NOTES TO FINANCIAL STATEMENTS

31 December 2003

1. CORPORATE INFORMATION

During the year, the Group was involved in investment holding and design, manufacture and sale of lighting products.

In the opinion of the directors, the Company's ultimate holding company is Bright International Assets Inc., which is incorporated in the British Virgin Islands.

2. IMPACT OF REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE

SSAP 12 (Revised): "Income taxes" is effective for the first time for the current year's financial statements.

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The principal impact of the revision of SSAP 12 on these financial statements is described below:

Measurement and recognition:

- deferred tax assets and liabilities relating to the differences between capital allowances for tax purposes and depreciation for financial reporting purposes and other taxable and deductible temporary differences are fully provided for, whereas previously the deferred tax was recognised for timing differences only to the extent that it was probable that the deferred tax asset or liability would crystallise in the foreseeable future; and

- a deferred tax liability has been recognised on the revaluation of the Group's land and buildings and investment properties.

Disclosures:

- the related note disclosures are now more extensive than previously required. These disclosures are presented in notes 10 and 23 to the financial statements and include a reconciliation between the accounting profit and the tax expense for the year.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

2. IMPACT OF REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE (continued)

Further details of these changes and the prior year adjustments arising from them are included in the accounting policy for deferred tax in note 3 and in note 23 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties, certain fixed assets and equity investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint venture companies (continued)

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as a subsidiary if the Company has unilateral control over the joint venture company.

Goodwill

Goodwill arising on acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 5 years.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account for the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account for the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than investment properties and construction in progress, are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the fixed asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the fixed asset revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life, after taking into account its estimated residual value. The principal annual rates used for this purpose are as follows:

Leasehold land	2%
Buildings	2% - 7%
Leasehold improvements	20%
Plant, machinery and moulds	20% - 33%
Furniture, fixtures and equipment	20% - 33%
Motor vehicles	20%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account, is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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

The Company intends to apply for an extension of the tenure from 15 years to 50 years for Dongguan Bright Yin Huey Lighting Co., Ltd., which is an indirect wholly-owned subsidiary of the Company established in Mainland China. Such application can only be made during the six-month period prior to the expiry of the tenure, and the directors of the Company believe that such an extension will be granted upon application. Accordingly, the costs of leasehold land and buildings of this subsidiary are depreciated on the straight-line basis to write off the cost of the assets over their estimated useful lives based on the extended tenure.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties with unexpired lease terms of more than 20 years are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Research and development costs

All research costs are charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the projects are clearly defined; the expenditure is separately identifiable and can be measured reliably; there is reasonable certainty that the projects are technically feasible; and the products have commercial value. Product development expenditure which does not meet these criteria is expensed when incurred.

Long term investments

Long term investments are non-trading investments in unlisted equity securities, intended to be held for a continuing strategic or long term purpose, are stated at cost less any impairment losses, on an individual investment basis.

When a decline in the fair value of a security below its carrying amount has occurred, unless there is evidence that the decline is temporary, the carrying amount of the security is reduced to its fair value, as estimated by the directors. The amount of the impairment is charged to the profit and loss account for the period in which it arises. When the circumstances and events which led to the impairment in value cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged is credited to the profit and loss account to the extent of the amount previously charged.

Short term investments

Short term investments in listed equity securities are stated at their fair values at the balance sheet date, on an individual investment basis. The fair values of such listed securities are their quoted market prices at the balance sheet date. The gains or losses arising from changes in the fair values of such securities are credited or charged to the profit and loss account in the period in which they arise.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less further costs expected to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents, comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from negative goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Revenue recognition

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

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

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(b) interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable; and

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

Employee benefits

Pension schemes

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

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

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date or which lapse are deleted from the register of outstanding options.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the capital and reserves section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated to Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated to Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

4. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

(a) Business segments

Since over 90% of the Group's revenue, results, assets and liabilities are derived from the design, manufacture and sale of lighting products, no separate analysis of financial information by business segment is presented in the financial statements.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets. The corporate and others segment includes general corporate income and expense items and unallocated items.

