Notes to the Financial Statements

31 December 2004

1. CORPORATE INFORMATION

During the year, the Group was involved in investment holding and the 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 RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

The Hong Kong Institute of Certified Public Accountants has issued a number of new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards, herein collectively referred to as the new HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 December 2004. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (which also include Statements of Standard Accounting Practice and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, 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 2004. 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.

Notes to the Financial Statements (continued)

31 December 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 and 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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	10%-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 the People's Republic of 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.

Notes to the Financial Statements (continued)

31 December 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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.

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 any estimated costs to be incurred to completion and disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

- 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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;

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

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

(d) proceeds from the sale of other investments, on the transaction dates when the relevant contract notes are exchanged.

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.

Notes to the Financial Statements (continued)

31 December 2004

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

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.

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 into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into 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 into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

Notes to the Financial Statements (continued)

31 December 2004

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment report basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

(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.

(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 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		Others		Consolidated	
	2004	2003	**2004**	2003	**2004**	2003	**2004**	2003	**2004**	2003
	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	**52,828**	26,086	**641,165**	621,032	**7,919**	14,681	**38,742**	34,445	**740,654**	696,244
Other revenue	**827**	674	**–**	–	**–**	–	**503**	773	**1,330**	1,447
Total	**53,655**	26,760	**641,165**	621,032	**7,919**	14,681	**39,245**	35,218	**741,984**	697,691
Other segment information:										
Segment assets	**493,334**	441,848	**3,434**	5,537	**–**	–	**9,824**	19,850	**506,592**	467,235
Capital expenditure	**55,790**	74,246	**155**	201	**–**	–	**–**	13,851	**55,945**	88,298

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:

	2004	2003
	HK$'000	*HK$'000*
Turnover – sale of goods	**740,654**	696,244
Other revenue:		
Gross and net rental income from investment properties	**827**	674
Interest income	**503**	773
Others	**2,520**	1,406
	3,850	2,853
Gains:		
Exchange gains, net	**9**	596
Gain on disposal of short term listed investments	**1,091**	1,878
	1,100	2,474
Other revenue and gains	**4,950**	5,327

Notes to the Financial Statements (continued)

31 December 2004

6. PROFIT FROM OPERATING ACTIVITIES

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

	Notes	**2004** **HK$'000**	2003 HK$'000
Cost of inventories sold		**531,494**	515,851
Depreciation	*14*	**19,924**	17,015
Minimum lease payments under operating leases on land and buildings		**2,096**	4,730
Auditors' remuneration		**950**	930
Staff costs (excluding directors' remuneration in note 8):			
Wages and salaries		**48,668**	42,762
Pension scheme contributions (defined contribution schemes)		**932**	585
		49,600	43,347
Other operating expenses			
Amortisation of goodwill	*15*	**4,122**	2,968
Impairment of goodwill	*15*	**6,065**	–
Research and development costs		**4,847**	3,686
Provision for doubtful debts		**2,500**	–
Loss on disposal of fixed assets		**–**	1,180
Write-off of fixed assets	*14*	**5,911**	–
(Surplus)/deficit on revaluation of leasehold land and buildings	*14*	**(346)**	35

7. FINANCE COSTS

	Group	
	2004 **HK$'000**	2003 HK$'000
Interest expense on bank overdrafts	**71**	61

8. DIRECTORS' REMUNERATION

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

	Group	
	2004	2003
	HK$'000	*HK$'000*
Fees:		
Executive directors	**700**	800
Non-executive director	**12**	50
Independent non-executive directors	**177**	258
	889	1,108
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	**9,900**	11,437
Discretionary bonuses	**2,645**	2,397
	12,545	13,834
	13,434	14,942

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

	Number of directors	
	2004	2003
Nil-HK$1,000,000	**5**	4
HK$1,000,001-HK$1,500,000	**2**	2
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
HK$3,000,001-HK$3,500,000	**1**	1
	11	11

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 the Financial Statements (continued)

31 December 2004

10. TAX

	Group 2004 HK$'000	Group 2003 HK$'000
People's Republic of China (the "PRC"):		
Current – Hong Kong	–	–
Current – Elsewhere		
Charge for the year	4,575	2,201
Overprovision in prior years	(3,656)	–
Total tax charge for the year	919	2,201

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 years. 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 2000, 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 2004 was 12% (2003: 12%).

