

Management Discussion and Analysis

管理層討論及分析

Geographical Presence

- **The US Market**

Despite the fact that the US economy failed to show noticeable signs of recovery from the recession, the US market continued to be the Group's major market, with 88.9% of the Group's turnover derived from this market whilst contributing a healthy growth of approximately 18% in turnover for the Year. As of 31 December 2002, the number of DIY (Do it Yourself) stores operated by its major customers increased to approximately 2,300 stores. Given the fact that they will continue to follow the principle of opening new DIY stores at regular intervals, the Group is confident that its performance in this market will remain strong. The commercial lighting front also showed promising signs which contributed approximately HK\$9 million to the Group's turnover for the year in the US market. These coupled with its persistent enhancement in product innovation, such as solar light products, as well as its established presence in the home lighting market, the Group is confident that it is well-poised to replicate its success in the commercial lighting sector.

- **Canadian Market**

Canada continued to grapple by the economic downturn. But for the Group, business started to take an abrupt turn since the third quarter of 2002 and there was an 18% growth in turnover for the year as compared to that of last year. Such improvement was mainly attributable to a noticeable increase of orders from existing and new customers to whom the Group offered tailor-made designs for their specific needs.

- **European Market**

During the year, the Group recorded a 26% decrease in turnover as compared with that of last year. This was mainly due to the continuous economic slowdown in Europe. However, the Group has successfully entered into collaboration with a leading DIY store in Germany. The Group believes that a significant and continuous stream of contribution will be derived from this DIY store, and it is expected that such impressive performance will be reflected in the foreseeable future. Simultaneously, the Group is also in the process of obtaining relevant safety certification for its products for European market. All these strategies help set the scene for the Group to enjoy a more satisfactory outcome in the future.

- **Japanese Market**

The Group's dedication and commitment to manufacture products that, not only comply with the stringent safety standards in Japan, but also of premium quality as well as its amicable relationships with clients and business partners proved that the Group has managed to be an exception in the Japanese market, one that is often being recognized as highly regulated and where only a few foreign players manage to establish their presence. Such encouraging performance shows that the Group is on the right track and is geared up to accelerate its penetrating force in this market.

Management Discussion and Analysis (Cont'd)

管理層討論及分析(續)

各地市場

- **美國市場**

縱使美國經濟至今仍未見顯著復甦，但美國仍為本集團之主要市場，截至二零零二年十二月三十一日止年度佔集團營業額88.9%，並取得約18%之增長。截至二零零二年十二月三十一日止，集團主要客戶經營之DIY (Do It Yourself)店舖數目增至約2,300間。有見這些客戶仍然持續開設新DIY店舖之經營策略，本集團有信心將來在美國市場繼續保持良好表現。至於商業照明業務於本年度內在美國市場上亦錄得良好表現，為集團帶來約9,000,000港元的收入。同時，本集團堅持研究開發創新的產品，例如太陽能燈產品，及以往在住宅照明市場建立的領導地位，集團有信心在商業照明市場取得與住宅照明同樣之成功。

- **加拿大市場**

加拿大市場之經濟氣候仍見疲弱。然而本集團之業務於二零零二年第三季開始有好轉。本年度集團在加拿大市場之營業額較去年增長約18%。有關增幅主要由於本集團加強針對不同客戶之特定口味，為其度身設計不同的產品，除吸引現有的客戶外，新的客戶之訂單數目亦有顯著的增加。

- **歐洲市場**

回顧年度內，本集團在歐洲市場之營業額較去年同期下降約26%，主要原因是歐洲經濟持續放緩。但本集團成功與德國主要的DIY店舖達成合作共識。本集團相信該客戶可為集團提供可觀收入，有關的成果可望於短期內獲得反映。與此同時，本集團亦正為旗下產品辦理針對歐洲各國相關的安全規格認證，這些都有助本集團在未來歐洲市場取得更理想的成績。

- **日本市場**

本年度，集團致力為日本市場提供既能符合該國嚴謹安全規格、且具優越品質的產品，加上本集團與當地客戶及業務夥伴建立之良好關係，使本集團得以打破慣例，進入這個規範嚴格、僅容納少數外商之市場。本年度的良好成績顯示集團發展方向正確，並正積極加強進入該市場之力度。



Management Discussion and Analysis (Cont'd)

管理層討論及分析(續)

- **The PRC Market**

The PRC market will become the main focus for the Group in the next couple of years.