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

	Hong Kong and Mainland China		United States of America		Europe		Corporate and others		Consolidated	
	2003	2002	**2003**	2002	**2003**	2002	**2003**	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**26,086**	18,305	**621,032**	520,302	**14,681**	12,546	**34,445**	34,146	**696,244**	585,299
Other revenue	**674**	552	**–**	–	**–**	–	**773**	1,881	**1,447**	2,433
Total revenue	**26,760**	18,857	**621,032**	520,302	**14,681**	12,546	**35,218**	36,027	**697,691**	587,732
Other segment information:										
Segment assets	**441,848**	419,058	**5,537**	–	**–**	–	**19,850**	9,323	**467,235**	428,381
Capital expenditure	**74,246**	77,324	**201**	–	**–**	–	**13,851**	6,759	**88,298**	84,083

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

5. TURNOVER AND OTHER REVENUE AND GAINS

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, during the year.

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

	2003	2002
	HK$'000	HK$'000
Turnover - sale of goods	**696,244**	585,299
Other revenue:		
Gross and net rental income from investment properties	**674**	552
Interest income	**773**	1,881
	1,447	2,433
Gains:		
Foreign exchange gains, net	**596**	2,501
Gain on redemption of a short term investment	**–**	2,229
Gain on disposal of short term listed investment	**1,878**	–
Others	**1,406**	699
	3,880	5,429
Other revenue and gains	**5,327**	7,862

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Notes	2003 HK$'000	2002 HK$'000
Cost of inventories sold		**515,851**	406,756
Depreciation	14	**17,015**	11,032
Amortisation of goodwill*	15	**2,968**	338
Research and development costs		**3,686**	4,296
Minimum lease payments under operating leases on land and buildings		**4,730**	2,541
Auditors' remuneration		**930**	860
Provision for impairment in value of a short term investment		**–**	1,102
Provision for impairment in value of golf club membership		**–**	160
Staff costs (excluding directors' remuneration (note 8)):			
Wages and salaries		**42,762**	32,536
Pension scheme contributions (defined contribution scheme)**		**585**	580
		43,347	33,116
Loss on disposals of fixed assets		**1,180**	–
Loss on write off of fixed assets		**–**	1,883
Loss on disposal of long term investment		**–**	376
Deficit on revaluation of leasehold land and buildings	14	**35**	8
Unrealised holding losses on short term investments		**–**	620

* The amortisation of goodwill for the year is included in "Other operating expenses" on the face of the consolidated profit and loss account.

** At 31 December 2003 and 2002, the Group had no significant forfeited contributions available to reduce its contributions to the pension schemes in future years.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

7. FINANCE COSTS

	Group	
	2003	2002
	HK$'000	HK$'000
Interest expense on bank overdrafts	**61**	1

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2003	2002
	HK$'000	HK$'000
Fees:		
Executive directors	**800**	700
Non-executive director	**50**	38
Independent non-executive directors	**258**	200
	1,108	938
Other emoluments of the executive directors:		
Salaries, allowances and benefits in kind	**11,437**	10,307
Discretionary bonuses	**2,397**	3,583
	13,834	13,890
	14,942	14,828

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

8. DIRECTORS' REMUNERATION (continued)

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2003	2002
Nil – HK$1,000,000	**4**	4
HK$1,000,001 – HK$1,500,000	**2**	1
HK$1,500,001 – HK$2,000,000	**1**	1
HK$2,000,001 – HK$2,500,000	**2**	2
HK$2,500,001 – HK$3,000,000	**1**	1
HK$3,000,001 – HK$3,500,000	**1**	–
HK$3,500,001 – HK$4,000,000	**–**	1
	11	10

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year were all directors of the Company, details of whose remuneration are set out in note 8 above.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

10. TAX

	Group	
	2003	2002
	HK$'000	HK$'000
The People's Republic of China (the "PRC"):		
Current – Hong Kong	**–**	–
Current – Elsewhere	**2,201**	1,228
Total tax charge for the year	**2,201**	1,228

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 year. Taxes on profits assessable elsewhere in the PRC have been calculated at the prevailing rates of tax based on existing legislation, interpretations and practices.

