

# BRIGHT INTERNATIONAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 1163

Interim Report

2009



## CONTENTS

---

	Page
<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 Change in Equity	7
– Condensed Consolidated Cash Flow Statement	8
– Notes	10
<b>Management Discussion and Analysis</b>	14
<b>Directors' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations</b>	18
<b>Interests and Short Positions of Substantial Shareholders in Shares and Underlying Shares of the Company</b>	19
<b>Share Option Scheme</b>	21
<b>Purchase, Sale or Redemption of Listed Securities</b>	21
<b>Update on Directors' Information</b>	22
<b>Corporate Governance</b>	22
<b>Code of Conduct for Securities Transactions</b>	23
<b>Audit Committee</b>	24

## 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. Lau Chi Yan, Pierre

#### Independent Non-executive Directors

Dr. Hsiao Horng Ching  
Mr. Cheng Yung Hui  
Mr. Lu Zi Chin

### 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

Mr. Tsang Yuk Yan, Nicol

### AUTHORIZED REPRESENTATIVES UNDER LISTING RULES

Mr. Hsu Chen Shen  
Mr. Pak Ping Chun

### AUDITORS

Elite Partners CPA Limited

### STOCK CODE & COMPANY'S WEBSITE

1163  
www.big1163.com

### AUDIT COMMITTEE MEMBERS

Mr. Lu Zi Chin *(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

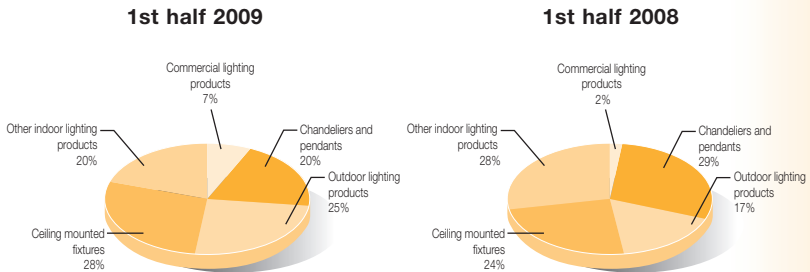
### HONG KONG BRANCH SHARE REGISTRAR & BRANCH TRANSFER OFFICE

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

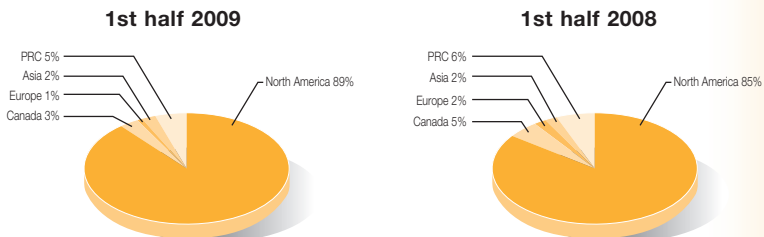
## INTERIM RESULTS HIGHLIGHTS:

- Turnover for the first half of 2009 amounted to approximately HK\$346,769,000.
- The Group's gross profit for the first half of 2009 amounted to approximately HK\$91,128,000. The gross profit margin for this period was 26%.
- The turnover generated from energy-saving products for the first half of 2009 amounted to approximately HK\$50,923,000, increasing by approximately 13% 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 2009 (the “Period”), together with the comparative figures for the corresponding period in 2008, as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended 30 June	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
REVENUE	3	<b>346,769</b>	347,947
Cost of sales		<b>(255,641)</b>	(253,283)
GROSS PROFIT		<b>91,128</b>	94,664
Other income and gains	4	<b>1,449</b>	2,920
Gain on disposal of property, plant and equipment		<b>18,070</b>	–
Gain arising from changes in fair value less estimated point-of-sale costs of timber holdings		<b>16,000</b>	–
Selling and distribution costs		<b>(13,316)</b>	(13,417)
Administrative expenses		<b>(57,588)</b>	(46,951)
Other operating expenses		<b>(4,238)</b>	(4,670)
Operating profit		<b>51,505</b>	32,546
Finance costs	6	<b>(9,361)</b>	(105)
PROFIT BEFORE INCOME TAX	5	<b>42,144</b>	32,441
Income tax expense	7	<b>(274)</b>	(667)
PROFIT FOR THE PERIOD		<b>41,870</b>	31,774
INTERIM DIVIDEND	8	<b>N/A</b>	15,435
EARNINGS PER SHARE	9		
– BASIC		<b>HK7.8 cents</b>	HK6.1 cents
– DILUTED		<b>HK5.1 cents</b>	HK6.1 cents

