

# BRIGHT INTERNATIONAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 1163

Interim Report  
**2008**

BRIGHT

## CONTENTS

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	Pages
<b>Corporate Information</b>	2
<b>Interim Results Highlights</b>	3
<b>Interim Results</b>	
– Condensed Consolidated Income Statement	4
– Condensed Consolidated Balance Sheet	5
– Condensed Consolidated Statement of Changes in Equity	6
– Condensed Consolidated Cash Flow Statement	7-8
– Notes	9-13
<b>Management Discussion and Analysis</b>	14-18
<b>Directors' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations</b>	19-20
<b>Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares of the Company</b>	21-22
<b>Share Option Scheme</b>	23-24
<b>Closure of Register of Members</b>	24
<b>Purchase, Sale or Redemption of Listed Securities</b>	24
<b>Corporate Governance</b>	25
<b>Code of Conduct for Securities Transactions</b>	26
<b>Audit Committee</b>	26

## 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](http://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,

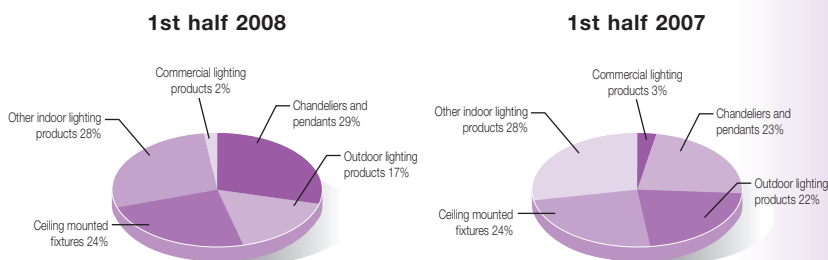
28 Queen's Road East,

Wanchai, Hong Kong

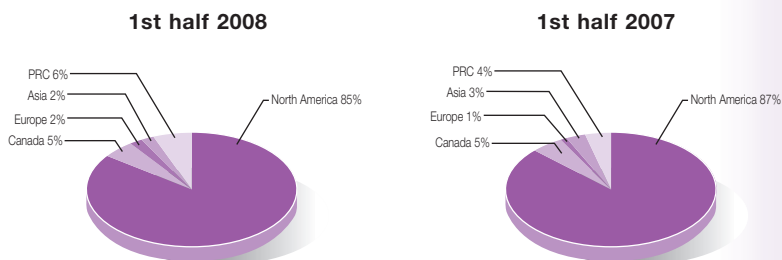
## INTERIM RESULTS HIGHLIGHTS:

- Turnover for the first half of 2008 amounted to approximately HK\$347,947,000.
- The Group's gross profit for the first half of 2008 amounted to approximately HK\$94,664,000. The gross profit margin for this period was 27%.
- The turnover attributable to PRC market for the first half of 2008 amounted to approximately HK\$19,731,000, increasing by approximately 20% as compared with the corresponding period of last year.
- The turnover generated from energy-saving products for the first half of 2008 amounted to approximately HK\$45,233,000, increasing by approximately 474% as compared with the corresponding period of last year.

## COMPARISON OF TURNOVER BY PRODUCTS



## COMPARISON OF TURNOVER BY MARKETS



## INTERIM RESULTS

The Board of Directors (the "Board") of Bright International Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008 (the "Period"), together with the comparative figures for the corresponding period in 2007, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

