

## Directors' Report

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2006.

### 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 18 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 2006 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 37 to 87.

An interim dividend of HK3 cents per ordinary share was paid on 6 October 2006. The directors recommend the payment of a final dividend of HK2.5 cents per ordinary share in respect of the year, to shareholders on the register of members on 28 May 2007. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity 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				
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
REVENUE	806,413	774,573	740,654	696,244	585,299
PROFIT BEFORE TAX	60,060	53,811	51,823	43,548	77,883
TAX	(4,735)	(5,807)	(919)	(2,201)	(1,228)
PROFIT FOR THE YEAR	55,325	48,004	50,904	41,347	76,655
Attributable to:					
Equity holders of the Company	55,325	48,004	51,208	42,108	76,855
Minority interests	–	–	(304)	(761)	(200)
	55,325	48,004	50,904	41,347	76,655

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## Summary financial information (continued)

### ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2006	2005	2004	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TOTAL ASSETS	<b>660,655</b>	598,700	506,592	467,235	428,381
TOTAL LIABILITIES	<b>(207,255)</b>	(179,912)	(139,324)	(130,674)	(104,788)
MINORITY INTERESTS	–	–	–	(304)	(1,065)
	<b>453,400</b>	418,788	367,268	336,257	322,528

### Property, plant and equipment and investment properties

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 15 and 16 to the financial statements, respectively.

Further details of the Group's investment properties are set out on page 88.

### 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 27 and 28 to the financial statements, respectively.

### Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's bye-laws 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 29(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

### **Distributable reserves**

At 31 December 2006, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to HK\$246,674,000, of which HK\$12,263,000 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.

### **Major customers and suppliers**

In the year under review, sales to the Group's five largest customers accounted for approximately 82% of the total sales for the year and sales to the largest customer included therein amounted to approximately 50%. Purchases from the Group's five largest suppliers accounted for approximately 46% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 61%.

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

#### **Independent non-executive directors:**

Leung Hok Lim  
Chan Nien Po  
Hsiao Horng Ching

In accordance with clause 87 of the Company's bye-laws, Mr. Pak Ping Chun, Mr. Yang Hsien Lin, Mr. Hsu Chin Liang and Dr. Hsiao Horng Ching will retire by rotation at the Company's forthcoming annual general meeting to be held on 28 May 2007. All the above retiring directors, being eligible, will offer themselves for re-election at the said annual general meeting.

## Directors' Report

### **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 14 to 16 of the annual report.

### **Directors' service contracts**

All the executive directors of the Company (except Mr. Hsu Chiang Lung) have entered into service contracts with the Company in 1999 which will continue and are 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 on or after the third anniversary of the commencement date of the service contract.

On 17 March 2003, Mr. Hsu Chen Shen, Mr. Hsu Shui Sheng, Mr. Yang Hsien Lin and Mr. Hsu Chin Liang entered into new service contracts with the Company which ratified as 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 on or after the second anniversary of the commencement date of the new service contracts.

On 25 March 2004, Dr. Hsiao Horng Ching entered into a service contract with the Company commencing on 25 March 2004 for 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 33 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, or any of its holding companies, subsidiaries or 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 2006, 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 of Hong Kong Limited (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 positions in ordinary shares of the Company:

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

Notes:

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

### B. Long position in underlying shares of the Company – physically settled unlisted equity derivatives:

Name of director	Capacity	Number of underlying shares in respect of the share option granted	Percentage of the underlying shares over the Company's issued share capital
Mr. Pak Ping Chun	Beneficial owner	4,500,000 (Note)	0.91
Mr. Yang Hsien Lin	Beneficial owner	4,500,000 (Note)	0.91

Note: Details of the above share options granted by the Company are set out in note 28 to these financial statements. Such share options were exercised subsequent to 31 December 2006.

### C. 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 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 the 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)

#### C. Long/short positions in shares and underlying shares of associated corporations: (continued)

##### (b) Whole Bright Industries (HK) Limited ("WBI (HK)"), a subsidiary of the Company

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 in corporation	Non-voting deferred	100,000	1	100
	Long	Interest in 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

#### Notes:

1. The 60,000 non-voting deferred shares in WBI (HK) are owned by Mr. Hsu Chen Shen and the 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" in the 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" in the 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" in the 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" in the 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).

## Directors' interests and short positions in shares and underlying shares of the Company and its associated corporations (continued)

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 requirements.

Save as disclosed above, as at 31 December 2006, none of the directors or the chief executive of the Company had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) or any interests which are required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO or 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

Save as disclosed in note 28 of these financial statements, 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, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## Interests of substantial shareholder in shares and underlying shares

At 31 December 2006, the following company was interested in more than 5% of the issued share capital of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

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

Note: The above interest held by 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 2006, 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 registered 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.

## 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. During the year ended 31 December 2006, a total of 24,000,000 share options were granted by the Company, details of which are set out in note 28 to these financial statements. The closing price of the shares immediately before the date of grant of such options was HK\$0.53.

## Directors' Report

### 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.

### Code of conduct for securities transactions by directors of the Company

The Company had adopted its code of conduct regarding directors' securities transactions of the Company (the "Own Code") 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 the Own Code has been fully complied with.

### Continuing connected transactions

During the year, the Group had related party transactions, as detailed in note 33 to the financial statements. The transaction as detailed in note 33(a) to the financial statements also constituted a continuing connected transaction under the Listing Rules. In the opinion of the directors, such continuing connected transaction was conducted in the normal commercial terms and was exempted from reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

### Auditors

During the year, Ernst & Young resigned as auditors of the Company and Grant Thornton was appointed by the directors to fill the casual vacancy. There have been no other changes of auditors in the past three years.

Grant Thornton will retire at the conclusion of the Company's forthcoming annual general meeting and a resolution for their reappointment as auditors of the Company will be proposed at the said meeting.

### Closure of register of members

The register of members of the Company will be closed from Wednesday, 23 May 2007 to Monday, 28 May 2007 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for entitlement to the proposed final dividend of the Company for the year ended 31 December 2006 and for attending and voting at the annual general meeting of the Company to be held on 28 May 2007, unregistered holders of shares of the Company should ensure that all transfers of shares 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 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration no later than 4:30p.m. on Tuesday, 22 May 2007.

ON BEHALF OF THE BOARD

**HSU Chen Shen**

*Chairman*

Hong Kong  
18 April 2007