

CHAIRMAN'S STATEMENT



Mr. Hsu Chen Shen
Chairman

CHAIRMAN'S REPORT

I am pleased to present the annual results of Bright International Group Ltd ("Bright together with its subsidiaries, collectively as the "Group") for the year ended 31 December 2003. For the year ended 31 December 2003 ("Year"), the Group recorded a turnover of approximately HK\$696,244,000, representing an increase of approximately 19% as compared to HK\$585,299,000 of last year. The increase in turnover is attributable to the fact that the major customer of the Group continued to implement their policy of opening new DIY stores and the increase in orders from other existing customers. Meanwhile, there were orders from new customers. The profit attributable to shareholders for the year amounted to HK\$42,108,000 and earnings per share amounted to HK8.6 cents.

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2003 Hong Kong International Lighting Fair

FINAL DIVIDEND

The Board of Directors proposed a final dividend of HK1.5 cents (2002: HK3 cents), this, together with an interim dividend of HK3 cents, the total dividend proposed for the year amounted to HK4.5 cents (2002: HK9 cents).

BUSINESS REVIEW

2003 is a year full of challenges. The unstable situation in the Middle East drove prices of crude oil up to US\$30.60 per barrel as at the end of 2003, which increased by 15% and 54% as compared with the fourth quarter of 2002 and the first quarter of 2003 respectively. With reference to the data from London Metal Futures Exchange, the prices of copper and aluminium, which are the major raw materials of the Group, climbed up by approximately 40% and 15% respectively in the year 2003. The production costs of the Group increased as a result. Through the concerted efforts of management and staff members, the Group strictly controlled costs, which helped minimize the effect of increasing cost on the Group's performance in this difficult year.

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The first half of 2003, the outbreak of Severe Acute Respiratory Syndrome ("SARS") had a devastating impact to almost all market segments in China. China's GDP recorded a growth of merely 6.7% in the second quarter of the Year, which is the lowest growth rate since 1992. The sudden attack of the epidemic affected the operating result of the Group to a certain extent. During the SARS outbreak, most of planned visits of customers and promotion programs were either cancelled or postponed. On the other hand, SARS seriously affected the Group's plan to develop the PRC market.

Fierce market competition has added pressure on the selling prices of the Group's products; the substantial increase in the prices of raw materials has led to the increase in production costs. Furthermore, as the Group was active in developing domestic sales and professional lighting business, which includes a series of products for commercial, industrial and public lighting purposes in 2003, administrative expenses rose drastically by approximately 30%. Mainly due to the above three factors, the profit margin of the Group declined by approximately 4.5% as compared to last year. Despite these difficult circumstances, the Group's gross profit managed to maintain at a comparatively high level of approximately 26%.

In the respect of regional markets, the Group recorded satisfactory growth in all markets except for Japan. U.S. market remained the major source of income to the Group.

For the PRC market, during the year, the Group set up the domestic sales headquarters and product development centre in Shanghai and formed a team of sales, market promotion and product development professionals that targets mainly for the PRC market. The Group also set up 6 sales representative offices that cover a total of 40 cities. In addition, the distribution centres were also set up in Dongguan, Shanghai, Beijing and Chengdu in support of domestic sales. Though the SARS epidemic delayed the progress of developing the PRC market, the Group firmly believes that the PRC will be an important market for the Group in future and the above-mentioned strategies have laid a foundation for the Group's future growth.

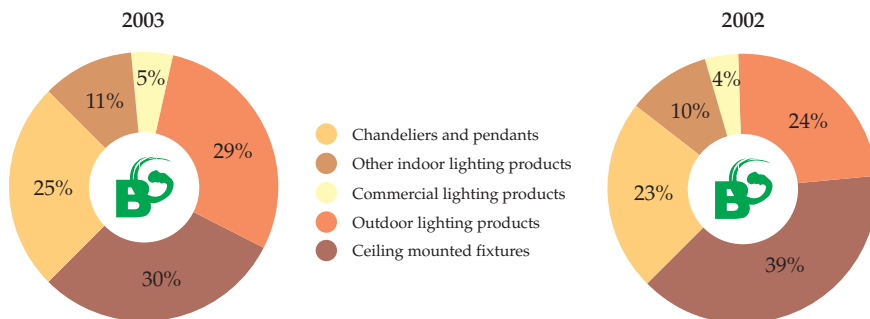
When it comes to products, the Group showed a stable performance in the home lighting market, in which turnover increased by 17% over the preceding year. The performance in the commercial lighting market was impressive with sales surged by 58% over the preceding year. The performance on the U.S. market was especially remarkable. The Group acquired a company in the U.S. in the mid-year, which is well-experienced and has established sales channels and an assembly factory in Mexico. On the other hand, the Group collaborated with a well-known design firm in early 2003, which specializes in the design of indoor lighting and decoration for American hotels. The Group expects the above two projects will accelerate the Group's penetration into the U.S. commercial lighting market. Looking ahead, the commercial lighting market should be able to generate remarkable income for the Group.