		<b>For the six months ended 30 June</b>	
		<b>2008</b>	2007
	<i>Notes</i>	<b>(Unaudited) HK\$'000</b>	(Unaudited) HK\$'000
<b>REVENUE</b>	3	<b>347,947</b>	393,816
Cost of sales		<b>(253,283)</b>	(295,328)
<b>GROSS PROFIT</b>		<b>94,664</b>	98,488
Other income and gains	4	<b>2,920</b>	2,383
Selling and distribution costs		<b>(13,417)</b>	(19,640)
Administrative expenses		<b>(46,951)</b>	(57,889)
Other operating expenses		<b>(4,670)</b>	(8,647)
Operating profit		<b>32,546</b>	14,695
Finance costs	6	<b>(105)</b>	(164)
<b>PROFIT BEFORE INCOME TAX</b>	5	<b>32,441</b>	14,531
Income tax expense	7	<b>(667)</b>	(645)
<b>PROFIT FOR THE PERIOD</b>		<b>31,774</b>	13,886
<b>INTERIM DIVIDEND</b>	8	<b>15,435</b>	6,689
<b>EARNINGS PER SHARE</b>	9		
– BASIC		<b>HK6.1 cents</b>	HK2.7 cents
– DILUTED		<b>HK6.1 cents</b>	N/A

**CONDENSED CONSOLIDATED BALANCE SHEET**

	Notes	At 30 June 2008 (Unaudited) HK\$'000	At 31 December 2007 (Audited) HK\$'000
<b>ASSETS AND LIABILITIES</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		360,800	366,163
Investment properties		4,570	4,570
Goodwill		22,127	22,127
		<u>387,497</u>	<u>392,860</u>
<b>CURRENT ASSETS</b>			
Financial assets at fair value through profit or loss		13,930	2,819
Inventories		119,481	133,448
Trade and bills receivables	10	109,062	105,984
Prepayments, deposits and other receivables		34,531	31,297
Cash and cash equivalents		105,261	74,009
		<u>382,265</u>	<u>347,557</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	11	76,340	95,893
Interest bearing bank borrowing		34,170	–
Provision for tax		28,595	29,783
Other payables and accruals		52,645	45,971
Due to a related company	12	468	468
Discounted bills with recourse		1,363	24,246
Dividend payable		15,435	–
		<u>209,016</u>	<u>196,361</u>
<b>NET CURRENT ASSETS</b>		<b>173,249</b>	<b>151,196</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>560,746</b>	<b>544,056</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		26,867	26,867
Net assets		<u>533,879</u>	<u>517,189</u>
<b>EQUITY</b>			
<b>Equity attributable to the Company's equity holders</b>			
Share capital	13	51,450	51,450
Reserves		482,429	463,681
Proposed final dividend		–	2,058
Total equity		<u>533,879</u>	<u>517,189</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Contributed surplus	Asset revaluation reserve	Exchange fluctuation reserve	Share based payment reserve	Retained profits	Proposed final dividend	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 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 and 1 January 2008	51,450	66,852	286	78,774	17,470	1,111	299,188	2,058	517,189
Exchange realignment	-	-	-	-	(56)	-	-	-	(56)
Total income and expenses for the Period recognised directly in equity	-	-	-	-	(56)	-	-	-	(56)
Net profit for the Period	-	-	-	-	-	-	31,774	-	31,774
Total income and expenses for the Period	-	-	-	-	(56)	-	31,774	-	31,718
Recognition of equity-settled share based payments	-	-	-	-	-	2,465	-	-	2,465
Final 2007 dividend paid	-	-	-	-	-	-	-	(2,058)	(2,058)
Interim 2008 dividend	-	-	-	-	-	-	(15,435)	-	(15,435)
Balance at 30 June 2008	51,450	66,852	286	78,774	17,414	3,576	315,527	-	533,879

