen Town, Dongguan City, Guangdong Province, The People's Republic of China	Industrial	100%	Medium term lease
2.	Leval 1 of Dormitory A, Bright Yin Huen Factory Complex, (Factory No. 2) Pujiang Road, Dapandi Industrial Zone, Daning Management District, Humen Town, Dongguan City, Guangdong Province, The People's Republic of China	Industrial	100%	Medium term lease
3.	Level 1 of Domitory B, Phase 3, Bright Yin Huey Factory Complex, (Factory No. 2) Pujiang Road, Dapandi Industrial Zone, Daning Management District, Humen Towm, Dongguan City, Guangdong Province, The People's Republic of China	Industrial	100%	Medium term lease