(a) *Franchise Chain Store Sector*

Well above the Group's target of 40 stores, the number of stores reaches to 50 during the year. These stores are strategically located in the first-to-second-tier cities in the PRC, covering Beijing, Shanghai, Shenyang, Dalian, Harbin, Tianjin, Wuhan, Hangzhou, Ningbo and Guangzhou. Given this progress, the Group is confident of meeting its three-to-five-year target of opening a total of more than 200 stores in the PRC. The setting up of franchise chain stores continues to form the core of the Group's strategies in increasing its penetration into this enormous market in the most efficient manner. Apart from organising regular seminars and symposiums for its potential distributors, the Group will participate in various lighting exhibitions in China in 2003. In addition, a compelling series of marketing and promotion programmes are in the pipeline, coupled with regular interviews via different channels, to accelerate its expansion pace in this market. A stream of innovative products will also be launched to give its customers continuous excitement.

(b) *Lighting Project Sector*

During the year, the Group obtained 19 lighting projects whilst a total of approximately 20 projects were under negotiation. The Group also engaged in active negotiations with hotels and department chain stores that are operated in a nationwide scale. Such strategies have clearly borne fruits. During the year, the Group entered into a supply contract with a Taiwanese department store whereby the Group is engaged to supply products to its 3 different stores located in the northern part of the PRC. Meanwhile, the Group is also negotiating an agreement with another department store whereby the Group will be appointed as a supplier to supply lighting fixtures to their 8 stores. Given the fact that such department chain store has a target to establish 20 stores in 2003, the Group is confident of becoming the supplier of lighting fixtures to these new stores, and it is expected that these projects will bring significant contribution to the Group's revenue.

The Group has targeted itself in developing the mid-to-high-end market. Given the fact that preparations for the 2008 Olympic Games are in full-swing, the lighting market is set to be one of the beneficiaries from this trend. With all the ground work being put in place at the moment, the Group is very optimistic and it is anticipated that it will enjoy substantial revenue in the years to come and is confident to become one of the leading players in the PRC commercial lighting sector in the next three to five years.



Management Discussion and Analysis (Cont'd)

管理層討論及分析(續)

- 中國市場

中國市場將成為本集團未來數年的發展重點。

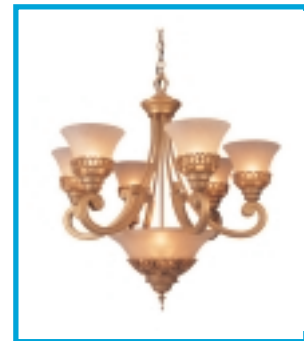
(a) 特許經營連鎖加盟店

回顧本年度內，集團的加盟店數目增至50家，超出本集團年初定立40家之目標。該等加盟店按照本集團策略，分別於中國的一、二線城市，如北京、上海、沈陽、大連、哈爾濱、天津、武漢、杭州、寧波及廣州等地開設。以目前的進度，本集團有信心可於三至五年內達成於中國開設約200家加盟店的目標。本集團認為成立特許經營連鎖加盟店，能最迅速及有效率地增加內銷市場佔有率。除定期為加盟商舉辦座談會及研討會外，本集團將於二零零三年參與多個於中國舉行的大型燈展。此外，本集團已計劃推出一連串大型推廣活動，同時定期接受不同媒體採訪，以加快本集團在中國市場的擴充步伐及增加知名度。本集團亦會推出一系列創新的產品，不斷為顧客製造驚喜。

