

## 1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 20 to the financial statements.

## 2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group adopted, for the first time, the following Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the term of HKFRS is inclusive of Statements of Standards Accounting Practice ("SSAP") and Interpretations approved by the HKICPA.

### Income Taxes

In the current period, the Group has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, under which a liability was recognised in respect of timing differences arising, except where timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for the year ended 30 June 2003 have been restated accordingly. As a result of this change in policy, the balance of retained profits at 1 July 2002 has been increased by HK\$580,000, representing the cumulative effect of the change in policy on the results for periods prior to 1 July 2002. The change has resulted in a decrease in the net profit for the period of HK\$10,090,000 and an increase in the net loss for the year ended 30 June 2003 of HK\$359,000.

### 3. IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

The HKICPA has issued a number of new and revised HKFRS and Hong Kong Accounting Standards ("new HKFRSs") which are 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 period 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.

### 4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of leasehold land and building and investment properties, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December.

The results of subsidiaries acquired or disposed of during the period are included in the consolidated income statement from the effective dates of acquisition or up to the effective dates of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

#### **Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

### Jointly controlled entities

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

### Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation and accumulated impairment losses.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on revaluation of land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

#### 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

##### Property, plant and equipment *(Continued)*

Depreciation is provided to write off the cost or valuation of items of property, plant and equipment over their estimated useful lives and after taking into account their residual value, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	2% to 4%
Plant and machinery	10% to 25%
Leasehold improvements and others	10% to 25%

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

##### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as revaluation decrease under that SSAP.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately unless the relevant asset is carried at revalued amount under another SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that SSAP.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on an annual professional valuation at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit on a portfolio basis, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is included in the determination of the profit or loss on disposal.

No depreciation is provided on investment properties except where the unexpired term of relevant lease is 20 years or less.

### Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is capitalised and amortised on straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition over the cost of acquisition.

Negative goodwill is presented as a deduction from assets. To the extent that such negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expense arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of an associate or a jointly controlled entity is deducted from the carrying value of that associate or jointly controlled entity. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

### Intangible assets

Intangible assets represent expenses incurred for the application and registration of trademarks and patents. They are stated at cost less amortisation and accumulated impairment losses. Amortisation is calculated to write off the cost of trademarks and patents over its estimated useful life, using the straight line method over periods not exceeding five years.

### Leased assets

#### *Lessor*

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the lessees.

All other leases are classified as operating leases and the rental income is recognised on a straight-line basis over the relevant lease term.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Leased assets** *(Continued)*

#### **Lessee**

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the rentals are charged to the income statement on a straight-line basis over the relevant lease term.

#### **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.

#### **Revenue recognition**

Sales of goods are recognised when the goods are delivered and title has passed.

Rental income is recognised on a straight line basis over the relevant lease terms.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition other than in a business combination of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### **Foreign currencies**

Transactions in currencies other than Hong Kong dollar are translated at the rates ruling on the date of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollar are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.



## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### Foreign currencies *(Continued)*

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising if any are classified as equity and transferred to the Group's exchange fluctuation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

### Retirement benefits scheme

Payments to the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

Employees of the Group's subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. Contributions are made based on a percentage of the eligible employees' salaries pursuant to relevant pension regulations. Contributions to the central pension scheme are charged to income statement as incurred.

### 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.

## 5. TURNOVER

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances.

## 6. SEGMENT INFORMATION

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

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products. Details of the business segments are as follows:

- a) Electronic product segment engages in the manufacture and trading of electronic and electrical parts and components.
- b) Lighter product segment engages in the design, manufacture and sale of cigarette lighters and related accessories.

## 6. SEGMENT INFORMATION *(Continued)*

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

### (a) Business segments

The following tables present revenue, results and certain asset, liability and expenditure information for the Group's business segments.