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	<b>32,441</b>	14,531
Adjustments for:		
Finance costs	<b>105</b>	164
Interest income	<b>(653)</b>	(757)
Depreciation	<b>13,987</b>	15,013
Fair value gain on financial assets at fair value through profit or loss	<b>(160)</b>	(442)
Impairment of goodwill	-	889
Share based payment	<b>2,465</b>	-
Provision for impairment of trade receivables	-	1,101
Write down of inventories to net realisable value	<b>1,167</b>	613
	<hr/>	<hr/>
Operating profit before working capital changes	<b>49,352</b>	31,112
Decrease in inventories	<b>12,800</b>	5,315
Increase in trade and bills receivables	<b>(3,078)</b>	(24,959)
Increase in prepayments, deposits and other receivables	<b>(3,234)</b>	(2,139)
(Decrease)/increase in trade payables	<b>(19,553)</b>	24,479
Increase in other payables and accruals	<b>6,674</b>	4,102
Decrease in discounted bills with recourse	<b>(22,883)</b>	(23,635)
	<hr/>	<hr/>
Cash generated from operations	<b>20,078</b>	14,275
Interest received	<b>653</b>	757
Interest paid	<b>(105)</b>	(164)
Dividends paid	<b>(2,058)</b>	(12,863)
Corporate income tax paid	<b>(1,855)</b>	(1,183)
	<hr/>	<hr/>
Net cash generated from operating activities	<b>16,713</b>	822



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

	For the six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of items of property, plant and equipment	(8,624)	(9,490)
Proceeds from disposal of financial assets at fair value through profit or loss	2,212	5,715
Purchases of financial assets at fair value through profit or loss	(13,163)	(3,966)
Net cash used in investing activities	<u>(19,575)</u>	<u>(7,741)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from interest bearing bank borrowing	34,170	–
Proceeds from exercise of share options	–	13,440
Net cash generated from financing activities	<u>34,170</u>	<u>13,440</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>31,308</b>	6,521
Cash and cash equivalents at beginning of the Period	74,009	64,330
Effect of foreign exchange rates changes, net	(56)	48
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b><u>105,261</u></b>	<b><u>70,899</u></b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<u>105,261</u>	<u>70,899</u>
	<b><u>105,261</u></b>	<b><u>70,899</u></b>

Notes:

## 1. Basis of preparation

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

## 2. Principal accounting policies

The accounting policies adopted and basis of preparation used in the preparation of these interim results are the same as those used in the annual accounts for the year ended 31 December 2007.

## 3. Revenue by geographical segment

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
By geographical segment:		
North America	<b>295,183</b>	342,051
Canada	<b>15,984</b>	20,091
Europe	<b>8,272</b>	4,004
Asia (exclude The People's Republic of China ("PRC"))	<b>7,830</b>	9,930
PRC	<b>19,731</b>	16,395
Elsewhere	<b>947</b>	1,345
	<b>347,947</b>	393,816

## 4. Other income and gains

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Gross rental income from investment properties	<b>351</b>	313
Bank interest income	<b>653</b>	757
Gain from disposal of financial assets at fair value through profit or loss	<b>160</b>	442
Sample income	<b>1,756</b>	871
	<b>2,920</b>	2,383

## 5. Profit before income tax

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

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Depreciation	<b>13,987</b>	15,013
Impairment of goodwill	-	889
Provision for impairment of trade receivables	-	1,101
	<b>=====</b>	<b>=====</b>

## 6. Finance costs

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Interest on bank overdrafts	<b>105</b>	164
	<b>=====</b>	<b>=====</b>

## 7. Income tax expense

	<b>For the six months ended 30 June</b>	
	<b>2008</b>	2007
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current tax – Mainland China		
Charge for the period	<b>482</b>	391
Current tax – Elsewhere		
Charge for the period	<b>185</b>	254
	<b>=====</b>	<b>=====</b>
Total tax charge for the period	<b>667</b>	645

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

## 8. Interim dividend

The Board has declared an interim dividend of HK3 cents per share for the six months ended 30 June 2008 (2007: HK1.3 cents per share) payable to shareholders whose names appear on the Register of Members of the Company on 6 October 2008. Dividend warrants will be dispatched to the shareholders of the Company on or about 13 October 2008.