Dongguan Bright Yin Huey Lighting Co., Ltd. ("Yin Huey"), a wholly-owned subsidiary of the Company established in the PRC, was exempt from PRC corporate income tax for two years starting from its first profit-making year of operations, which was the year ended 31 December 1999, and thereafter is eligible for a 50% relief from PRC corporate income tax for the following three years under the PRC tax laws. The standard PRC corporate income tax rate applicable to Yin Huey is 24%. As a result of the 50% relief, the PRC corporate income tax rate applicable to Yin Huey for the year ended 31 December 2003 was 12% (2002: 12%).

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

10. TAX (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rates for the countries in which the Company and its subsidiaries, are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group – 2003

	Hong Kong		US		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(1,422)		(6,073)		51,043		43,548	
Tax at the statutory tax rate	(249)	(17.5)	(2,126)	(35.0)	16,844	33.0	14,469	33.2
Lower tax rate for specific provinces or local authority	–	–	–	–	(1,873)	(3.7)	(1,873)	(4.3)
Tax effect of unused tax losses not recognised	229	16.1	2,126	35.0	8,131	15.9	10,486	24.1
Income not subject to tax	(367)	(25.8)	–	–	(20,932)	(41.0)	(21,299)	(48.9)
Expenses not deductible for tax	401	28.2	–	–	31	0.1	432	1.0
Tax losses utilised from previous periods	(14)	(1.0)	–	–	–	–	(14)	–
Tax charge at the Group's effective rate	–	–	–	–	2,201	4.3	2,201	5.1

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

10. TAX (continued)

Group – 2002

	Hong Kong		US		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(7,700)		–		85,583		77,883	
Tax at the statutory tax rate	(1,232)	(16.0)	–	–	28,243	33.0	27,011	34.7
Lower tax rate for specific provinces or local authority	–	–	–	–	(2,149)	(2.5)	(2,149)	(2.8)
Tax effect of unused tax losses not recognised	450	5.8	–	–	3,987	4.6	4,437	5.7
Income not subject to tax	(82)	(1.0)	–	–	(28,882)	(33.7)	(28,964)	(37.2)
Expenses not deductible for tax	864	11.2	–	–	29	–	893	1.1
Tax charge at the Group's effective rate	–	–	–	–	1,228	1.4	1,228	1.5

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2003 dealt with in the financial statements of the Company was HK$27,821,000 (2002: HK$146,894,000) (note 25(b)).

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

12. DIVIDENDS

	2003	2002
	HK$'000	HK$'000
Interim – HK3 cents (2002: HK6 cents) per ordinary share	**14,715**	29,430
Proposed final – HK1.5 cents (2002: HK3 cents) per ordinary share	**7,358**	14,715
	22,073	44,145

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK$42,108,000 (2002: HK$76,855,000) and the number of 490,500,000 ordinary shares in issue during the year (2002: the weighted average number of 478,960,274 ordinary shares).

No diluted earnings per share amounts for the year ended 31 December 2003 and 2002 are presented as the Company does not have any dilutive potential ordinary shares.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

