

B3 Chairman's Statement



Mr. HSU Chen Shen, Keen
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 2004. For the year ended 31 December 2004 (the "Year"), the Group recorded a turnover of approximately HK\$740,654,000, representing an increase of 6% as compared to HK\$696,244,000 of last year. The profit attributable to shareholders for the year amounted to HK\$51,208,000 and earnings per share amounted to HK10.4 cents.

The increase in the Group's turnover is mainly attributable to the Group's remarkable and rewarding performance in expanding its domestic sales in the PRC market during the Year. The number of franchise stores and overall turnover of the Group derived from PRC market recorded an increase. In particular, turnover derived from commercial lighting business made a significant progress. Besides, several lighting projects were completed. All of the above are beneficial for the steady growth of the Group's turnover. At the same time, the Group's major customers from overseas markets continued implementing their policy of opening new DIY stores. This, together with increasing orders from both existing and new customers, resulted in a steadily growth in the Group's overseas business. Apart from the above, in the face of surging oil prices, which led to a higher production cost, the Group implemented a series of control measures to rein in its production cost and operation overheads during the Year. The outcome was remarkable in reducing the pressure of cost inflation and reviving the Group's net profit.

Final dividend

The Board of Directors proposed a final dividend of HK2 cents (2003: HK1.5 cents), together with an interim dividend of HK3.5 cents, the total dividend for the Year of HK5.5 cents (2003: HK4.5 cents).

BUSINESS REVIEW

In 2004, oil prices were hovering high, fuelling a continued rise in raw material prices. Besides, the intensive competition in the lighting market continued to escalate. The overall business environment was extremely difficult. To take on the challenges of increasing production costs and heavy pressure on selling prices, during the Year the Group accelerated its development of lighting products with the use of new materials, such as water-proof fabrics, timber, paper and polyester in lieu of certain types of metal of which the prices had increased significantly. During the Year, the Group made an aggressive effort in reducing production costs by developing with new materials and improving product structure in order to drive up the Group's profit. In addition, it took steps to sustain the enhancement of its production efficiency, implement its cost

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control measures in a stringent manner and pursue flexible and effective purchasing strategies. As a result, despite the harsh environment, the Group managed to record a healthy growth of its gross profit and net profit to 28% and 7% respectively, representing an increase of 2% and 1% respectively compared to last year.

Despite of the fierce market competition and rising price of raw materials during the Year, the Group's core home lighting business still maintained a stable growth. For the U.S. market, the turnover grew steadily as market demand received a boost from the robust DIY chain retail market as well as increasing orders from both existing and new customers. In respect of the PRC market, the Group continued to upgrade its business network, step up sales efforts and strengthen the inventory and logistics capability of its distribution centres during the Year. As a result, the Group further enlarged its market share with improved profitability in the home lighting sector.

In addition to strengthening and deepening the development of the home lighting business in 2004, the Group also aggressively developed its commercial lighting business and recorded satisfactory results in 2004. During the Year under review, the Group established a commercial lighting team and employed an American commercial lighting expert in order to enhance its capability in product design and development. Contribution from the team began to manifest as its operation was getting on track. During the Year, the Group undertook various hotel lighting projects, resulting in a significant increase in the turnover of commercial lighting business in the North American market. In addition, Phase II of the commercial lighting factory in Dongguan had been completed and commenced production during the Year. The complex, equipped with advanced precision equipments, which enhanced the overall production capability of commercial lighting products which can support the remarkable growth of the Group's commercial lighting business in PRC.

Although export sales continued to be the main income source of the Group, the Group adopted an active business strategy to focus developing the domestic market in PRC and had made preliminary progress during the Year. The domestic sales headquarters in Shanghai had commenced services with improving contribution. During the Year, the Group made active efforts in exploring sales channels and promoting products in major sales channels such as bazaars and large malls dedicated to selling lights. This has improved the sales performance of consumer products under the commercial lighting business as well as significantly increased the turnover from the overall domestic market by 103%. Meanwhile, the number of franchise stores of the Group in PRC increased to 130 during the Year. This was beneficial to the strategic growth of the Group's sales network and improved the brand awareness and market coverage of its "Bright" and "Bright Your Home" brand names, thereby motivating the growth of domestic sales.

Moreover, highly value-added and innovative lighting products continued to be developed by the Group's development centre with an aim of maintaining its competitive edge. During the Year, new products such as energy-saving lighting products were developed to meet different market needs. Despite the impact of the PRC government's austerity measures on the real estate lighting sector, the Group achieved brilliant performance in lighting projects for hotels and supermarket chain stores, thereby offsetting the above adverse political effect on real estate lighting market.