## 9. Earnings per share

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

	<b>2008</b> <b>(Unaudited)</b>	2007 (Unaudited)
Profit for the period ended 30 June	<b>HK\$31,774,000</b>	HK\$13,886,000
Weighted average number of ordinary shares in issue	<b>514,500,000</b>	508,766,667
Basic earnings per share	<b>HK6.1 cents</b>	HK2.7 cents

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

	<b>2008</b> <b>(Unaudited)</b>	2007 (Unaudited)
Profit for the period ended 30 June	<b>HK\$31,774,000</b>	N/A
Weighted average number of ordinary shares in issue	<b>518,780,408</b>	N/A
Diluted earnings per share	<b>HK6.1 cents</b>	N/A

## 10. Trade and bills receivables

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

	<b>At 30 June 2008 (Unaudited) HK\$'000</b>	At 31 December 2007 (Audited) HK\$'000
0-30 days	<b>59,505</b>	61,353
31-90 days	<b>36,740</b>	32,721
91-180 days	<b>4,123</b>	5,123
181-360 days	<b>4,005</b>	2,644
Over 360 days	<b>4,689</b>	4,143
	<b>109,062</b>	105,984

Trading terms with customers are largely on credit, except for new customers, where trade deposits, advances or payments in advance are normally required. Invoices are normally payable within 30-90 days (2007: 30-90 days) of issuance by letters of credit or on an open account basis. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management. Trade receivables are non-interest bearing.

## 11. Trade payables

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

	<b>At 30 June 2008 (Unaudited) HK\$'000</b>	At 31 December 2007 (Audited) HK\$'000
0-90 days	<b>63,066</b>	88,315
91-180 days	<b>2,589</b>	1,747
181-360 days	<b>3,778</b>	1,958
Over 360 days	<b>6,907</b>	3,873
	<b>76,340</b>	95,893

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

## 12. Due to a related company

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

## 13. Share capital

	<b>At 30 June 2008 (Unaudited) HK\$'000</b>	At 31 December 2007 (Audited) HK\$'000
Authorised:		
1,000,000,000 ordinary shares of HK\$0.1 each	<b>100,000</b>	100,000
Issued and fully paid:		
514,500,000 (2007: 514,500,000) ordinary shares of HK\$0.1 each	<b>51,450</b>	51,450

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

For the six months ended 30 June 2008, the Group recorded satisfactory results. The Group's profit increased significantly by approximately 129% to HK\$31,774,000, despite a drop in total turnover of approximately 12% as compared with the corresponding period of last year. Turnover for the Period was approximately HK\$347,947,000 and the gross profit margin was approximately 27%, representing an increase of 2% as compared with the corresponding period of last year. The Group's performance in its major market, the US market, was unsatisfactory with a decrease in turnover of approximately 14% due to the sub-prime loan crisis and the economic slowdown in the US. Although there was a decrease in turnover from the US market during the Period, the Group's continuous launching of energy-saving products in recent years brought about a significant increase in turnover of these products in the Period by approximately 474%, amounting to approximately HK\$45,233,000, as compared with the corresponding period of last year. The higher profit margin of energy-saving products, by comparison with other products, contributed significantly to the profit for the Period. In addition, the Group's profitability was directly enhanced by successfully transferring to customers a portion of the pressure of continually rising production costs during the Period. The Group recorded approximately HK\$8,272,000 in turnover from the European market during the Period, representing a significant increase of approximately 107% over the corresponding period of last year. The Group's enhanced efforts in developing the European market last year generated promising yield in the Period, contributing positively to profits. The Group will continue to develop the European market in order to diversify market risk and at the same time to take advantage of the strong Euro to reduce the negative impact of the weak US dollar on the Group.

