

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 2004.

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 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 33 to 63.

An interim dividend of HK3.5 cents per ordinary share was paid on 6 October 2004. The directors recommend the payment of a final dividend of HK2 cents per ordinary share in respect of the year, to shareholders on the register of members on 19 May 2005. 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.

RESULTS

	Year ended 31 December				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
TURNOVER	740,654	696,244	585,299	487,121	506,832
PROFIT BEFORE TAX	51,823	43,548	77,883	65,613	80,889
Tax	(919)	(2,201)	(1,228)	11,058	(134)
PROFIT BEFORE MINORITY INTERESTS	50,904	41,347	76,655	76,671	80,755
Minority interests	304	761	200	363	409
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	51,208	42,108	76,855	77,034	81,164



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SUMMARY FINANCIAL INFORMATION (continued)

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
TOTAL ASSETS	506,592	467,235	428,381	324,397	292,327
TOTAL LIABILITIES	(139,324)	(130,674)	(104,788)	(73,391)	(73,497)
MINORITY INTERESTS	–	(304)	(1,065)	–	(752)
	367,268	336,257	322,528	251,006	218,078

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 64.

SHARE CAPITAL AND SHARE OPTIONS

There were no movements in either the Company's authorised or issued share capital during the year. 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 2004, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to HK\$148,308,000, of which HK\$9,810,000 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 81% of the total sales for the year and sales to the largest customer included therein amounted to approximately 33%. Purchases from the Group's five largest suppliers accounted for approximately 51% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 22%.

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

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)

In accordance with clause 87 of the Company's bye-laws, Mr. Pak Ping Chun, Mr. Hsu Chiang Lung and Mr. Chan Nien-Po will retire by rotation at the Company's forthcoming annual general meeting to be held on 19 May 2005. All the above retiring directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 19 to 21 of the annual report.

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.



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DIRECTORS' SERVICE CONTRACTS (continued)

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.

On 25 March 2004, Dr. Hsiao Horng Ching has entered into a service contract with the Company commencing on 25 March 2004 with a period of two 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.

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

As at 31 December 2004, the interests and short positions of the directors of the Company 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Model Code"), were as follows:

A. Long position 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 297,000,000 shares of the Company through interest of her spouse, Mr. Hsu Chen Shen.

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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)

(b) *Whole Bright Industries (HK) Limited ("WBI (HK)"), the Company's subsidiary* (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 of the Company 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 complying with the then minimum company membership requirement.

Save as disclosed above, as at 31 December 2004, none of the directors of the Company 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.

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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SUBSTANTIAL SHAREHOLDER'S INTERESTS IN SHARES AND UNDERLYING SHARES

At 31 December 2004, 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. (<i>Note</i>)	Long	Beneficial owner	297,000,000	60.55%

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

Save as disclosed above, as at 31 December 2004, 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 pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 31 to the financial statements.

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") in force prior to the accounting period commencing on 1 January 2005 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.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company had adopted its code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in the Model Code as then in force, and after having made specific enquiry to all directors of the Company, the directors of the Company are satisfied that the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions has been fully complied with.



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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\$1,829,000 (2003: 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.

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and confirmed that these continuing connected transactions were:

1. entered into by the Group in the ordinary and usual course of business of the Group;
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 continuing 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 2004.

The auditors of the Company have reviewed these continuing connected transactions and confirmed to the board of directors of the Company that:

1. the continuing connected transactions have received the approval of the board of directors of the Company;
2. the continuing 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 continuing 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 2004.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company.

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AUDITORS

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 13 May 2005 to Thursday, 19 May 2005 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for entitlement to the Proposed Final Dividend and for attending the Annual General Meeting of the Company to be held on Thursday, 19 May 2005, all transfers accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 12 May 2005.

ON BEHALF OF THE BOARD

HSU Chen Shen

Chairman

Hong Kong

31 March 2005