14. FIXED ASSETS

Group

	Investment properties HK$'000	Leasehold land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant, machinery and moulds HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Cons-truction in progress HK$'000	Total HK$'000
Cost or valuation:								
At beginning of year	3,380	91,233	6,263	49,837	14,129	10,430	17,307	192,579
Additions	–	12,986	550	23,341	3,244	528	33,798	74,447
Acquisition of subsidiaries (note 26)	–	–	–	–	263	–	–	263
Transfer	–	25,506	614	2,507	123	–	(28,750)	–
Disposals	–	–	(413)	(1,410)	(607)	(462)	(269)	(3,161)
Revaluation	–	(3,265)	–	–	–	–	–	(3,265)
At 31 December 2003	3,380	126,460	7,014	74,275	17,152	10,496	22,086	260,863
Analysis of cost or valuation:								
At cost	–	–	7,014	74,275	17,152	10,496	22,086	131,023
At 2003 valuation	3,380	126,460	–	–	–	–	–	129,840
	3,380	126,460	7,014	74,275	17,152	10,496	22,086	260,863
Accumulated depreciation:								
At beginning of year	–	–	3,355	15,908	11,772	6,233	–	37,268
Provided during the year	–	4,784	1,238	7,140	2,420	1,433	–	17,015
Acquisition of subsidiaries (note 26)	–	–	–	–	99	–	–	99
Disposals	–	–	(76)	(1,279)	(307)	(319)	–	(1,981)
Write-back on revaluation	–	(4,784)	–	–	–	–	–	(4,784)
At 31 December 2003	–	–	4,517	21,769	13,984	7,347	–	47,617
Net book value:								
At 31 December 2003	3,380	126,460	2,497	52,506	3,168	3,149	22,086	213,246
At 31 December 2002	3,380	91,233	2,908	33,929	2,357	4,197	17,307	155,311

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

14. FIXED ASSETS (continued)

The Group's leasehold land and buildings are analysed as follows:

	Hong Kong	Mainland China	Total
	HK$'000	HK$'000	HK$'000
At valuation:			
Medium term leases	760	122,200	122,960
Long term lease	–	3,500	3,500
	760	125,700	126,460

The Group's leasehold land and buildings were revalued individually as at 31 December 2003 by RHL Appraisal Limited ("RHL"), an independent professionally qualified valuer, at an aggregate open market value of HK$126,460,000 based on their existing use. A revaluation surplus of HK$943,000 (2002: HK$2,559,000 (restated)), net of deferred tax liabilities of HK$611,000 (2002: HK$738,000 ((restated) (noted 23)), and a revaluation deficit of HK$35,000 (2002: HK$8,000) resulting from the above valuations have been credited to the fixed asset revaluation reserve and charged to the consolidated profit and loss account, respectively.

Had these leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying values would have been approximately HK$106,026,000 (2002: HK$73,318,000).

The Group's investment properties are held under medium term leases and were revalued as at 31 December 2003 by RHL, on an open market, existing use basis. The investment properties are situated in Mainland China and leased to third parties under operating leases, further details of which are included in note 28(a) to the financial statements.

Further particulars of the Group's investment properties are included on page 80 of this annual report.

Included in the Group's leasehold land and buildings and construction in progress are amounts of HK$32,000,000 (2002: Nil) and HK$4,451,000 (2002: HK$4,193,000), respectively, representing the carrying value of a piece of land and certain buildings constructed thereon and two pieces of land, respectively, in the Mainland China, the titles of which have not yet been passed to the Group and, as at the date of approval of these financial statements, are in the process of being obtained.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

15. GOODWILL

The amounts of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

	Group
	HK$'000
Cost:	
At beginning of year	6,759
Acquisition of subsidiaries during the year (note 26)	13,851
At 31 December 2003	20,610
Accumulated amortisation:	
At beginning of year	338
Amortisation provided during the year	2,968
At 31 December 2003	3,306
Net book value:	
At 31 December 2003	17,304
At 31 December 2002	6,421

16. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK$'000	HK$'000
Unlisted shares, at cost	**43,715**	43,715
Due from subsidiaries	**195,853**	77,030
	239,568	120,745

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

16. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the Company's principal indirectly held subsidiaries, except Bright Group (BVI) Ltd., at the balance sheet date, are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/registered capital	Percentage of equity interest attributable to the Company 2003	2002	Principal activities
Bright Group (BVI) Ltd.	British Virgin Islands ("BVI")/ Hong Kong	US$702 Ordinary	**100**	100	Investment holding
Full Scene Developments Limited	BVI/ Hong Kong	US$50,000 Ordinary	**100**	100	Investment holding
Whole Bright Industries (HK) Limited	Hong Kong	HK$1,000 Ordinary HK$100,000 Non-voting deferred	**100**	100	Investment and property holding
Whole Bright Industries Limited	BVI/ PRC	US$1 Ordinary	**100**	100	Trading of lighting products
Dongguan Whole Bright Lighting Co. Ltd. - note (i)	PRC	HK$16,050,000	**100**	100	Design, manufacture and sale of lighting products
Dongguan Bright Yin Huey Lighting Co., Ltd. - note (i)	PRC	HK$10,000,000	**100**	100	Design, manufacture and sale of lighting products