## Export Markets

### *Home Lighting Division*

During the Period, the home lighting division recorded a turnover of approximately HK\$321,931,000, a decrease of approximately 13% as compared with the corresponding period of last year. This turnover accounted for approximately 93% of the Group's total turnover. The decline was mainly due to the US property market slump which had a direct impact on the sales performance of the Group's major customers, large DIY chain stores in the US. With energy-saving a global trend, the Group has been developing products with energy-saving functions in recent years. The Group's profit in the Period was directly enhanced by a significant increase in turnover of the Group's energy-saving products. In view of the success in energy-saving products, the Group will strengthen and accelerate the development of these products and provide a wider range of products to the market. During the Period, increasing production costs and general shrinking of export markets caused many small to medium lighting producers to close down. Leveraging on its solid foundation and advantages, the Group was able to maintain profit and strengthened its bargaining position with customers. During the Period, the Group again successfully adjusted selling prices upwards. This, in combination with stringent control of costs and capital expenditures, resulted in significant growth rather than decline in the Group's profits.

After consolidating the development plans for the European market last year, the Group recorded a large increase in turnover of the European market during the Period. The Group is planning to further develop the European market. Currently, the Group's customer base in Europe is relatively wide-ranging and the Group has business in various European countries. The Group is planning to focus on a number of large European countries, which could better utilize the Group's resources as well as speed up our branding in Europe. Currently, the Group is targeting countries with stronger development potential, such as Russia, Sweden and Austria. The Group expects to strengthen its position in Europe in the near future.



## **Export Markets (continued)**

### *Commercial Lighting Division*

During the Period, the export market turnover of the commercial lighting division amounted to approximately HK\$6,285,000, representing a decrease of approximately 26% as compared with the corresponding period of last year.

The decrease in turnover was mainly due to fulfilling a portion of the orders received in the second half of the year, in accordance with certain customers' requirements. The Group is therefore most sanguine about this market in the future. During the Period, the Group held preliminary discussions with a renowned international hotel chain about possible collaboration in renovation projects and new hotels of the chain. Although discussions are still at an early stage, with the Group's experience in hotel projects during recent years and a number of well-known hotel projects completed as reference, the Group believes that there is opportunity for collaboration.

The Group has concluded its last year's negotiations with a well-known US commercial lighting wholesaler regarding acting as its main supplier; however, the Group has not yet achieved any significant results due to the difficult business environment in the US. The Group expects that this customer will be one of the Group's major customers for the commercial lighting division in the future. In addition, the Group came to an agreement with the third largest commercial lighting supplier in the US regarding the supply of the Group's products. The first order is expected to be delivered in the second half of the year. The Group anticipates that this customer will significantly increase the export turnover of the Group's commercial lighting division and contribute positively to the Group's profits.

### **PRC Market**

During the Period, the Group recorded a total turnover of approximately HK\$19,731,000 from the PRC domestic market, representing an increase of about 20% as compared with the corresponding period of last year. This was mainly due to the growth of about 58% in turnover from the consumer lighting division. However, turnover from the commercial lighting projects division decreased by about 96% as compared with the corresponding period of last year.

## **PRC Market (continued)**

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

During the Period, the Group embarked on a new direction in developing the domestic market through franchising. Apart from the Group's existing medium to high-end brand (“百得詩特”), the Group introduced an additional brand of simple design (“百照王”) to the market during the Period. This second brand had been under preparation for some time to target the increasing trend towards medium and small-sized units in the PRC property market, and was formally launched in the Period. The new brand was developed by means of franchised chain stores, following the development mode of the existing brand. Initial market reaction was satisfactory. Existing franchisees were interested in establishing franchised chain stores under the new brand, and so were many new franchisees. Benefiting from the Group's past experience, the new brand's progress and number of new stores under this brand name were up to the expected level.

### *Commercial Lighting Projects Division*

Turnover of the commercial lighting projects division experienced a significant decline during the Period, mainly due to the Group's adjustment of the operational model for this division. The Group had been focusing on renowned supermarket chains and hotels as target customers in recent years. As customers slowed down domestic development under the overheated PRC economy, the turnover of the Group decreased in line with the development pace of the customers. The Group's performance was also directly affected by the slowing down of many construction projects due to control over the speed of overall growth in the PRC. However, the Group believes that the PRC will continue to develop positively overall in the coming years and is optimistic about the Group's future.