**CONDENSED CONSOLIDATED BALANCE SHEET**

	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Audited)
Notes	<b>HK\$'000</b>	HK\$'000
<b>ASSETS AND LIABILITIES</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	<b>235,098</b>	245,805
Investment properties	<b>3,850</b>	3,850
Goodwill	<b>27,444</b>	22,127
Deposits for land use rights	<b>31,189</b>	–
Biological assets	<b>331,000</b>	–
	<b>628,581</b>	271,782
<b>CURRENT ASSETS</b>		
Inventories	<b>102,116</b>	128,797
Trade and bills receivables	<b>138,835</b>	117,000
Financial assets at fair value through profit or loss	<b>3,702</b>	3,837
Held-to-maturity investments	<b>21,415</b>	33,529
Prepayments, deposits and other receivables	<b>39,959</b>	29,009
Cash and cash equivalents	<b>96,980</b>	85,100
	<b>403,007</b>	397,272
Property classified as held for sale	<b>–</b>	54,193
	<b>403,007</b>	451,465
<b>CURRENT LIABILITIES</b>		
Trade payables	<b>84,788</b>	95,747
Provision for tax	<b>36,343</b>	36,522
Other payables and accruals	<b>63,102</b>	42,137
Due to a related company	<b>468</b>	468
Bank borrowings	<b>13,248</b>	53,511
	<b>197,949</b>	228,385

**CONDENSED CONSOLIDATED BALANCE SHEET (continued)**

	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Audited)
<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
NET CURRENT ASSETS	<b>205,058</b>	223,080
TOTAL ASSETS LESS CURRENT LIABILITIES	<b>833,639</b>	494,862
NON-CURRENT LIABILITIES		
Deferred tax liabilities	<b>88,810</b>	11,564
Promissory notes	<b>120,885</b>	–
Convertible notes	<b>38,062</b>	–
Net assets	<b>585,882</b>	483,298
EQUITY		
<b>Equity attributable to the Company's equity holders</b>		
Share capital	13 <b>73,691</b>	51,899
Reserves	<b>512,191</b>	431,399
Total equity	<b>585,882</b>	483,298

## CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

	Equity component										
	Share capital	Share premium	Contributed surplus	of convertible notes	Share repurchase reserve	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	HK\$'000	HK\$'000
Balance at 1 January 2008	51,450	66,652	286	-	-	78,774	17,470	1,111	299,188	2,058	517,189
Deficit on revaluation	-	-	-	-	-	(51,689)	-	-	-	-	(51,689)
Exchange realignment	-	-	-	-	-	-	6,012	-	-	-	6,012
Total income and expenses for the year recognised directly in equity	-	-	-	-	-	(51,689)	6,012	-	-	-	(45,677)
Net profit for the year	-	-	-	-	-	-	-	-	25,655	-	25,655
Total income and expenses for the year	-	-	-	-	-	(51,689)	6,012	-	25,655	-	(20,022)
Recognition of equity-settled share based payments	-	-	-	-	-	-	-	2,465	-	-	2,465
Exercise of share options	514	2,324	-	-	-	-	-	(411)	-	-	2,427
Repurchase and cancellation of shares	(65)	(192)	-	-	-	-	-	-	-	-	(257)
Repurchase of shares and pending for cancellation	-	-	-	-	(857)	-	-	-	-	-	(857)
Final 2007 dividend paid	-	-	-	-	-	-	-	-	(2,058)	-	(2,058)
Interim 2008 dividend paid	-	-	-	-	-	-	-	-	(15,589)	-	(15,589)
Balance at 31 December 2008 and 1 January 2009	51,899	68,984	286	-	(857)	27,085	23,482	3,165	309,254	-	483,298
Exchange realignment	-	-	-	-	-	-	8	-	-	-	8
Total income and expenses for the Period recognised directly in equity	-	-	-	-	-	-	8	-	-	-	8
Net profit for the Period	-	-	-	-	-	-	-	-	41,870	-	41,870
Total income and expenses for the Period	-	-	-	-	-	-	8	-	41,870	-	41,878
Repurchase and cancellation of shares	(608)	(1,481)	-	-	857	-	-	-	-	-	(1,232)
Issue of convertible notes	-	-	-	13,495	-	-	-	-	-	-	13,495
Conversion of convertible notes	22,400	33,600	-	(7,557)	-	-	-	-	-	-	48,443
Balance at 30 June 2009	73,691	101,103	286	5,938	-	27,085	23,490	3,165	351,124	-	585,882



## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>For the six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	<b>42,144</b>	32,441
Adjustments for:		
Finance costs	<b>214</b>	105
Imputed interests on promissory notes	<b>9,147</b>	–
Interest income	<b>(451)</b>	(653)
Depreciation	<b>12,734</b>	13,987
Gain arising from changes in fair value less estimated point-of-sale costs of timber holdings	<b>(16,000)</b>	–
Fair value gain on financial assets at fair value through profit or loss	–	(160)
Gain on disposal of property, plant and equipment	<b>(18,070)</b>	–
Share based payment	–	2,465
Write down of inventories to net realisable value	<b>8,304</b>	1,167
	<hr/>	<hr/>
Operating profit before working capital changes	<b>38,022</b>	49,352
Decrease in inventories	<b>18,377</b>	12,800
Increase in trade and bills receivables	<b>(21,835)</b>	(3,078)
Increase in prepayments, deposits and other receivables	<b>(32,477)</b>	(3,234)
Decrease in trade payables	<b>(10,959)</b>	(19,553)
Increase in other payables and accruals	<b>14,823</b>	6,674
	<hr/>	<hr/>
Cash generated from operations	<b>5,951</b>	42,961
Interest received	<b>451</b>	653
Interest paid	<b>(214)</b>	(105)
Dividends paid	–	(2,058)
Corporate income tax paid	<b>(453)</b>	(1,855)
	<hr/>	<hr/>
Net cash generated from operating activities	<b>5,735</b>	39,596

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (continued)

	<b>For the six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of items of property, plant and equipment	<b>(2,027)</b>	(8,624)
Proceeds from disposal of property, plant and equipment	<b>93,790</b>	–
Proceeds from disposal of financial assets at fair value through profit or loss	<b>135</b>	2,212
Purchases of financial assets at fair value through profit or loss	–	(13,163)
Proceeds from disposal of held-to-maturity investments	<b>12,114</b>	–
Acquisition of a subsidiary	<b>(56,380)</b>	–
Net cash from/(used in) investing activities	<b>47,632</b>	(19,575)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of bank loans	<b>(10,000)</b>	–
Repurchase of shares	<b>(1,232)</b>	–
Decrease in discounted bills with recourse	<b>(29,776)</b>	(22,883)
Proceeds from interest bearing bank borrowing	–	34,170
Net cash (outflow)/generated from financing activities	<b>(41,008)</b>	11,287
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>12,359</b>	31,308
Cash and cash equivalents at beginning of the period	<b>84,613</b>	74,009
Effect of foreign exchange rates changes, net	<b>8</b>	(56)
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>96,980</b>	105,261
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	<b>96,980</b>	105,261
	<b>96,980</b>	105,261

Notes:

### 1. BASIS OF PREPARATION

The unaudited condensed consolidated interim results of the Group 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 to 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 of the Group for the year ended 31 December 2008.