(b) 照明工程項目

本年度，集團取得19個照明項目，另有約20個項目仍在洽談中。本集團亦積極與具全國經營規模之集團及百貨公司洽商各項合作之機會，預期能為本集團帶來可觀之收入。於本年度內，本集團與一家台資百貨公司簽訂供貨合約，為該公司位於華北地區的3家分店供應照明設備。同時，本集團亦已與另一家百貨集團達成共識，為該集團之8家分店提供照明裝置。有見該百貨集團計劃於二零零三年開設20分店，本集團極具信心可成為該等新店之照明裝置供應商，並預期這些項目將為本集團帶來可觀收入。

本集團已訂下目標，針對發展國內之中、高檔市場。鑑於二零零八年奧運會之籌備工作已全面展開，照明系統將是其中一個主要的受惠行業。本集團已作好準備，迎接此龐大商機，預期未來數年將取得可觀收入。集團深信可於未來三至五年成為國內商業照明市場的主要供應商之一。



Management Discussion and Analysis (Cont'd)**管理層討論及分析 (續)****Production Facilities**

In order to cope with the ever-expanding needs of the lighting market, the Group took steps in raising the production capacity for the year. During the year, the Group's existing production facilities in Dongguan, China reached a 90% utilization rate. Indeed, Phase 4 of the existing factory has commenced production in August 2002 and is instrumental in raising the overall production capacity by 30%. Given the benefits arising from economies of scale, this extension will help the Group reduce production cost. To further cope with its commercial lighting business expansion, Phase 1 of the new die-casting factory which started construction in 2001, has already commenced its production at the end of 2002. It is anticipated that this new factory would help to complement the Group's efforts in developing the commercial lighting market and hence, to contribute fruitful results to the Group's turnover and future profitability. Meanwhile, the Group set up a mould facilities research and development centre, which has also commenced operation. This centre houses the most advanced facilities and equipment, and produces moulds that cope with the expanding needs of the Group. Such facilities not only allow the Group to control its costs more effectively, but also bring an enhancement in the research and development of various new products, whilst exploiting the full benefits of the vertical integration production process.

In addition, the Group established a fluorescent lamp production factory in Shanghai and acquired a lighting source manufacturing plant at Changshu, Shanghai during the year. Such acquisition serves to enhance the production capacity, in order to cope with the expanding needs of the lighting market, for both home lighting and commercial lighting products.

Products

Thanks to the dedication and hard work of its product design experts, the Group manages to manufacture products to cater to the ever-changing tastes of the consumers. During the Year, the Group has developed over 1,300 products, including various commercial lighting products and solar lighting products. According to its previous experience, the products designed by the Group managed to be well-received by the market. Indeed, over 40% of the new products received new orders from its clients every year.

This encouraging result is attributable to the merits of the Group's strong designing teams.

Future Prospects

Looking ahead, the Group will continue to strengthen its home lighting business while developing the commercial lighting business with the fullest efforts. As far as markets are concerned, the Group will continue to enhance the market penetration rate of its existing markets, as well as take aggressive steps in developing the enormous PRC market.

On the home lighting front, leveraging on its established competitive edge, strenuous efforts will be made to sustain the Group's leadership position as well as generate an even more impressive profit contribution.

Management Discussion and Analysis (Cont'd)

管理層討論及分析(續)

生產設施

為滿足照明產品市場不斷增加的需求，集團於回顧年度內落實提升生產能力。本年度內，本集團於中國東莞現有之生產基地之使用率已達90%。於本年內，位於該生產基地之第四期廠房已於二零零二年八月正式投產，使集團的整體生產能力提升約30%。受惠於規模經濟效益，集團的生產成本得以減低。而為了進一步配合日益增長之商業照明產品市場，集團於二零零一年開始計劃興建之壓鑄廠，第一期已於二零零二年年底正式投產。本年度集團也設立模具開發中心，購入先進及精密之儀器及設備，開發集團所需之各類型模具。此舉有助集團控制成本、加強開發新產品之速度及強化垂直生產效益。