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PRODUCT DIVERSIFICATION

For the year ended 31 December 2003, turnover derived from home lighting products of the Group accounted for approximately 95% of the Group's total turnover, of which 29% was derived from outdoor lighting fixtures, 30% was derived from ceiling mounted fixtures, 25% was derived from chandeliers and pendants and 11% was derived from other indoor lighting products. The remaining 5% of the Group's turnover for the Year was derived from commercial lighting products, which represented a substantial increase of 58% as compared with the turnover of these products last year.

Comparison of turnover by products



PROSPECTS

For the year 2004, the Group has formulated a series of strategies for the development of the core business in order to enhance the Group's profitability.

The Group will take steps to streamline the organization structure and to raise the efficiency and production capacity of production facilities, such as commercial lighting factory, in an attempt to benefit from vertically integrated production and further cut operating costs. Meanwhile, the Group will conduct market research to forecast market demand, to closely monitor and maintain a reasonable level of inventory and purchase raw materials at a reasonable level in order to reduce unnecessary wastage.

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As to the purchase of raw materials, the Group will continue to take advantage of the economies of scale to increase our bargaining power in negotiating for lower purchase prices. In addition, the Group is considering cash transactions with some raw materials suppliers in order to enjoy bigger price discounts, as well as buying from abroad such as Taiwan to resolve the problem of shortage and high raw materials price as a result of the fast domestic economic growth in PRC. These measures will further reduce the production costs.

The Group will focus on developing potential market and further diversify our products, with special emphasis in the development of speciality products and value-added products such as LED and solar lighting products, and further promote the concept and significance of application of lighting on buildings, in a bid to enhance the Group's profitability. Meanwhile, the Group has appointed a famous American designer in support of the Group's development plan. The Group firmly believes these measures will enhance the Group's product design which will enable the Group to further cater to the local market and increase choices for the Group's customers, and hence leading to better sales.

In terms of market promotion, the Group attended different lighting exhibitions across the world in year, including, U.S. Dallas lighting show, German Frankfurt Lighting show, Hong Kong International lighting exhibition and the lighting shows in Taipei and Shenzhen. The Group will step up its efforts in promoting its brand, especially the enhancement of its brand image and domestic popularity after the completion of construction of its Shanghai headquarters and the establishment of its flagship store under the name of "Bright".

China has become a big consumer for lighting appliances. According to a statistical report of 中國輕工業聯合資訊統計部, large-size lighting appliance enterprises realised RMB44,477,000,000 in sales for 2002, of which the sales of civil lighting fixture climbed 20.86% over the preceding year. As Beijing succeeded in the application for hosting the Olympic Games, and the fact that "lighting project" and "city image project" have been launched across the country, and according to industry estimates, total sales revenue of the lighting industry in the PRC for 2008 is expected to exceed RMB150,000,000,000.

In light of the flourishing growth of the PRC economy and buoyant consumption demand, complied with the global economic recovery, the Group is optimistic on its future prospects and confident in becoming the market leader as well as grasping potential opportunities in order to consolidate the Group's leading position in each markets.

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APPRECIATION

Our success hinges on the contribution of all of our staff.

On behalf of the Board of Directors, I would like to express my heartfelt appreciation to the management and the staff for their commitment and contribution to the Group throughout the year. We would also like to take this opportunity to express our sincere thanks to our shareholders, investors and customers for their continuous support and encouragement.

Hsu Chen Shen

Chairman

Hong Kong, 25 March 2004