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

16. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/registered capital	Percentage of equity interest attributable to the Company 2003	2002	Principal activities
Willy Garden Limited	BVI/ Hong Kong	US$50,000 Ordinary	**100**	100	Investment holding
Everprofit Enterprise Co., Ltd.	BVI/ Hong Kong	HK$11,610,000 Ordinary	**100**	100	Investment holding
北京瑩輝照明科技有限公司 – note (i)	PRC	US$2,000,000 (2002: US$1,500,000)	**100**	100	Trading of lighting products
東莞嘉盛照明科技有限公司 – note (i)	PRC	HK$35,000,000 (2002: HK$34,300,000)	**100**	100	Design, manufacture and sale of lighting products
Ticko Inc.	BVI/ Hong Kong	US$50,000 Ordinary	**100**	100	Investment holding
Newgreat Asia Limited	BVI / Hong Kong	US$50,000 Ordinary	**100**	100	Investment holding
Sinograce Holdings Limited	BVI / Hong Kong	US$50,000 Ordinary	**100**	100	Investment holding
上海豪輝照明有限公司 – note (i)	PRC	HK$8,000,000	**100**	100	Design, manufacture and sale of lighting products

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

16. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued and paid-up share/registered capital	Percentage of equity interest attributable to the Company		Principal activities
			2003	2002	
上海瑩輝照明科技有限公司 – note (i)	PRC	US$7,200,000 (2002: US$3,800,000)	**100**	100	Design, manufacture and sale of lighting products
Changshu Hsiang Lin Power Light Source Co., Ltd. – note (ii)	PRC	US$700,000	**75**	75	Design, manufacture and sale of energy saving bulbs
Eliance Group, Inc.*	United States of America	US$722 Ordinary	**100**	–	Design, manufacture and sale of lighting products

* Acquired during the year.

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

Notes:

(i) Registered as a wholly-owned foreign investment enterprise in the PRC.

(ii) Registered as a Sino-foreign co-operative joint venture in the PRC.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

17. INVESTMENTS

Long term investments:

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted equity investments, at cost	**14,345**	14,345	**–**	–
Less: Provision for impairment	**(14,345)**	(14,345)	**–**	–
	–	–	**–**	–

Short term investments:

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed equity investments, at market value:				
Hong Kong	**2,271**	2,182	**–**	–
Elsewhere	**3,057**	3,502	**2,782**	2,782
	5,328	5,684	**2,782**	2,782
Less: Provision for impairment	**(2,782)**	(2,782)	**(2,782)**	(2,782)
	2,546	2,902	**–**	–

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

18. INVENTORIES

	Group	
	2003	2002
	HK$'000	HK$'000
Raw materials	**26,038**	23,966
Work in progress	**2,556**	–
Finished goods	**28,670**	15,104
	57,264	39,070

No inventories were carried at net realisable value at the balance sheet date (2002: Nil).

19. TRADE RECEIVABLES

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

	Group			
	2003		2002	
	Balance	**Percentage**	Balance	Percentage
	HK$'000		HK$'000	
1 month	**51,731**	**75.2**	55,603	60.0
2 - 3 months	**4,291**	**6.2**	32,373	34.9
4 - 6 months	**3,009**	**4.4**	2,767	3.0
7 - 12 months	**8,289**	**12.0**	1,452	1.6
Over 1 year	**1,499**	**2.2**	491	0.5
	68,819	**100**	92,686	100

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 - 60 days (2002: 30 - 60 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.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

20. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**80,604**	90,765	**674**	137
Time deposits	**9,386**	17,179	**–**	–
	89,990	107,944	**674**	137
Less: Time deposits pledged for general banking facilities granted to certain subsidiaries	**(8,219)**	(7,556)	**–**	–
	81,771	100,388	**674**	137