此外，本集團於二零零二年分別於上海開設日光燈製造廠及於上海常熟市收購一家光源產品生產廠房。是次收購有助加強集團之生產能力以應付住宅照明及商業照明市場內不斷增長的需求。

產品

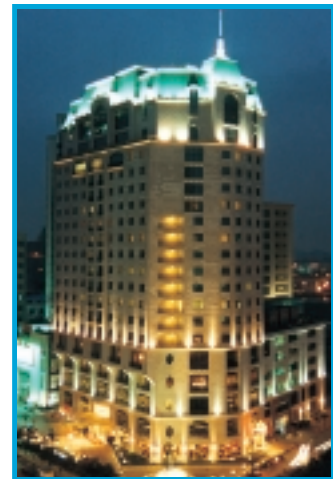
本集團設計及研發隊伍努力不懈，設計出迎合市場品味的產品。回顧年度內，本集團總共開發及設計出超過1,300件新產品，包括住宅藝術燈、各類商業照明燈及太陽能燈產品。根據以往記錄，集團之設計廣受客戶歡迎。每年約有超過40%之新開發產品接獲客戶的訂單。

成績令人鼓舞，這歸功於本集團實力雄厚之設計團隊。

展望

展望未來，集團的業務發展方向是鞏固住宅照明業務，致力發展商業照明業務；而在拓闊市場方面，集團除提高各現有市場之佔有率外，並將積極拓展龐大的中國內銷市場。

在住宅照明業務方面，集團倚仗本身具備的競爭優勢，致力保持集團在市場上的領導地位及希望為集團帶來更大的盈利貢獻。



Management Discussion and Analysis (Cont'd)

管理層討論及分析(續)

During the year, the Group recorded a remarkable growth in commercial lighting business. In future, the Group will accelerate the pace in the construction of the Phase 2 and Phase 3 of the die-casting factory as well as strengthening the production technology and the quality of the newly acquired lighting source



factory, in a bid to complement with the Group's development in the commercial lighting business. It will also enhance its research and development competency in order to bring continuous stream of new products and to broaden the choice of customers. The Group will also fortify its customer relationship and promotion efforts, in order to raise the overall profile of 'Bright' and hence, generating more contribution to the Group's turnover. To broaden its revenue base, the Group will also promote its commercial lighting products to its existing clients in overseas markets.

As far as the overseas markets are concerned, the Group will strengthen its relationships with its existing customers while adopting its proven sales strategies and offering innovative products to its clients that manage to cater to the specific needs of different markets, and hence, bringing the Group's products to every corner of the home lighting market.

Regarding the PRC market, being one of the Group's major focuses in 2003, the Group has got a set of meticulously designed and effective strategies to develop this enormous market. It will step up its efforts in the PRC market through the establishment of a more extensive distribution network by setting up various sales representative offices in various major cities. In addition, the Group has already recruited a number of experienced sales professionals to join its sales team and will take a more proactive approach, such as organising different product promotion seminars and symposiums, participating in various large-scale lighting exhibitions in the PRC as well as placing advertisements across all forms of media, in an effort to raise the brand awareness of 'Bright Your Home' and 'Bright' in home lighting and commercial lighting businesses respectively.

The Group will also continue to establish franchise chain stores in various first-to-second-tier cities, such as Beijing, Shanghai, Shenyang, Dalian, Harbin, Tianjin, Wuhan, Hangzhou, Ningbo and Guangzhou as well as set up different stock-houses. The Group is confident of establishing approximately 200 franchise chain stores in the coming three to five years. It is believed that the setting up of franchise chain stores enables the Group to increase its market share in the most efficient and effective manner. As for the lighting projects sector, the Group fixes its target at supplying lighting products to large scale infrastructure projects such as road construction, department stores chain and hotel chain.

