

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2003.

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 16 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 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 34 to 79.

An interim dividend of HK3 cents per ordinary share was paid on 25 September 2003. The directors recommended the payment of a final dividend of HK1.5 cents per ordinary share in respect of the year, to shareholders on the register of members on 29 April 2004. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the capital and reserves 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. The amounts for each year in the five year financial summary have been adjusted for the effects of the retrospective changes in accounting policy affecting deferred tax liabilities, as detailed in note 2 to the financial statements.

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SUMMARY FINANCIAL INFORMATION (continued)

RESULTS

	Year ended 31 December				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
TURNOVER	696,244	585,299	487,121	506,832	414,168
PROFIT BEFORE TAX	43,548	77,883	65,613	80,889	84,522
Tax	(2,201)	(1,228)	11,058	(134)	(9,690)
PROFIT BEFORE MINORITY INTERESTS	41,347	76,655	76,671	80,755	74,832
Minority interests	761	200	363	409	–
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	42,108	76,855	77,034	81,164	74,832

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2003 HK\$'000	2002 HK\$'000 (restated)	2001 HK\$'000 (restated)	2000 HK\$'000	1999 HK\$'000
TOTAL ASSETS	467,235	428,381	324,397	292,327	277,255
TOTAL LIABILITIES	(130,674)	(104,788)	(73,391)	(73,497)	(74,327)
MINORITY INTERESTS	(304)	(1,065)	–	(752)	–
NET ASSETS	336,257	322,528	251,006	218,078	202,928

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SUMMARY FINANCIAL INFORMATION (continued)

Note:

The results of the Group for the year ended 31 December 1999 include the results of the Company and its subsidiaries acquired through the group reorganisation with effect from 1 January 1999 or since their respective dates of incorporation, where this is a shorter period as if the current structure of the Group had been in existence throughout that financial year.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in the fixed assets and investment properties of the Group during the year are set out in note 14 to the financial statements.

Further details of the Group's investment properties are set out on page 80.

SHARE CAPITAL AND SHARE OPTIONS

Details of the Company's share capital and share option scheme are set out in note 24 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws/articles of association 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 25 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2003, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to HK\$165,661,000, of which HK\$7,358,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$54,252,000, may be distributed in the form of fully paid bonus shares.

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MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 83% of the total sales for the year and sales to the largest customer included therein amounted to approximately 36%. Purchases from the Group's five largest suppliers accounted for approximately 48% 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

Hsu Chiang Lung

Hsiung Ko Tsang (appointed on 25 March 2003 and resigned on 1 October 2003)

Non-executive director:

Cheung Wai Hung, Boswell (resigned on 25 March 2004)

Independent non-executive directors:

Leung Hok Lim

Chan Nien Po

Hsiao Horng Ching (appointed on 25 March 2004)

On 25 March 2004, Mr. Cheung Wai Hung, Boswell has resigned as a non-executive director of the Company and Mr. Hsiao Horng Ching has been appointed as an independent non-executive director of the Company.

In accordance with clause 86(2) of the Company's bye-laws, Mr Hsiao Horng Ching, the newly appointed director of the Company will retire at the Company's forthcoming Annual General Meeting to be held on 29 April 2004 ("AGM"). In addition, pursuant to clause 87(1) of the Company's Bye-laws, Mr. Yang Hsien Lin and Mr. Hsu Chin Liang the existing directors of the Company will retire by rotation at the AGM. All the above retiring directors, being eligible, will offer themselves for re-election at the AGM.

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DIRECTORS' SERVICE CONTRACTS

All the executive directors of the Company have entered into service contracts with the Company commencing on 1 October 1999 which will continue and is 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 to expire at any time 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, Mr. Yang Hsien Lin and Mr. Hsu Chin Liang have entered into new service contracts with the Company which ratified that 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 to expire at any time on or after the second anniversary of the commencement date of the new service contract.

In addition, subsequent to the year and date, on 25 March 2004, Mr. Hsiao Horng Ching has entered into a service contract with the Company commencing on 25 March 2004 with a period of 2 years.

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 30 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, its holding company or any of its subsidiaries and fellow subsidiaries was a party during the year.

REPORT OF THE DIRECTORS

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

At 31 December 2003, the interests and short positions of the directors in the share capital of the Company or its associated corporations (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 Companies, were as follows:

A. Long positions in ordinary shares of the Company:

Name of director	Capacity	Number of ordinary shares interested	Notes	Percentage of the Company's issued share capital
Mr. Hsu Chen Shen	Interest in corporation	297,000,000	1	60.55%
Mrs. Hsu Wei Jui Yun	Interest of spouse	297,000,000	2	60.55%

Notes:

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

REPORT OF THE DIRECTORS

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

B. Long/short positions in shares and underlying shares of associated corporations:

(a) Bright International Assets Inc., the Company's ultimate holding company

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

Note: Mrs. Hsu Wei Jui Yun is deemed to be interested in the 28 shares of Bright International Assets Inc. through interest of her spouse, Mr. Hsu Chen Shen.