21. TRADE PAYABLES

An aged analysis of trade payables as at the balance sheet date is as follows:

	Group			
	2003		2002	
	Balance	**Percentage**	Balance	Percentage
	HK$'000		HK$'000	
1 - 3 months	**59,015**	**86.5**	40,562	84.0
4 - 6 months	**1,651**	**2.4**	1,617	3.4
7 - 12 months	**1,401**	**2.0**	2,124	4.4
Over 1 year	**6,213**	**9.1**	3,950	8.2
	68,280	**100**	48,253	100

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

22. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2003	2002	**2003**	2002
	HK$'000	HK$'000	**HK$'000**	HK$'000
Accruals and other liabilities	**38,279**	34,831	**1,496**	1,527
Due to a related company	**578**	36	**–**	–
	38,857	34,867	**1,496**	1,527

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.

23. DEFERRED TAX

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

	Revaluation of investment properties	Revaluation of leasehold land and buildings	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2003			
As previously reported	–	–	–
Prior year adjustment:			
SSAP 12 - restatement of deferred tax	444	4,232	4,676
As restated	444	4,232	4,676
Deferred tax debited to equity during the year	–	611	611
At 31 December 2003	444	4,843	5,287

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

23. DEFERRED TAX (continued)

	Revaluation of investment properties HK$'000	Revaluation of leasehold land and buildings HK$'000	Total HK$'000
At 1 January 2002			
As previously reported	–	–	–
Prior year adjustment:			
SSAP 12 – restatement of deferred tax	444	3,494	3,938
As restated	444	3,494	3,938
Deferred tax debited to equity during the year	–	738	738
At 31 December 2002	444	4,232	4,676

The Group has tax losses arising in Hong Kong of HK$942,000 (2002: HK$1,023,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 December 2003, there was no significant unrecognised deferred tax liability (2002: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group had no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

SSAP 12 (revised) was adopted during the year, as further explained in note 2 to the financial statements. This change in accounting policy has resulted in an increase in the Group's deferred tax liabilities as at 31 December 2003 and 2002 by HK$5,287,000 and HK$4,676,000, respectively. As a consequence, the investment property revaluation reserve and the fixed asset revaluation reserve at 1 January 2003 have been reduced by HK$444,000 and HK$4,232,000, respectively, and at 1 January 2002 have been reduced by HK$444,000 and HK$3,494,000, respectively, as detailed in the consolidated statement of changes in equity.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

24. SHARE CAPITAL

Shares

	2003	2002
	HK$'000	HK$'000
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
490,500,000 ordinary shares of HK$0.10 each	**49,050**	49,050

The movements in the Company's ordinary share capital were as follows:

	Number of ordinary shares in issue	Issued share capital	Share premium account	Total
		HK$'000	HK$'000	HK$'000
At 1 January 2002	450,000,000	45,000	27,891	72,891
Issue of shares	40,500,000	4,050	27,135	31,185
Share issue expenses	–	–	(774)	(774)
At 31 December 2002, 1 January 2003 and 31 December 2003	490,500,000	49,050	54,252	103,302

Share option scheme

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

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

24. SHARE CAPITAL (continued)

Share option scheme (continued)

The total number of shares of the Company currently available for issue under the Scheme is 45,000,000 shares, representing approximately 9.17% of the issued share capital of the Company as at the date of this annual report.

The maximum number of shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding options) under the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue. Any further grant of share options in excess of this limit is subject to prior shareholders' approval in a general meeting of the Company.

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

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

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

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

No share options have been granted under the Scheme since its adoption.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

25. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 37 and 38 of this annual report.