Management Discussion and Analysis (Cont'd)

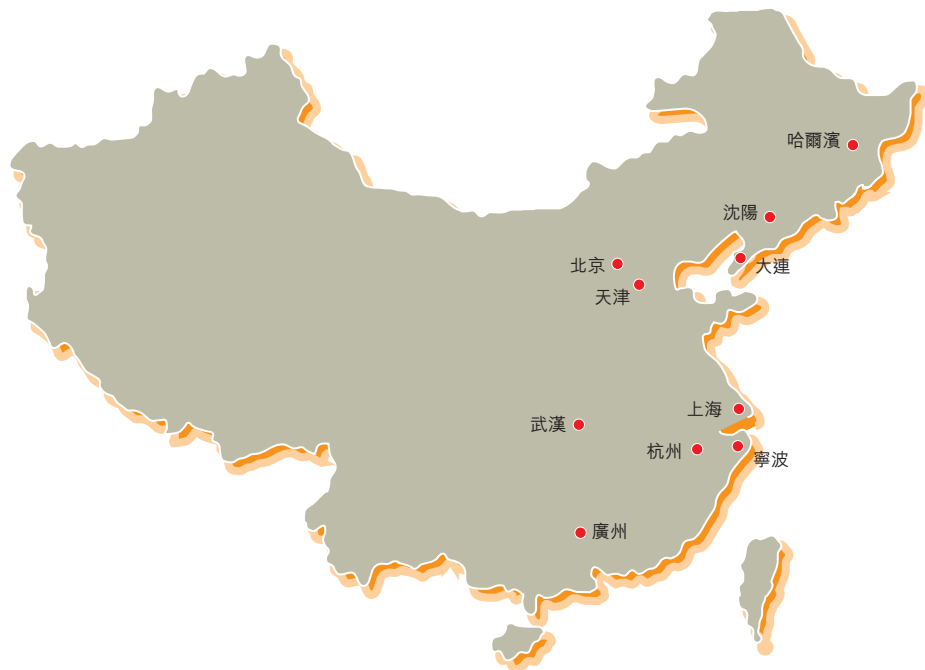
管理層討論及分析(續)

集團的商業照明業務在去年已有顯著之增長。未來，為配合商業照明業務之發展，集團將加快壓鑄廠的第二期及第三期的工程及加強於本年度收購的光源廠房之生產技術及質量保證，進一步提高集團的生產力；加強研發能力，以開發設計更多商業照明產品以供客戶選擇，以及加強與目標客戶的聯系及推廣工作，以建立「瑩輝照明」更高的知名度及爭取更高的營業額。海外市場發展方面，本集團將致力加強與現有客戶之關係，沿用集團的成功行銷策略，貫徹提供質素超卓、創新及適合當地市場口味的產品，將集團的產品滲透至住宅照明產品市場的每個角落。此外，本集團亦將商業照明產品推廣至海外的現有客戶，進一步拓闊不同產品收入來源。

至於本集團於二零零三年主力發展潛力龐大的中國內銷市場，亦已籌劃一套完備及具效益的策略。首先，集團將於中國多個主要城市成立銷售代辦處，覆蓋更多的銷售地區。集團亦已招攬不少具豐富經驗的銷售人員，以積極的市場的推廣策略，如定期為潛在分銷商舉辦不同類型之產品推介會及研討會外、參與多個於中國舉行的大型展展及透過不同媒體刊登廣告，以加強推廣及提高集團的住宅照明「百得詩特」品牌及商業照明「瑩輝照明」兩大品牌的知名度。

集團將於中國的一、二線城市，如北京、上海、沈陽、大連、哈爾濱、天津、武漢、杭州、寧波及廣州等地開設特許經營連鎖加盟店，集團並設立配貨中心，以提供配貨服務。集團具備信心在三至五年內於中國開設約200家加盟店，以最迅速及具效益之方法增加集團於內銷市場佔有率。至於照明工程項目，集團將主要針對酒店工程、連鎖百貨公司及商業和工業照明的項目，為此等目標客戶提供配光、設計及安裝照明裝置服務。

本集團藉著以上策略方針已為輝煌的未來奠下鞏固的根基。最終目的，就是為支持我們的股東及投資者帶來更豐厚的回報。



Management Discussion and Analysis (Cont'd)

管理層討論及分析 (續)

With these strategies in place, it is clear that the Group is well-poised for an even more promising growth track and ultimately, bringing more fruitful returns to our shareholders.