(b) Whole Bright Industries (HK) Limited ("WBI (HK)"), the Company's subsidiary

Name of director	Long/ short position	Capacity	Class of shares	Number of shares held in the associated corporation	Notes	Percentage of the associated corporation's issued share capital
Mr. Hsu Chen Shen	Long & short	Beneficial owner	Non-voting deferred	60,000	1	60%
	Long & short	Interest of spouse	Non-voting deferred	40,000	1	40%
	Long	Interest of corporation	Non-voting deferred	100,000	1	100%
	Long	Interest of corporation	Ordinary	2	2	100%
Mrs. Hsu Wei Jui Yun	Long & short	Beneficial owner	Non-voting deferred	40,000	1	40%
	Long & short	Interest of spouse	Non-voting deferred	60,000	1	60%
	Long	Interest of spouse	Non-voting deferred	100,000	1	100%
	Long	Interest of spouse	Ordinary	2	2	100%

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

Notes:

1. 60,000 non-voting deferred shares in WBI (HK) are owned by Mr. Hsu Chen Shen and 40,000 non-voting deferred shares in WBI (HK) are owned by Mrs. Hsu Wei Jui Yun, spouse of Mr. Hsu Chen Shen. Therefore both of Mr. Hsu Chen Shen and Mrs. Hsu Wei Jui Yun have a "long position" of 100,000 non-voting deferred shares in WBI (HK).

Pursuant to an option agreement dated 15 October 1999, Mr. Hsu Chen Shen and Mrs. Hsu Wei Jui Yun granted to Bright Group (BVI) Ltd., a subsidiary of the Company, an option to purchase from them the 100,000 non-voting deferred shares in WBI (HK). Accordingly, both of Mr. Hsu Chen Shen and Mrs. Hsu Wei Jui Yun have a "short position" of 100,000 non-voting deferred shares in WBI (HK).

In addition, as the Company is a controlled corporation (as defined in the SFO) of Mr. Hsu Chen Shen, Mr. Hsu Chen Shen is deemed to have a "long position" of 100,000 non-voting deferred shares in WBI (HK) that Bright Group (BVI) Ltd. has in such shares of WBI (HK).

By virtue of her spouse's interest, Mrs. Hsu Wei Jui Yun is also deemed to have a "long position" of 100,000 non-voting deferred shares in WBI (HK) that Bright Group (BVI) Ltd. has in such shares of WBI (HK).

2. Mr. Hsu Chen Shen is deemed to be interested in the 2 ordinary shares of WBI (HK) indirectly owned by the Company since the Company is a controlled corporation of Mr. Hsu Chen Shen. By virtue of her spouse's interest, Mrs. Hsu Wei Jui Yun is also deemed to be interested in these 2 ordinary shares of WBI (HK).

In addition to the above, a director holds a share in a subsidiary of the Company in a non-beneficial capacity for the benefit of the Group, solely for the purpose of ensuring that the relevant subsidiary has more than one shareholder.

Save as disclosed above, as at 31 December 2003, none of the directors or the chief executive of the Company had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which are required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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INTERESTS OF SUBSTANTIAL SHAREHOLDER

At 31 December 2003, the following company was interested in more than 5% of the issued share capital of the Company according to the register of interests kept by the Company pursuant to Section 336 of the SFO:

Name	Long/Short position	Capacity	Number of ordinary shares held	Percentage of the Company's issued share capital
Bright International Assets Inc. (Note)	Long	Beneficial owner	297,000,000	60.55%

Note: The above interest in the name of Bright International Assets Inc. was also disclosed as interests 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 associates corporations".

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests and short positions in shares and underlying shares of the Company and its associated corporations" above, had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the accounting period covered by the annual report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

CONNECTED TRANSACTIONS

During the year, the Group paid hotel room charges and food and beverage charges to Dongguan Grand Noble Hotel, which is beneficially owned by certain directors of the Company, for an aggregate amount of approximately HK\$1,862,000 for the provision of services to the Group's business partners and business associates during their visits to the Group's factory in the People's Republic of China (the "Ongoing Connected Transactions"). A conditional waiver has been granted by the Stock Exchange from strict compliance with the disclosure requirements under the Listing Rules by the Company in respect of the Ongoing Connected Transactions.

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CONNECTED TRANSACTIONS (continued)

The independent non-executive directors of the Company have reviewed the Ongoing Connected Transactions and confirmed that the Ongoing Connected Transactions were:

1. entered into by the Group in the ordinary and usual course of business;
2. conducted on normal commercial terms or if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable than those available to or from independent third parties; and
3. the aggregate value of the Ongoing Connected Transactions did not exceed the cap amount which is the higher of HK\$10 million or 3% of the book value of the net tangible assets of the Group as at 31 December 2003.

The auditors of the Company have reviewed the Ongoing Connected Transactions and confirmed to the board of directors of the Company that:

1. the Ongoing Connected Transactions have received the approval of the board of directors of the Company;
2. the Ongoing Connected Transactions have been conducted on terms similar to those offered by Dongguan Grand Noble Hotel to independent third parties; and
3. the aggregate value of the Ongoing Connected Transactions did not exceed the cap amount which is the higher of HK\$10 million or 3% of the book value of the net tangible assets of the Group as at 31 December 2003.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Hsu Chen Shen

Chairman

Hong Kong

25 March 2004