#### THE GROUP

	Electronic products		Lighter products		Consolidated	
	1.7.2003 to 31.12.2004 HK\$'000	1.7.2002 to 30.6.2003 HK\$'000	1.7.2003 to 31.12.2004 HK\$'000	1.7.2002 to 30.6.2003 HK\$'000	1.7.2003 to 31.12.2004 HK\$'000	1.7.2002 to 30.6.2003 HK\$'000
Segment revenue:						
Sales to external customers	308,445	-	251,437	140,193	559,882	140,193
Segment results	61,483	-	1,548	(1,554)	63,031	(1,554)
Interest income					18	69
Net unallocated expenses					(2,989)	(1,172)
Profit/(loss) from operations					60,060	(2,657)
Finance costs					(1,381)	(1,221)
Share of loss of a jointly controlled entity					-	(1,457)
Profit/(loss) before taxation					58,679	(5,335)
Taxation					(10,248)	(476)
Profit/(loss) before minority interests					48,431	(5,811)
Minority interests					(1)	-
Net profit/(loss) for the period/year					48,430	(5,811)

## 6. SEGMENT INFORMATION *(Continued)*

### (a) Business segments *(Continued)*

#### THE GROUP

	Electronic products		Lighter products		Consolidated	
	31.12.2004	30.6.2003	31.12.2004	30.6.2003	31.12.2004	30.6.2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	196,627	-	114,763	102,476	311,390	102,476
Interests in a jointly controlled entity					424	(1,652)
Unallocated assets					39,219	7,523
<b>Total assets</b>					<b>351,033</b>	<b>108,347</b>
Segment liabilities	35,391	-	56,918	23,021	92,309	23,021
Unallocated liabilities					27,597	12,853
<b>Total liabilities</b>					<b>119,906</b>	<b>35,874</b>
Other segment information:						
Capital expenditures	42,905	-	4,992	7,062	47,897	7,062
Depreciation and amortisation	6,003	-	8,187	5,527	14,190	5,527

## 6. SEGMENT INFORMATION *(Continued)*

### (b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments.

#### THE GROUP

	United States of America		Hong Kong		Elsewhere in the PRC		Asia		Others		Consolidated	
	1.7.2003	1.7.2002	1.7.2003	1.7.2002	1.7.2003	1.7.2002	1.7.2003	1.7.2002	1.7.2003	1.7.2002	1.7.2003	1.7.2002
	to	to	to	to	to	to	to	to	to	to	to	to
	31.12.2004	30.6.2003	31.12.2004	30.6.2003	31.12.2004	30.6.2003	31.12.2004	30.6.2003	31.12.2004	30.6.2003	31.12.2004	30.6.2003
	HK\$'000	HK\$'000	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	92,780	55,226	116,846	5,640	223,086	10,580	67,331	28,359	59,839	40,388	559,882	140,193
Other operating income	-	-	4,819	3,292	4,271	266	-	34	114	135	9,204	3,727
Total revenue	92,780	55,226	121,665	8,932	227,357	10,846	67,331	28,393	59,953	40,523	569,086	143,920

	United States of America		Hong Kong		Elsewhere in the PRC		Asia		Others		Consolidated	
	31.12.2004	30.6.2003	31.12.2004	30.6.2003	31.12.2004	30.6.2003	31.12.2004	30.6.2003	31.12.2004	30.6.2003	31.12.2004	30.6.2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other segment information:												
Segment assets	-	-	170,473	50,263	180,560	58,039	-	45	-	-	351,033	108,347
Capital expenditure	-	-	2,314	2,888	45,583	4,174	-	-	-	-	47,897	7,062

The contribution to profit/(loss) from operating activities by geographical area is substantially in line with the overall rate of contribution to turnover and, accordingly, a geographical analysis of contribution, which is discloseable pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), is not presented.

## 7. OTHER OPERATING INCOME

	THE GROUP	
	1.7.2003 to 31.12.2004 HK\$'000	1.7.2002 to 30.6.2003 HK\$'000
Dividend income	144	–
Amortisation of deferred income	2,076	2,007
Gross rental income	542	506
Less: Outgoings	64	40
Net rental income	478	466
Interest income	18	69
Gain on disposal of machineries held for resale	1,203	–
Revaluations surplus on:		
Leasehold land and buildings	841	–
Investment properties	1,580	–
Gain on disposal of property, plant and equipment	68	–
Exchange gains, net	8	135
Release of negative goodwill to income	106	–
Gain on disposal of other investments	75	–
Freight charge income	745	–
Others	1,862	1,050
	<b>9,204</b>	<b>3,727</b>