Liquidity and financial resources

The internal cashflow generated by the Group is usually used as the working capital. As at 31 December 2002, the Group's cash on hand and bank balances totalled HK\$108 million with net current asset amounted to HK\$167 million. The Group had no long term or short term debt. No provision for bad debt was made during the year. Generally speaking, the Group had a solid financial position which provides a good foundation for the Group's future business developments.

Contingent liabilities

At 31 December 2002, the Group had no significant contingent liabilities.

Charge on assets

At 31 December 2002, the Group had time deposits of HK\$7,556,000 pledged for general banking facilities granted to the Group. Except for the above, the Group has no other assets pledged as security for any debt or loan borrowings.

Foreign Exchange and Currency Risks

The majority of the Group's account receivables were denominated in US dollars. Due to the fact that HK dollar is pegged to the US dollar, the Group is exposed to a very low currency risk. Also, during the year the Group has no hedging activity.

Employees and Remuneration Policy

As at 31 December 2002, the Group has approximately 1,800 employees (2001: approximately 1,400). We remunerate our employees based on their performance and the prevailing industry practices and the remuneration policy and package is reviewed by the Board on a periodical basis. Bonus and share options may be awarded to employees based on performance evaluation. These are drives and encouragements for personal performance. Up to now, no share option has been granted by the Group to its employees.

Use of proceeds of the initial public offer

The Company's shares were listed on The Stock Exchange of Hong Kong Limited in November 1999. Through the issue of 75 million new shares at HK\$1.13 each, the Group has raised HK\$84.75 million. After deduction of necessary expenses, net proceeds are HK\$71 million.

The unused HK\$37 million in 2001 were fully used for construction of the die-casting factory as planned during the year.



Management Discussion and Analysis (Cont'd)

管理層討論及分析(續)

流動資產及財務資源

本集團一般以內部衍生之現金流量撥付營運所需。於二零零二年十二月三十一日，本集團之現金金額及銀行結餘合共約達108,000,000港元，流動資產淨額為167,000,000港元，而本集團並無任何長期或短期負債。於本年度，亦無壞賬撥備。整體而言，本集團的財務狀況相當穩健，有助本集團未來在業務上的發展。

或然負債

於二零零二年十二月三十一日，本集團並無重大或然負債。

物業抵押

於二零零二年十二月三十一日，本集團將定期存款7,556,000港元作出抵押，以作為本集團獲取若干銀行信貸之擔保。除上述外，本集團並無任何物業抵押以作任何信貸之擔保。

外匯及對沖風險

本集團應收賬款大部分均以美元結算，由於港元和美元之間存在聯繫匯率，因此，本集團貨幣對換風險是非常低。於本年度內，本集團並無任何對沖投資之活動。

僱員薪酬政策

於二零零二年十二月三十一日，本集團旗下員工共約1,800人(二零零一年：約1,400人)。員工薪酬福利乃按彼等工作表現和市況而制定，並獲董事會定期作出評估。另外，亦會透過表現評估酌情對員工發放年終獎金及購股權，以獎勵及推動個人工作表現。截至目前為止，本集團並沒有授出購股權予其員工。

公開發售所得款項用途

本公司股份於一九九九年十一月在聯交所正式上市，透過發行75,000,000股新股，每股作價1.13港元，集資84,750,000港元，在扣除有關支出後，集資淨額約為71,000,000港元。

去年仍未動用之37,000,000港元，已按原本集資用途在年內全數用作興建壓鑄廠。