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 – 2004

	Hong Kong HK$'000	%	United States of America HK$'000	%	Mainland China HK$'000	%	Total HK$'000	%
Profit/(loss) before tax	(4,791)		(11,566)		68,180		51,823	
Tax at the statutory tax rate	(839)	17.5	(4,048)	35.0	22,499	33.0	17,612	34.0
Lower tax rate for specific provinces or local authority	–	–	–	–	(937)	(1.4)	(937)	(1.8)
Adjustments in respect of current tax of previous periods	–	–	–	–	(3,656)	(5.4)	(3,656)	(7.1)
Tax effect of unused tax losses not recognised	57	(1.2)	4,048	(35.0)	5,657	8.3	9,762	18.8
Income not subject to tax	(296)	6.2	–	–	(22,873)	(33.5)	(23,169)	(44.7)
Expenses not deductible for tax	1,102	(23.0)	–	–	229	0.3	1,331	2.6
Tax losses utilised from previous periods	(24)	0.5	–	–	–	–	(24)	–
Tax charge at the Group's effective rate	–	–	–	–	919	1.3	919	1.8

10. TAX (continued)

Group – 2003

	Hong Kong		United States of America		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

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2004 dealt with in the financial statements of the Company was HK$7,173,000 (2003: HK$27,821,000) (note 25(b)).

12. DIVIDENDS

	2004	2003
	HK$'000	*HK$'000*
Interim – HK3.5 cents (2003: HK3 cents) per ordinary share	**17,168**	14,715
Proposed final – HK2 cents (2003: HK1.5 cents) per ordinary share	**9,810**	7,358
	26,978	22,073

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$51,208,000 (2003: HK$42,108,000) and the number of 490,500,000 (2003: 490,500,000) ordinary shares in issue during the year.

No diluted earnings per share amounts for the years ended 31 December 2004 and 2003 are presented as the Company does not have any dilutive potential ordinary shares.

Notes to the Financial Statements (continued)

31 December 2004

14. FIXED ASSETS

Group

	Investment properties	Leasehold land and buildings	Leasehold improve-ments	Plant, machinery and moulds	Furniture, fixtures and equipment	Motor vehicles	Cons-truction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost or valuation:								
At beginning of year	3,380	126,460	7,014	74,275	17,152	10,496	22,086	260,863
Additions	–	13,406	2,695	6,817	2,044	1,773	29,210	55,945
Transfer	–	315	12,761	309	1,285	–	(14,670)	–
Write-off	–	–	(481)	(15,773)	(7,814)	(1,228)	–	(25,296)
Revaluation	–	2,199	–	–	–	–	–	2,199
At 31 December 2004	3,380	142,380	21,989	65,628	12,667	11,041	36,626	293,711
Analysis of cost or valuation:								
At cost	–	–	21,989	65,628	12,667	11,041	36,626	147,951
At 2004 valuation	3,380	142,380	–	–	–	–	–	145,760
	3,380	142,380	21,989	65,628	12,667	11,041	36,626	293,711
Accumulated depreciation:								
At beginning of year	–	–	4,517	21,769	13,984	7,347	–	47,617
Provided during the year	–	5,225	2,130	8,728	2,677	1,164	–	19,924
Write-off	–	–	(88)	(10,275)	(7,644)	(1,378)	–	(19,385)
Write-back on revaluation	–	(5,225)	–	–	–	–	–	(5,225)
At 31 December 2004	–	–	6,559	20,222	9,017	7,133	–	42,931
Net book value:								
At 31 December 2004	3,380	142,380	15,430	45,406	3,650	3,908	36,626	250,780
At 31 December 2003	3,380	126,460	2,497	52,506	3,168	3,149	22,086	213,246

The Group's leasehold land and buildings included above are held under following lease terms:

	Hong Kong	Mainland China	Total
	HK$'000	*HK$'000*	*HK$'000*
At valuation:			
Medium term leases	1,080	135,900	136,980
Long term lease	–	5,400	5,400
	1,080	141,300	142,380

14. FIXED ASSETS (continued)

The Group's leasehold land and buildings were revalued individually as at 31 December 2004 by RHL Appraisal Limited ("RHL"), an independent professionally qualified valuer, at an aggregate open market value of HK$142,380,000 based on their existing use. A revaluation surplus of HK$4,575,000 (2003: HK$943,000), net of deferred tax liabilities of HK$2,503,000 (2003: HK$611,000) (note 23) and a revaluation surplus of HK$346,000 (2003: deficit of HK$35,000) resulting from the above valuations have been credited to the fixed asset revaluation reserve and 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$114,059,000 (2003: HK$106,026,000).

The Group's investment properties are held under medium term leases and were revalued as at 31 December 2004 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.

At 31 December 2004, the Group's leasehold land and buildings with a net book value of approximately HK$34,000,000 (2003: Nil) were pledged to secure general banking facilities granted to the Group, which were not utilised as at the balance sheet date.