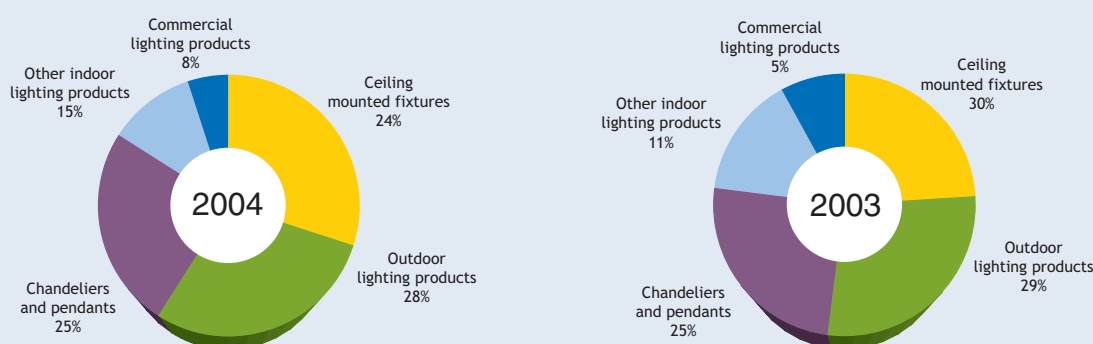


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PRODUCT DIVERSIFICATION

For the year ended 31 December 2004, turnover derived from home lighting products of the Group accounted for approximately 92% of the Group's total turnover, of which 28% was derived from outdoor lighting fixtures, 24% was derived from ceiling mounted fixtures, 25% was derived from chandeliers and pendants and 15% was derived from other indoor lighting products. The remaining 8% of the Group's turnover for the Year was derived from commercial lighting products, which represented a substantial increase of 61% as compared with the turnover of these products last year. This encouraging growth was attributable to the Group's adoption of a proactive approach in developing the commercial lighting market during the Year.

Comparison of turnover by products



PROSPECTS

To further enhance its business and profitability, the Group has formulated a series of development strategies to promote the Group's future growth.

Enhancement of brand awareness and promotion of commercial lighting business

Looking forward, in 2005, the Group will actively step up its marketing effort to enhance the brand awareness for "Bright" and "Bright Your Home". The Group will continue to participate in international lighting exhibitions and trade fairs held in different countries, including the Las Vegas Lighting Fair and Dallas Lighting Show in the U.S., German Frankfurt Lighting Fair, Hong Kong International Lighting Exhibition, Taipei Lighting Fair and Shenzhen Lighting Fair. Meanwhile, the Group will also hold roadshows and seminars for different products and focus more on developing new products to satisfy the needs of different market segments and further expand the customer base, with an aim of marketing the Group's commercial lighting products worldwide.

Apart from that, it is the Group's plan to set up a "Bright" flagship store in downtown Shanghai in the second quarter of 2005. The objective of this plan is to lay a robust foundation for the development of the Group's commercial lighting business into a leading, professional brand in the domestic commercial lighting market.

Strengthening product mix and grasping business opportunities

The Group will continue to recruit more outstanding designers and research and development personnel in order to strengthen its product research and development capability. It is the objective of the Group's development centre to pursue product diversification in terms of product types and specifications. Special emphasis will be placed on the development of value-added and specialty products such as energy-saving and environmentally friendly lighting products.

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Currently, the Group's home lighting business is rather solid and established and its number of orders has been on the rise. Therefore, the Group will focus on further developing its commercial lighting business in order to expand its market share. As 2008 Beijing Olympic Games and 2010 Shanghai World Expo are approaching, there will emerge more municipal infrastructure projects, such as express highways, hotels, large-scale shopping malls, stadium and amenity facility projects. The Group believes that the commercial lighting market holds impressive development potential. Therefore, it will be fully devoted to grasping the development opportunities ahead to drive its business growth.

Enhancing production capacity and sales performance and increasing profitability

The Phase III of the Group's commercial lighting factory in Dongguan will commence production after completion in mid 2005 and will increase the Group's total annual production capacity by 100%. It is expected that the expanded production capacity will be sufficient to meet the demand in the coming years. On the other hand, the Group will take advantage of the economies of scale on its production front to increase its bargaining power in negotiating for lower raw material prices. In addition, in order to reduce the impact of rising raw material prices on its profitability, the Group will actively pursue to streamline its production process and product structure and enhance its management efficiency while fully capitalising on the advantages of vertical integration in order to further cut down its operating costs.

Looking ahead, the Group plans to increase the number of its franchise stores in the PRC to 230 stores, which will be mainly located in the eastern, northern and north-eastern parts of China. At the same time, it will also further leverage the advantage of its domestic sales headquarters in Shanghai, so as to grasp the immense business opportunities in the PRC consumer market. In respect of overseas markets, the Group will aggressively look for suitable acquisition targets in order to strengthen its overseas distribution network. Leveraging its superior product quality, product diversity, brand awareness, production capability and distribution network, the Group is fully confident in its ability to grasp holds of market opportunities on all fronts and consolidate its leading position in the market in pursuit of a higher return for shareholders.

APPRECIATION

On behalf of the Board of Directors, I would like to express my heartfelt appreciation to the Group's 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, 31 March 2005



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BRIGHT YOUR HOME