## 8. PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) from operations has been arrived at after charging:

	THE GROUP	
	1.7.2003 to 31.12.2004 HK\$'000	1.7.2002 to 30.6.2003 HK\$'000
Auditors' remuneration	520	240
Depreciation and amortisation		
Depreciation of property, plant and equipment	13,272	4,803
Amortisation of intangible assets (included in administrative expenses)	917	724
Amortisation of goodwill (included in administrative expenses)	1	–
Total depreciation and amortisation	14,190	5,527
Staff costs		
Directors' remuneration (note 10)	3,511	2,863
Salaries and other benefit of other staff	17,442	9,272
Retirement benefit scheme contributions, excluding directors	459	159
Total staff costs	21,412	12,294
Revaluation deficit on:		
Leasehold land and buildings	–	348
Investment properties	–	1,310
Loss on disposal of property, plant and equipment	–	107

## 9. FINANCE COSTS

	THE GROUP	
	1.7.2003 to 31.12.2004 HK\$'000	1.7.2002 to 30.6.2003 HK\$'000
Interests on:		
bank borrowings and overdrafts	1,298	1,021
finance leases	83	200
	<u>1,381</u>	<u>1,221</u>

## 10. DIRECTORS' EMOLUMENTS

	THE GROUP	
	1.7.2003 to 31.12.2004 HK\$'000	1.7.2002 to 30.6.2003 HK\$'000
Directors' fees:		
Executive	–	–
Independent non-executive	148	210
	<u>148</u>	<u>210</u>
Other emoluments:		
Salaries and other benefits	3,330	2,616
Retirement benefits scheme contributions	33	37
	<u>3,363</u>	<u>2,653</u>
Total emoluments	<u>3,511</u>	<u>2,863</u>

The emoluments of the directors were within the following bands:

	Number of directors	
	1.7.2003 to 31.12.2004	1.7.2002 to 30.6.2003
Nil – HK\$1,000,000	14	5
HK\$2,000,001 – HK\$2,500,000	<u>–</u>	<u>1</u>

## 11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, five (1.7.2002 – 30.6.2003: four) were directors of the Company whose emoluments are included in the disclosures in note 10 above. The emolument of the remaining NIL (1.7.2002 – 30.6.2003: one) individual was as follows:

	THE GROUP	
	1.7.2003 to 31.12.2004 HK\$'000	1.7.2002 to 30.6.2003 HK\$'000
Salaries and other benefits	–	513

The emolument was within the following band:

	Number of employees	
	1.7.2003 to 31.12.2004	1.7.2002 to 30.6.2003
Nil to HK\$1,000,000	–	1

## 12. TAXATION

	THE GROUP	
	1.7.2003 to 31.12.2004 HK\$'000	1.7.2002 to 30.6.2003 HK\$'000
Hong Kong Profits Tax		
– current period/year	160	5
– (overprovision)/underprovision in prior years	(2)	112
	158	117
Deferred taxation (Note 29)	10,090	359
	10,248	476

Hong Kong Profits Tax is calculated at 17.5% (1.7.2002-30.6.2003: 17.5%) of the estimated assessable profits arising in Hong Kong for the period/year.



12. TAXATION *(Continued)*

The taxation for the period/year is reconciled to the profit/(loss) before taxation per the consolidated income statement as follows:

	THE GROUP	
	1.7.2003 to 31.12.2004 HK\$'000	1.7.2002 to 30.6.2003 HK\$'000
Profit/(loss) before taxation	<u>58,679</u>	<u>(5,335)</u>
Tax at the domestic income tax rate of 17.5% (1.7.2002-30.6.2003: 17.5%)	10,269	(934)
Tax effect of expenses that are not deductible in determining taxable profit	270	1,379
Tax effect of income that is not taxable in determining taxable profit	(870)	(120)
Utilisation of tax losses previously not recognised	(118)	(125)
Tax effect of tax losses not recongised	1,877	482
(Overprovision)/Underprovision in prior years	(2)	112
Effect of different tax rates of subsidiaries operating in other jurisdiction	(1,178)	(264)
Increase in opening deferred tax liability resulting from an increase in Hong Kong Profits Tax rate	<u>—</u>	<u>(54)</u>
Taxation for the period/year	<u>10,248</u>	<u>476</u>

### 13. DIVIDENDS

	1.7.2003 to 31.12.2004 HK\$'000	1.7.2002 to 30.6.2003 HK\$'000
Interim dividend of HK\$0.01 (1.7.2002 – 30.6.2003: nil) per share	2,925	–
Proposed final dividend of HK\$0.03 (1.7.2002 – 30.6.2003: nil) per share	8,775	–
	<u>11,700</u>	<u>–</u>

The directors proposed a final dividend of HK\$0.03 per share. This proposed dividend is not reflected as a liability at 31 December 2004 as it is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

### 14. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings per share is based on the net profit for the period of HK\$48,430,000 (1.7.2002-30.6.2003 (restated): loss of HK\$5,811,000) and the weighted average number of 228,604,000 (1.7.2002-30.6.2003: 150,000,000) ordinary shares in issue during the period.