Further particulars of the Group's investment properties are included on page 64 of this annual report.

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 and at 31 December 2004	20,610
Accumulated amortisation:	
At beginning of year	3,306
Provided during the year	4,122
Impairment during the year	6,065
At 31 December 2004	13,493
Net book value:	
At 31 December 2004	7,117
At 31 December 2003	17,304

Notes to the Financial Statements (continued)

31 December 2004

16. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK$'000	*HK$'000*
Unlisted shares, at cost	**43,715**	43,715
Due from subsidiaries	**199,087**	195,853
	242,802	239,568

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

Particulars of the Company's principal subsidiaries 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 Direct	Indirect	Principal activities
Bright Group (BVI) Ltd.	British Virgin Islands ("BVI")/Hong Kong	US$702 Ordinary	100	–	Investment holding
Full Scene Developments Limited	BVI/Hong Kong	US$50,000 Ordinary	–	100	Investment holding
Whole Bright Industries (HK) Limited	Hong Kong	HK$1,000 Ordinary HK$100,000 Non-voting deferred	–	100	Investment and property holding
Whole Bright Industries Limited	BVI/Mainland China	US$1 Ordinary	–	100	Trading of lighting products
Dongguan Bright Yin Huey Lighting Co., Ltd. *(Note)*	PRC/Mainland China	HK$10,000,000	–	100	Design, manufacture and sale of lighting products
Willy Garden Limited	BVI/Hong Kong	US$50,000 Ordinary	–	100	Investment holding
Whole Bright Industries (Macao Commercial Offshore) Limited	Macau	MOP100,000	–	100	Trading of lighting products

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 Direct	Indirect	Principal activities
Everprofit Enterprise Co., Ltd.	BVI/Hong Kong	HK$11,610,000 Ordinary	–	100	Investment holding
北京瑩輝照明科技有限公司 *(Note)*	PRC/Mainland China	US$2,000,000	–	100	Trading of lighting products
東莞嘉盛照明科技有限公司 *(Note)*	PRC/Mainland China	HK$35,000,000	–	100	Design, manufacture and sale of lighting products
Ticko Inc.	BVI/Hong Kong	US$50,000 Ordinary	–	100	Investment holding
Newgreat Asia Limited	BVI/Hong Kong	US$50,000 Ordinary	–	100	Investment holding
Sinograce Holdings Limited	BVI/Hong Kong	US$50,000 Ordinary	–	100	Investment holding
Oriental Bright Holdings Limited	BVI/Hong Kong	US$50,000 Ordinary	–	100	Investment holding
Perfect Rich Holdings Limited	BVI/Hong Kong	US$50,000 Ordinary	–	100	Investment holding
上海瑩輝照明科技有限公司 *(Note)*	PRC/Mainland China	US$12,000,000	–	100	Design, manufacture and sale of lighting products
		(2003: US$7,200,000)	–	100	
Eliance Group, Inc.	United States of America	US$722 Ordinary	–	100	Design, manufacture and sale of lighting products

During the year, Dongguan Whole Bright Lighting Co. Ltd., Changshu Hsiang Lin Power Light Source Co., Ltd. and 上海豪輝照明有限公司 were liquidated. The liquidation of these subsidiaries did not result in any significant gains or losses in the current 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.

Note: Registered as a wholly-owned foreign investment enterprise in the PRC.

Notes to the Financial Statements (continued)

31 December 2004

17. SHORT TERM INVESTMENTS

	Group	
	2004	2003
	HK$'000	*HK$'000*
Listed equity investments, at market value:		
Hong Kong	**2,498**	2,271
Elsewhere	**209**	275
	2,707	2,546

18. INVENTORIES

	Group	
	2004	2003
	HK$'000	*HK$'000*
Raw materials	**40,091**	26,038
Work in progress	**2,791**	2,556
Finished goods	**24,866**	28,670
	67,748	57,264

No inventories were carried at net realisable value at the balance sheet date (2003: Nil).

19. TRADE RECEIVABLES

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

	Group			
	2004		2003	
	Balance	**Percentage**	Balance	Percentage
	HK$'000		*HK$'000*	
1 month	**29,375**	**48.1**	51,731	75.2
2-3 months	**15,341**	**25.1**	4,291	6.2
4-6 months	**7,572**	**12.4**	3,009	4.4
7-12 months	**5,660**	**9.3**	8,289	12.0
Over 1 year	**3,136**	**5.1**	1,499	2.2
	61,084	**100.0**	68,819	100.0

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 30-90 days (2003: 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.

20. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
	2004	2003	**2004**	2003
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**73,971**	80,604	**134**	674
Time deposits	**17,877**	9,386	**–**	–
	91,848	89,990	**134**	674
Less: Time deposits pledged for general banking facilities granted to certain subsidiaries	**(8,219)**	(8,219)	**–**	–
	83,629	81,771	**134**	674

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to HK$14,797,000 (2003: HK$21,412,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

21. TRADE PAYABLES

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

	Group			
	2004		2003	
	Balance	**Percentage**	Balance	Percentage
	HK$'000		*HK$'000*	
1-3 months	**68,473**	**90.3**	59,015	86.5
4-6 months	**2,795**	**3.7**	1,651	2.4
7-12 months	**1,006**	**1.3**	1,401	2.0
Over 1 year	**3,555**	**4.7**	6,213	9.1
	75,829	**100.0**	68,280	100.0

Notes to the Financial Statements (continued)

31 December 2004

22. OTHER PAYABLES AND ACCRUALS

	Group	
	2004	2003
	HK$'000	*HK$'000*
Accruals and other liabilities	**36,589**	38,279
Due to a related company	**461**	578
	37,050	38,857

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 the 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	444	4,232	4,676
Deferred tax debited to equity during the year *(note 14)*	–	611	611
At 31 December 2003 and 1 January 2004	444	4,843	5,287
Deferred tax debited to equity during the year *(note 14)*	–	2,503	2,503
At 31 December 2004	444	7,346	7,790

The Group has tax losses arising in Hong Kong of HK$806,000 (2003: HK$942,000) 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 2004, there was no significant unrecognised deferred tax liability (2003: 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.

24. SHARE CAPITAL

Shares

	2004	2003
	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

There were no movements in either the Company's authorised or issued share capital during the year.

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 that 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.

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 issuable under share options 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 shareholders' approval in advance 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, 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 shareholders' approval in advance in a general meeting of the Company.

24. SHARE CAPITAL (continued)

Share option scheme (continued)

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 opinion 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.

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 page 35 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
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 final 2003 dividend	12	–	–	(7,358)	(7,358)
At 31 December 2003 and 1 January 2004		54,252	43,515	114,788	212,555
Net profit for the year	11	–	–	7,173	7,173
Interim 2004 dividend	12	–	–	(17,168)	(17,168)
Proposed final 2004 dividend	12	–	–	(9,810)	(9,810)
At 31 December 2004		54,252	43,515	94,983	192,750

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.

26. NOTE TO THE CONSOLIDATED CASH FLOW STATEMENT

Acquisition of a subsidiary

	2004 *HK$'000*	2003 *HK$'000*
Net assets acquired:		
Fixed assets	–	164
Inventories	–	3,819
Trade receivables	–	908
Prepayments, deposits and other receivables	–	652
Cash and cash equivalents	–	460
Trade payables	–	(2,950)
Other payables and accruals	–	(9,124)
	–	(6,071)
Goodwill on acquisition	–	13,851
	–	7,780
Satisfied by:		
Cash	–	7,780

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

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

	2004 *HK$'000*	2003 *HK$'000*
Cash consideration	–	(7,780)
Cash and cash equivalents acquired	–	460
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	–	(7,320)

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.

Notes to the Financial Statements (continued)

31 December 2004

27. CONTINGENT LIABILITIES

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

At the balance sheet date, the Company executed corporate guarantees for general banking facilities of approximately HK$30 million (2003: HK$30 million) granted to certain subsidiaries of the Company. The banking facilities had not been utilised as at the balance sheet date (2003: Nil).

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	
	2004	2003
	HK$'000	*HK$'000*
Within one year	**482**	560
In the second to fifth years, inclusive	**326**	623
	808	1,183

(b) As lessee

The Group leases certain of its office properties, staff quarters and warehouses under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 5 years.

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

	Group	
	2004	2003
	HK$'000	*HK$'000*
Within one year	**623**	2,356
In the second to fifth years, inclusive	**883**	1,234
	1,506	3,590

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	
	2004	2003
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Purchase of land	**9,956**	9,956
Purchase of equipment	**1,098**	–
Construction of a factory	**14,368**	27,261
	25,422	37,217

At the balance sheet date, the Company had no 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$1,829,000 (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 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.

(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 (2003: HK$25,618,000) granted to certain subsidiaries of the Group.

31. POST BALANCE SHEET EVENTS

On 31 January 2005, the Group acquired a 100% interest in R.A.M. Lighting Ltd in Toronto, Canada, which is engaged in the design and distribution of decorative residential lighting products for a total cash consideration of US$3,700,000, which will be settled in three installments from 31 January 2005 to 31 January 2006. Details of the transaction are set out in the Company's circular dated 24 February 2005.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2005.