## **PROSPECTS**

During the Period, effective cost control and successful adjustment of selling prices contributed to satisfactory performance of the Group. The Group will continue to strive for better performance. In view of the closing down of many small to medium-sized lighting producers, the Group is proactively consolidating its strengths and developing in a prudent manner. The Group believes that when the business environment becomes stable and weaker manufacturers are eliminated, the Group, with its strong capabilities, will have greater room for development. The Group is currently considering the development of other businesses in addition to existing businesses and associated product development. The Group will take a prudent approach in this matter.

Given initial success in the development of energy-saving products, the Group will invest additional resources to develop such products to replace existing old products in the future. The Group will speed up the launching of more energy-saving products to satisfy market demand and strive for a position in the market.

## **PROSPECTS (continued)**

The Group is planning to rationalize its resources so as to effectively utilize and reduce costs and concentrate more on the development of high potential projects. In face of the stringent business environment, the Group will continue efforts to maximize its interests.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2008, the Group enjoyed a strong liquidity position. Cash on hand and bank balances totalled HK\$105,261,000 and net assets value amounted to HK\$533,879,000. The Group had short term interest bearing bank borrowings in the amount of HK\$34,170,000 (2007: Nil). As at 30 June 2008, the Group had not pledged any time deposits for securing general banking facilities or pledged any assets for other purposes. The gearing ratio of the Group, calculated as total bank borrowings of approximately HK\$34,170,000 (2007: Nil) divided by total assets of HK\$769,762,000 (2007: HK\$679,574,000), as at 30 June 2008 was 4% (2007: N/A).

## **FOREIGN EXCHANGE AND CURRENCY RISKS**

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

## **CONTINGENT LIABILITIES**

At 30 June 2008, the Group had no significant contingent liabilities (2007: Nil).

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2008, the Group had approximately 2,500 employees (2007: approximately 2,900). We remunerate our employees based on their performance and prevailing industry practice. Remuneration policy and packages are reviewed by the Board on a periodical basis. Bonus and share options may be awarded to employees based on performance evaluation. These are drivers and encouragements for personal performance.

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

As at 30 June 2008, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (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 the section headed "Share Option Scheme" in this interim report.

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

### 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	368	36.8%
Mr. Hsu Shui Sheng	Beneficial owner	166	16.6%
Mr. Hsu Chiang Lung	Beneficial owner	158	15.8%
Mrs. Hsu Wei Jui Yun	Interest held by spouse	368(Note)	36.8%

Note: Mrs. Hsu Wei Jui Yun was deemed to be interested in the 368 shares of Bright International Assets Inc. through the interest of her spouse, Mr. Hsu Chen Shen.

In addition to the above, as at 30 June 2008, a director of the Company held 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, as at 30 June 2008, 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 of such interests, during the six months ended 30 June 2008.

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

At 30 June 2008, 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	3,230,000		
		Interest held by spouse	200,000		
		Interest held by controlled corporations	59,110,000		
			62,540,000	2	12.16
Yeo Seng Chong	Long	Beneficial owner	200,000		
		Interest held by spouse	3,230,000		
		Interest held by controlled corporations	59,110,000		
			62,540,000	3	12.16
The Bank of New York Mellon Corporation	Long	Interest held by controlled corporations	31,166,000	4	6.06
The Bank of New York	Long	Interest held by controlled corporation	166,000		
	Long	Custodian corporation/ approved lending agent	31,000,000		
			31,166,000	4	6.06
Queensland Investment Corporation as Trustee for Queensland Investment Trust No. 2	Long	Beneficial owner	31,000,000		6.03