Diluted earnings or loss per share amounts for the period/year have not been presented as there were no dilutive potential ordinary shares outstanding at the period/year end.

## 15. PROPERTY, PLANT AND EQUIPMENT

### THE GROUP

	Leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Leasehold improvements and others HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>COST OR VALUATION</b>					
At 1 July 2003	35,869	45,437	4,546	816	86,668
Additions	–	43,358	1,289	1,831	46,478
Acquisition of subsidiaries	–	37,882	24	–	37,906
Disposals	–	–	(500)	–	(500)
Transfer	96	1,061	–	(1,157)	–
Surplus on revaluation	1,812	–	–	–	1,812
<b>At 31 December 2004</b>	<b>37,777</b>	<b>127,738</b>	<b>5,359</b>	<b>1,490</b>	<b>172,364</b>
Comprising:					
At cost	–	127,738	5,359	1,490	134,587
At valuation	37,777	–	–	–	37,777
	<b>37,777</b>	<b>127,738</b>	<b>5,359</b>	<b>1,490</b>	<b>172,364</b>
<b>DEPRECIATION</b>					
At 1 July 2003	–	26,380	3,253	–	29,633
Provided for the period	158	12,282	832	–	13,272
Acquisition of subsidiaries	–	1,238	1	–	1,239
Eliminated on disposals	–	–	(338)	–	(338)
Eliminated on revaluation	(158)	–	–	–	(158)
<b>At 31 December 2004</b>	<b>–</b>	<b>39,900</b>	<b>3,748</b>	<b>–</b>	<b>43,648</b>
<b>NET BOOK VALUES</b>					
<b>At 31 December 2004</b>	<b>37,777</b>	<b>87,838</b>	<b>1,611</b>	<b>1,490</b>	<b>128,716</b>
At 30 June 2003	35,869	19,057	1,293	816	57,035

## 15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The net book value of properties shown above comprises:

	THE GROUP	
	31.12.2004 HK\$'000	30.6.2003 HK\$'000
Land in Hong Kong:		
Long-term lease	4,353	3,724
Medium-term lease	1,170	1,116
Land outside Hong Kong:		
Medium-term lease	32,254	31,029
	<b>37,777</b>	<b>35,869</b>

The leasehold land and buildings of the Group in Hong Kong and the PRC were valued at 31 December 2004 by Messrs. Dynasty Premium Asset Valuation & Real Estate Consultancy Limited, on an open market value basis. Messrs. Dynasty Premium Asset Valuation & Real Estate Consultancy Limited is not connected with the Group.

If leasehold land and buildings of the Group had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation of HK\$17,222,000 (30.6.2003: HK\$17,380,000).

The net book value of machinery and a motor vehicle (grouped under leasehold improvements and other) held under finance leases as at 31 December 2004 amounted to HK\$NIL (30.6.2003: HK\$3,663,000) and HK\$413,000 (30.6.2003: HK\$211,000) respectively.

The Group has pledged the leasehold land and buildings situated in Hong Kong with a net book value of HK\$NIL (30.6.2003: HK\$4,840,000) to secure general banking facilities granted to the Group.

## 16. INVESTMENT PROPERTIES

	THE GROUP HK\$'000
At 1 July 2003	9,602
Revaluation increase	1,580
<b>At 31 December 2004</b>	<b>11,182</b>

The Group's investment properties are situated in Hong Kong and held under long-term leases. Investment properties were valued at their open market value at 31 December 2004 by Messrs. Dynasty Premium Asset Valuation & Real Estate Consultancy Limited. This valuation gave rise to a revaluation increase of HK\$1,580,000 which has been credited to the consolidated income statement.

The Group has pledged the investment properties situated in Hong Kong with a net book value of HK\$NIL (30.6.2003: HK\$9,602,000) to secure general banking facilities granted to the Group.