### 3. REVENUE BY GEOGRAPHICAL SEGMENT

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
By geographical segment:		
North America	<b>307,438</b>	295,183
Canada	<b>13,468</b>	15,984
Europe	<b>2,578</b>	8,272
Asia (exclude The People's Republic of China ("PRC"))	<b>5,781</b>	7,830
PRC	<b>16,353</b>	19,731
Elsewhere	<b>1,151</b>	947
	<b>346,769</b>	347,947

#### 4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Gross rental income from investment properties	168	351
Bank interest income	451	653
Gain from disposal of financial assets at fair value through profit or loss	–	160
Sample income	830	1,756
	<u>1,449</u>	<u>2,920</u>

#### 5. PROFIT BEFORE INCOME TAX

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

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Depreciation	12,734	13,987

#### 6. FINANCE COSTS

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Interest on bank overdrafts	214	105
Imputed interests on promissory notes	9,147	–

## 7. INCOME TAX EXPENSE

	<b>For the six months ended 30 June</b>	
	<b>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Current tax – Mainland China		
Charge for the period	<b>688</b>	482
Current tax – Elsewhere		
Refund/(charge) for the period	<b>(414)</b>	185
	<hr/>	<hr/>
Total tax charge for the period	<b>274</b>	667
	<hr/> <hr/>	<hr/> <hr/>

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 does not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: HK3 cents per share).

## 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>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
Profit for the period ended 30 June	<b>HK\$41,870,000</b>	HK\$31,774,000
Weighted average number of ordinary shares in issue	<b>535,358,254</b>	514,500,000
Basic earnings per share	<b>HK7.8 cents</b>	HK6.1 cents

Diluted earnings per share is calculated by dividing the adjusted 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>2009</b>	2008
	<b>(Unaudited)</b>	(Unaudited)
Adjusted profit for the period ended 30 June	<b>HK\$48,382,147</b>	HK\$31,774,000
Weighted average number of ordinary shares in issue	<b>935,358,254</b>	518,780,408
Diluted earnings per share	<b>HK5.1 cents</b>	HK6.1 cents

## 10. TRADE AND BILLS RECEIVABLES

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

	<b>At 30 June 2009 (Unaudited) HK\$'000</b>	At 31 December 2008 (Audited) HK\$'000
0-30 days	<b>77,170</b>	42,274
31-90 days	<b>49,445</b>	65,316
91-180 days	<b>3,292</b>	5,234
181-360 days	<b>4,254</b>	2,132
Over 360 days	<b>4,674</b>	2,044
	<b>138,835</b>	117,000

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 (2008: 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 2009 (Unaudited) HK\$'000</b>	At 31 December 2008 (Audited) HK\$'000
0-90 days	<b>76,547</b>	83,657
91-180 days	<b>1,260</b>	1,910
181-360 days	<b>232</b>	1,760
Over 360 days	<b>6,749</b>	8,420
	<b>84,788</b>	95,747

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 and 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 2009 (Unaudited) HK\$'000</b>	At 31 December 2008 (Audited) HK\$'000
Authorised:		
2,000,000,000 (2008: 1,000,000,000) ordinary shares of HK\$0.1 each	<b>200,000</b>	100,000
Issued and fully paid:		
736,914,000 (2008: 518,996,000) ordinary shares of HK\$0.1 each	<b>73,691</b>	51,899

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

For the six months ended 30 June 2009, the Group recorded satisfactory results. The Group's profit increased significantly by approximately 32% to HK\$41,870,000, despite the total turnover being held flat as compared with the corresponding period of last year. This was primarily due to the Group's completion of the deal regarding the disposal of interests in real property located in Qingpu, Shanghai, which recorded a gain of approximately HK\$18,070,000, during the Period. In addition, the Group completed the acquisition of forestry land project in Qingyuan during the Period. As integration on completion of acquisition takes time, the business did not make any contribution to the Group's operation for the Period. However, there was a gain arising from the change in fair value of timber holdings, amounting to HK\$16,000,000, during the Period. The Group's turnover for the Period amounted to approximately HK\$346,769,000, and gross profit margin was approximately 26%, representing a decrease of 1% as compared with the corresponding period of last year. Though the global economy, affected by the financial tsunami, was not yet fully recovered, the Group's orders from its major market, the US market, during the Period showed signs of stabilization. During the Period, the Group's turnover from the US market slightly increased by approximately 4% as compared with the corresponding period of last year. The Group's turnover from each of its other major markets recorded negative growth, during the Period. Energy-saving products remained the focus of the Group's promotional efforts with a turnover of approximately HK\$50,923,000, a growth of approximately 13% as compared with the corresponding period of last year.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Export Markets