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

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2002		27,891	43,515	6,291	77,697
Issue of shares	24	27,135	–	–	27,135
Share issue expenses	24	(774)	–	–	(774)
Net profit for the year	11	–	–	146,894	146,894
Interim 2002 dividend	12	–	–	(29,430)	(29,430)
Proposed 2002 final dividend	12	–	–	(14,715)	(14,715)
At 31 December 2002 and at 1 January 2003		54,252	43,515	109,040	206,807
Net profit for the year	11	–	–	27,821	27,821
Interim 2003 dividend	12	–	–	(14,715)	(14,715)
Proposed 2003 final dividend	12	–	–	(7,358)	(7,358)
At 31 December 2003		**54,252**	**43,515**	**114,788**	**212,555**

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

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

26. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Acquisition of subsidiaries

	2003	2002
	HK$'000	HK$'000
Net assets acquired:		
Fixed assets	**164**	7,479
Inventories	**3,819**	1,880
Trade receivables	**908**	433
Prepayments, deposits and other receivables	**652**	39
Cash and cash equivalents	**460**	25
Trade payables	**(2,950)**	(2,983)
Other payables and accruals	**(9,124)**	(4,407)
Minority interests	**–**	(616)
	(6,071)	1,850
Goodwill on acquisition	**13,851**	6,759
	7,780	8,609
Satisfied by:		
Cash	**7,780**	8,609

The subsidiary acquired during the current and prior years had no significant impact on the operating results of the Group.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

26. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

An analysis of net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2003	2002
	HK$'000	HK$'000
Cash consideration	**(7,780)**	(8,609)
Cash and cash equivalents acquired	**460**	25
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**(7,320)**	(8,584)

On 30 May 2003, the Group acquired a 100% interest in the Eliance Group, Inc. and its subsidiaries, which are engaged in the assembly and distribution of commercial lighting products, from an independent third party.

27. CONTINGENT LIABILITIES

At the balance sheet date, the Group had no significant contingent liabilities.

At the balance sheet date, the Company had executed corporate guarantees for general banking facilities of approximately HK$30 million (2002: HK$30 million) granted to certain of subsidiaries of the Company. The banking facilities had not been utilised as at the balance sheet date.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

28. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from 1 to 5 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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

	Group	
	2003	2002
	HK$'000	HK$'000
Within one year	**560**	357
In the second to fifth years, inclusive	**623**	295
	1,183	652

(b) As lessee

The Group leases certain of its office properties, staff quarters, warehouses and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 20 years.

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

	Group	
	2003	2002
	HK$'000	HK$'000
Within one year	**2,847**	1,875
In the second to fifth years, inclusive	**2,682**	3,227
After five years	**6,581**	6,938
	12,110	12,040

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

29. COMMITMENTS

At the balance sheet date, in addition to the operating lease commitments detailed in note 28(b) above, the Group had the following capital commitments:

	Group	
	2003	2002
	HK$'000	HK$'000
Authorised, but not contracted for:		
Capital contribution into a subsidiary to be established in Mainland China	**–**	15,560
	–	15,560
Contracted, but not provided for:		
Purchase of land	**9,956**	9,956
Purchase of equipment	**–**	769
Construction of a factory	**27,261**	10,796
Capital contributions into subsidiaries established in Mainland China	**72,148**	17,816
	109,365	39,337
	109,365	54,897

At the balance sheet date, the Company had no other significant commitments.

30. RELATED PARTY TRANSACTIONS

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

(a) The Group paid hotel room charges and food and beverage charges to a related company, which is beneficially owned by certain directors of the Company, for an aggregate amount of approximately HK$1,862,000 (2002: HK$1,469,000) for the provision of services to the Group's business partners and business associates during their visits to the Group's factory in the PRC. In the opinion of the directors, these transactions represented the acquisition of consumer goods and services in the ordinary and normal course of business of the Group on terms similar to those offered by such related company to independent third parties.

NOTES TO FINANCIAL STATEMENTS (Cont'd)

31 December 2003

30. RELATED PARTY TRANSACTIONS (continued)

(b) Mr. Hsu Chen Shen, Mrs. Hsu Wei Jui Yun and Mr. Hsu Shui Sheng, directors of the Company, and Bright Yin Huey Co., Ltd., in which certain directors of the Company have beneficial interests, had executed guarantees for general banking facilities of approximately HK$25,618,000 (2002: HK$25,618,000) granted to certain subsidiaries of the Group.

31. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of SSAP 12 (Revised) during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been restated to conform with the current year's presentation.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 March 2004.