## 17. INTANGIBLE ASSETS

THE GROUP	Trademark and patents HK\$'000
<b>COST</b>	
At 1 July 2003	3,623
Additions	1,419
<b>At 31 December 2004</b>	<b>5,042</b>
<b>AMORTISATION</b>	
At 1 July 2003	2,436
Charge for the period	917
<b>At 31 December 2004</b>	<b>3,353</b>
<b>NET BOOK VALUE</b>	
<b>At 31 December 2004</b>	<b>1,689</b>
At 30 June 2003	1,187

## 18. GOODWILL

THE GROUP	HK\$'000
<hr/>	
COST	
Arising on acquisition of a subsidiary during the period and at 31 December 2004	13
	<hr/>
AMORTISATION	
Charge for the period and at 31 December 2004	1
	<hr/>
NET BOOK VALUE	
<b>At 31 December 2004</b>	<b>12</b>
	<hr/>
At 30 June 2003	–
	<hr/>

Goodwill on consolidation is amortised on a straight-line basis over 20 years.

## 19. NEGATIVE GOODWILL

THE GROUP	HK\$'000
<hr/>	
GROSS AMOUNT	
Arising on acquisition of subsidiaries during the period and at 31 December 2004	2,129
	<hr/>
RELEASED TO INCOME	
Released in the period and at 31 December 2004	106
	<hr/>
CARRYING AMOUNT	
<b>At 31 December 2004</b>	<b>2,023</b>
	<hr/>
At 30 June 2003	–
	<hr/>

Negative goodwill is released to income on a straight-line basis over 20 years.

## 20. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	31.12.2004 HK\$'000	30.6.2003 HK\$'000
Unlisted shares, at cost	108,915	62,515
Amounts due from subsidiaries	93,890	13,915
	<b>202,805</b>	<b>76,430</b>

The amounts due from subsidiaries are unsecured, interest-free and repayable after one year.

Particulars of the subsidiaries at 31 December 2004 are as follows:

Name	Place of incorporation/ registration and operations	Issued and paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Classic Line International Limited	British Virgin Islands	US\$16	100	–	Investment holding
Eversun Corporation Limited	Hong Kong	HK\$2	–	100	Trading of cigarette lighters
Headjoin Limited	Hong Kong	HK\$2	–	100	Property investment
Longnan County Poly Action Plastic & Metal Products Co., Limited	PRC	US\$4,500,000	–	100	Manufacturing of cigarette lighters and lighters parts
Polycity Enterprise Limited	Hong Kong	HK\$2	–	100	Trading of cigarette lighters
PT. Magastand Industries	Indonesia	US\$250,000	–	99	Dormant
Ribbon Worldwide Limited	British Virgin Islands	US\$1	–	100	Investment holding

20. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Issued and paid-up share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tak Fi Brothers Limited	British Virgin Islands	US\$2	–	100	Investment holding, product design and trading of cigarette lighters and related products
Kingtech Industrial Limited	Hong Kong	HK\$1	–	100	Trading of cigarette lighters
Link Triumph Limited	British Virgin Islands	US\$1	–	100	Investment holding
Sharp Technology Limited	British Virgin Islands	US\$1	100	–	Investment holding
Key Legend Limited	British Virgin Islands	US\$2	100	–	Investment holding
Semtech International (BVI) Limited	British Virgin Islands	US\$1	100	–	Investment holding
Fast Harvest Limited	Hong Kong	HK\$2	–	100	Provision of management service
Super Victory Enterprises Limited	Hong Kong	HK\$2	–	100	Manufacturing and trading of electrical parts and components
Top Victory Industries Limited	British Virgin Islands	US\$1	–	100	Investment holding
SV Semiconducators Limited	Hong Kong	HK\$2	–	100	Trading of electronic and electrical parts and components
Semtech Electronics Limited	Hong Kong	HK\$1,000,000	–	100	Trademark holding



## 21. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	31.12.2004 HK\$'000	30.6.2003 HK\$'000
Amount due from a jointly controlled entity	3,132	3,132
Deferred income	(2,708)	(4,784)
	<b>424</b>	<b>(1,652)</b>

The amount due from a jointly controlled entity is unsecured, interest-free and repayable after one year. Deferred income arising from sales of production machinery and moulds to the jointly controlled entity is amortised over 5 to 10 years, which approximates the useful lives of the machinery and moulds.

Particulars of the jointly controlled entity are as follows:

Name of entity	Form of business structure	Place of incorporation and operation	Percentage of paid-up capital held by the Group	Principal activities
Shangdong Luneng Plastics & Metal Mfy. Co., Ltd	Corporate	PRC	50	Manufacturing of cigarette lighters and lighter parts

The Group's entitlement to share in the profits of its jointly controlled entity is in proportion to its ownership interest.