#### *Home Lighting Division*

During the period under review, the home lighting division recorded a turnover of approximately HK\$306,265,000, representing a decrease of approximately 5% over the corresponding period of last year, and accounting for approximately 88% of total turnover. The decline was mainly due to the substantial reduction in orders from the Group's major customers, large DIY chain stores in the US, in the aftermath of the financial tsunami. However, with the many global economic rescue plans put forward by various governments in full force, the global economy showed signs of stabilization and recovery and the Group's orders from its major customers returned to normal. Despite efforts from different countries to save the economy, some regions did not benefit from these. As a result, the Group's turnover from European and Asian markets dropped during the Period, but the Group expects that performance in these markets will improve in the second half of 2009. In addition, the sharp rise in production costs in recent years together with the impact of the financial tsunami last year had caused many manufacturers in the industry to close down. The Group, however, did not suffer greatly from such adversity given its good relationship with the DIY customers in the US for 20 years as well as its strong capability. The Group expects that there will be an increase in orders from its major customers after those unsuccessful companies are eliminated from the industry. During the Period, sales of the Group's energy-saving products grew by about 13% as compared with the corresponding period of last year. With the global trend in energy-saving, the Group will continue to launch and develop energy-saving products to satisfy market needs.

#### *Commercial Lighting Division*

During the Period, the commercial lighting division recorded a turnover of approximately HK\$24,151,000 for the export market, representing a sharp increase of approximately 284% as compared with the corresponding period of last year.

At the end of last year, the Group reached agreement with the third largest commercial lighting supplier in the US to provide products to the supplier. The commercial lighting supplier began placing orders from the end of last year, some of which orders were shipped out during the Period. This has given rise to a significant increase in turnover from export markets of the commercial lighting division. The Group expects the customer to make even more contribution to the Group in the foreseeable future.



## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### PRC Market

During the Period, the Group recorded a total turnover of approximately HK\$16,353,000 from the PRC market, representing a decrease of approximately 17% as compared with the corresponding period of last year.

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

During the Period, the Group's development of the domestic market through franchising was relatively stable. The PRC market also suffered considerably from the impact of the financial tsunami. Although economic recovery in the PRC market was sooner than expected, consumers remained cautious. As a result, turnover of the Group's consumer lighting division for the Period dropped by approximately 26% as compared with the corresponding period of last year. Response to the Group's new brand, "百照王", launched last year was satisfactory, but owing to impact of the economic slump, development pace slowed down.

#### *Commercial Lighting Projects Division*

During the Period, turnover of the commercial lighting projects division amounted to approximately HK\$1,840,000. The Group's performance in this market was unsatisfactory, as the Group's customers have suspended development temporarily in the Mainland. The Group is currently liaising closely with customers in order to work together with them once they begin developing the PRC market again.

### Prospects

Despite the impact of the financial tsunami, the Group with its strong capabilities has not been seriously affected. The Group will actively maintain good relationships with customers and develop more new products, especially energy-saving products, to meet their needs. As the Group consolidates its core business, it is at the same time studying the development of other businesses in order to diversify its business mix and maximize shareholder interests. The Group will make relevant decisions in a prudent manner.

During the Period, the Group completed the acquisition of forestry land project in Qingyuan. As reorganization of the business is necessary on completion of the acquisition, the project did not make any contribution to the Group during the Period. The Group expects this division to be operating normally and contributing to the Group by the end of 2009.