## 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 59,110,000 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 58,110,000 shares held by its controlled corporations, namely Yeoman 3-Rights Value Asia Fund (for 23,500,000 shares), BMT Yeoman Client 1 (for 300,000 shares), BMT Yeoman Client 2 (for 1,182,000 shares) and Queensland Investment Corporation (for 33,128,000 shares).
3. Out of these shares, the interest in 3,230,000 shares of the Company was the interest of Lim Mee Hwa, spouse of Yeo Seng Chong; and the interest in 59,110,000 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 58,110,000 shares held by its controlled corporations, namely Yeoman 3-Rights Value Asia Fund (for 23,500,000 shares), BMT Yeoman Client 1 (for 300,000 shares), BMT Yeoman Client 2 (for 1,182,000 shares) and Queensland Investment Corporation (for 33,128,000 shares).
4. Out of these shares, 166,000 shares were in lending pool.

Save as disclosed above, as at 30 June 2008, 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 (including but not limited to the directors and employees of the Group) who contribute to the success of the Group's operations.

A summary of movements of share options of the Company during the six months ended 30 June 2008 is set out below:

Name of directors or employees	Number of share options outstanding at 1 January 2008	Number of share options granted during the period <i>(Note 1)</i>	Number of share options exercised/cancelled/lapsed during the period	Number of share options outstanding at 30 June 2008	Date of grant of share options	Exercise period of share options	Exercise price per share option <i>(Note 2)</i>
<b>Directors</b>							
Mr. Pak Ping Chun	5,144,000	-	-	5,144,000	18 December 2007	From 18 December 2007 to 17 December 2009	HK\$0.54
Mr. Yang Hsien Lin	5,144,000	-	-	5,144,000	18 December 2007	From 18 December 2007 to 17 December 2009	HK\$0.54
<b>Employees other than the directors</b>							
In aggregate	5,144,000	-	-	5,144,000	18 December 2007	From 18 December 2007 to 17 December 2009	HK\$0.54
	-	30,864,000	-	30,864,000	12 June 2008	From 12 June 2008 to 11 June 2010	HK\$0.472
	<u>15,432,000</u>	<u>30,864,000</u>	<u>-</u>	<u>46,296,000</u>			

### Notes:

- The closing prices of the shares of the Company immediately before the date of offer and the date of grant were HK\$0.48 and HK\$0.56, respectively.
- The number and/or exercise price of the share options is/are subject to adjustment in the case of rights or bonus issues, or other changes in the Company's share capital.



## SHARE OPTION SCHEME (continued)

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

	<b>2008</b>
Share price per share at grant date	HK\$0.56
Exercise price	HK\$0.472
Expected volatility	40.75%
Expected life	2 years
Risk free rate	1.08%
Expected dividend yield	3.62%
Fair value per option	HK\$0.079

Expected volatility was determined by using the historical volatility of the Company's share price over past year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. Risk free rate was reference to the yields to maturity of Hong Kong Exchange Fund Note.

The Group recognised the total expense of approximately HK\$2,465,034 for the period ended 30 June 2008 (2007: Nil) in relation to the share options granted by the Company as staff costs.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 2 October 2008 to Monday, 6 October 2008 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitlement to the interim dividend for the six months ended 30 June 2008, all transfer documents accompanied by the relevant share certificates 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, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 30 September 2008.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

## CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance in enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Board is of the view that the Company has met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules for the six months ended 30 June 2008, except for the following deviations:

### **Code provision A.2.1**

This code provision stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Hsu Chen Shen currently 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.

### **Code provision E.1.2**

This code provision stipulates that the chairman of the board of a listed issuer should attend the issuer's annual general meeting. Mr. Hsu Chen Shen, 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 2008 annual general meeting held on 19 May 2008, business circumstances made it impossible. However, although he was unable to attend, he had duly arranged for Mr. Pak Ping Chun, an executive director of the Company 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 to respond to shareholders' questions.

## CODE OF CONDUCT FOR SECURITIES TRANSACTIONS

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

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

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company throughout the six months ended 30 June 2008.

## AUDIT COMMITTEE

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

By order of the Board

**Hsu Chen Shen**

*Chairman*

Hong Kong, 12 September 2008