## MANAGEMENT DISCUSSION AND ANALYSIS (continued)

### Liquidity and Financial Resources

As at 30 June 2009, the Group enjoyed a strong liquidity position. Cash on hand and bank balances totalled HK\$96,980,000 and net asset value amounted to HK\$585,882,000. The Group had short term interest bearing bank borrowings in the amount of HK\$13,248,000 (2008: HK\$34,170,000). As at 30 June 2009, 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 the aggregate of total bank borrowings of approximately HK\$13,248,000 (2008: HK\$34,170,000), promissory notes of approximately HK\$120,885,000 (2008: Nil) and convertible notes of approximately HK\$38,062,000 (2008: Nil) divided by total assets of approximately HK\$1,031,588,000 (2008: HK\$769,762,000), as at 30 June 2009 was 17% (2008: 4%).

### 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 the 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

As at 30 June 2009, the Group had no significant contingent liabilities (2008: Nil).

### Employees and Remuneration Policy

As at 30 June 2009, the Group had approximately 2,000 employees (2008: approximately 2,500). 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 motivations for individual performance.

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

As at 30 June 2009, 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	Percentage <sup>#</sup> of the Company's issued share capital
Mr. Hsu Chen Shen (Note 1)	Beneficial owner	109,296,000	14.83
Mrs. Hsu Wei Jui Yun (Note 1)	Interest held by spouse	109,296,000	14.83
Mr. Hsu Shui Sheng	Beneficial owner	64,746,000	8.78
Mr. Hsu Chiang Lung (Note 2)	Beneficial owner	23,166,000	3.14

Notes:

- Mrs. Hsu Wei Jui Yun was deemed to be interested in the 109,296,000 shares of the Company through the interest of her spouse, Mr. Hsu Chen Shen.
- Subsequent to the Period end, Mr. Hsu Chiang Lung resigned as a director of the Company on 29 July 2009.

### B. Long position in underlying shares of the Company (physically settled unlisted equity derivatives) – share options

Name of director	Capacity	Number of underlying shares in respect of the share option granted	Percentage <sup>#</sup> of the underlying shares over the Company's issued share capital
Mr. Pak Ping Chun	Beneficial owner	5,144,000 (Note)	0.69
Mr. Yang Hsien Lin	Beneficial owner	5,144,000 (Note)	0.69

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.

<sup>#</sup> The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at 30 June 2009.

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

In addition to the above, as at 30 June 2009, 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 2009, 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 to/by them during the six months ended 30 June 2009.

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

As at 30 June 2009, the following parties had interests of 5% or more of the issued shares and underlying shares of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### A. Long position in ordinary shares of the Company

Name of substantial shareholder	Capacity	Number of ordinary shares held/interested	Note	Percentage <sup>a</sup> of the Company's issued share capital
Ms. Ho Yueh Ying	Interest held by spouse	64,746,000	1	8.78
Knight Asia Investments Limited	Beneficial owner	100,000,000	2	13.57
Mr. Cheung Wai Yin Wilson	Interest held by controlled corporation	100,000,000	2	13.57

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

### A. Long position in ordinary shares of the Company (continued)

Notes:

- Ms. Ho Yueh Ying was deemed to be interested in 64,746,000 shares of the Company through the interest of her spouse, Mr. Hsu Shui Sheng, an executive director of the Company.
- Mr. Cheung Wai Yin Wilson was deemed to be interested in 100,000,000 shares of the Company which were held by Knight Asia Investments Limited, a controlled corporation of Mr. Cheung pursuant to the SFO.

### B. Long position in the underlying shares of the Company (physically settled unlisted equity derivatives) – convertible notes

Name of substantial shareholder	Capacity	Number of underlying shares in respect of the convertible notes issued	Percentage <sup>#</sup> of the underlying shares over the Company's issued share capital
Knight Asia Investments Limited (Note)	Beneficial owner	176,000,000	23.88
Mr. Cheung Wai Yin Wilson (Note)	Interest held by controlled corporation	176,000,000	23.88

Note: As at 30 June 2009, Mr. Cheung Wai Yin Wilson was deemed to be interested in 176,000,000 underlying shares of the Company which may be issued and allotted upon exercise of the conversion rights attaching to the convertible notes in an aggregate principal amount of HK\$44,000,000 at the initial conversion price of HK\$0.25 per conversion share. Such convertible notes were held by Knight Asia Investments Limited, a controlled corporation of Mr. Cheung pursuant to the SFO.

<sup>#</sup> The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at 30 June 2009.

Save as disclosed above, as at 30 June 2009, 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 2009 is set out below:

Name of directors or employees	Number of share options outstanding at 1 January 2009	Number of share options granted during the Period	Number of share options exercised/ cancelled/ lapsed during the Period	Number of share options outstanding at 30 June 2009	Date of grant of share options	Exercise period of share options	Exercise price per share option (Note)
<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
	25,720,000	-	-	25,720,000	12 June 2008	From 12 June 2008 to 11 June 2010	HK\$0.472
	<u>41,152,000</u>	<u>-</u>	<u>-</u>	<u>41,152,000</u>			

Note: 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.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2009, the Company repurchased its own listed shares on The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	Number of shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate price paid
January 2009	<u>3,552,000</u>	HK\$0.350	HK\$0.325	<u>HK\$1,232,330</u>

The repurchased shares were cancelled and accordingly, the issued share capital of the Company was reduced by the nominal value of these shares.

Except as disclosed above, neither the Company, nor its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

## UPDATE ON DIRECTORS' INFORMATION

The following is updated information of directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

- Mr. Hsu Chiang Lung, a nephew of Mr. Hsu Chen Shen, Mr. Hsu Shui Sheng and Mrs. Hsu Wei Jui Yun, executive directors of the Company, has ceased to be an executive director of the Company with effect from 29 July 2009, but remains as a senior manager of the Group.

## CORPORATE GOVERNANCE

The Company recognizes 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 2009, 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 about 30 years of experience in the lighting industry. The Board believes that this structure provides the Group with strong and consistent leadership and considers that Mr. Hsu is most capable to guide discussions among Board members on the Group development and planning, leading to more effective and efficient decision making and execution of business strategies on a long-term basis. As such, the structure is beneficial to the business prospects of the Group.

### 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, was unable to attend the Company's 2009 annual general meeting held on 5 June 2009 due to other business engagement. However, he had arranged for Mr. Pak Ping Chun, an executive director of the Company who is well versed in all the business activities and operations of the Group, to attend on his behalf and to chair the meeting and communicate with the shareholders of the Company.

## CORPORATE GOVERNANCE (continued)

With effect from 31 December 2008, Mr. Leung Hok Lim, who possesses appropriate professional qualifications and accounting and related financial management expertise, has resigned as an independent non-executive director and the chairman of the Audit Committee of the Company. After the resignation of Mr. Leung Hok Lim, there were left with two independent non-executive directors and two members in the Audit Committee of the Company, namely Dr. Hsiao Horng Ching and Mr. Cheng Yung Hui. Accordingly, the Company was unable to comply with (a) Rule 3.10(1) of the Listing Rules, which prescribes that a listed issuer must have at least three independent non-executive directors; (b) Rule 3.10(2) of the Listing Rules, which prescribes that at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise; and (c) Rule 3.21 of the Listing Rules, which prescribes that a listed issuer's audit committee must comprise a minimum of three members who should all be non-executive directors (the majority of whom should be independent non-executive directors) and at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The Company had subsequently fully complied with the aforesaid Listing Rules upon its appointment of Mr. Lu Zi Chin, who has appropriate professional qualifications and accounting and related financial management expertise as required under Rule 3.10(2) of the Listing Rules, as an independent non-executive director and the chairman of the Audit Committee of the Company on 23 March 2009. Details of the abovementioned changes are set out in the Company's announcements dated 31 December 2008 and 23 March 2009 respectively.

## 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 2009.



## 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, 18 September 2009