## 22. INVENTORIES

	THE GROUP	
	31.12.2004 HK\$'000	30.6.2003 HK\$'000
Raw materials	40,392	5,665
Work in progress	4,034	3,433
Finished goods	11,295	4,164
	<b>55,721</b>	<b>13,262</b>

All the inventories are carried at cost.

## 23. TRADE AND BILLS RECEIVABLES

The Group allows an average credit period of 30 to 90 days to its trade customers.

The following is an aged analysis of trade and bills receivable at the balance sheet date:

	THE GROUP	
	31.12.2004 HK\$'000	30.6.2003 HK\$'000
Within 3 months	92,277	3,943
4 – 6 months	1,460	1,350
7 – 12 months	5,494	1,722
13 – 24 months	1,325	1,471
	<u>100,556</u>	<u>8,486</u>

## 24. TRADE AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables at the balance sheet date:

	THE GROUP	
	31.12.2004 HK\$'000	30.6.2003 HK\$'000
Within 3 months	74,900	15,911
4 – 6 months	3,842	519
7 – 12 months	319	1,009
13 – 24 months	2	33
Over 24 months	–	372
	<u>79,063</u>	<u>17,844</u>

Included in trade and bills payables at 31 December 2004 was a trade and bills payable of HK\$17,237,000 (30.6.2003: HK\$12,173,000) due to the jointly controlled entity of the Group, which was unsecured, interest-free and had no fixed terms of repayment.

## 25. OTHER PAYABLES AND ACCRUALS

	THE GROUP		THE COMPANY	
	31.12.2004 HK\$'000	30.6.2003 HK\$'000	31.12.2004 HK\$'000	30.6.2003 HK\$'000
Other payables and accruals	13,601	4,898	355	120
Amounts due to related companies	–	87	–	77
	<b>13,601</b>	<b>4,985</b>	<b>355</b>	<b>197</b>

The amounts due to related companies are unsecured, interest-free and have no fixed terms of repayment.

## 26. AMOUNTS DUE TO DIRECTORS

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

## 27. BANK BORROWINGS

	THE GROUP	
	31.12.2004 HK\$'000	30.6.2003 HK\$'000
Bank overdrafts, secured	–	2,157
Bank loans, secured	–	6,240
	<b>–</b>	<b>8,397</b>
The maturity profile of the above loans and overdrafts is as follows:		
On demand or within one year	–	6,759
More than one year, but not exceeding two years	–	647
More than two years, but not exceeding five years	–	991
	<b>–</b>	<b>8,397</b>
Less: Amounts due within one year shown under current liabilities	–	(6,759)
	<b>–</b>	<b>1,638</b>

## 27. BANK BORROWINGS *(Continued)*

The Group's bank loans and overdrafts are secured by:

- (i) all-monies legal charges over the Group's leasehold land and buildings and investment properties situated in Hong Kong with an aggregate carrying value of HK\$NIL (30.6.2003: HK\$14,442,000) at the balance sheet date as set out in notes 15 and 16;
- (ii) the pledge of the Group's time deposits amounting to HK\$500,000 (30.6.2003: HK\$2,041,000).

## 28. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payment	
	31.12.2004 HK\$'000	30.6.2003 HK\$'000	31.12.2004 HK\$'000	30.6.2003 HK\$'000
Amounts payable under finance leases:				
Within one year	79	1,594	76	1,510
In the second to fifth years inclusive	20	171	20	167
	<u>99</u>	<u>1,765</u>	<u>96</u>	<u>1,677</u>
Less: Future finance charges	(3)	(88)	-	-
Present value of lease obligations	<u>96</u>	<u>1,677</u>	<u>96</u>	<u>1,677</u>
Less: Amounts due within one year shown under current liabilities			<u>(76)</u>	<u>(1,510)</u>
Amounts due after one year			<u>20</u>	<u>167</u>

The Group leases a motor vehicle for its business operation. The lease is classified as finance leases and has a remaining lease term of 2 years.

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

## 29. DEFERRED TAXATION

	Accelerated tax depreciation	Tax losses	Provision for doubtful debts	Total
At 1 July 2002				
– as previously reported	–	–	–	–
– adjustment on adoption of SSAP 12 (Revised) (Note 2)	516	(883)	(213)	(580)
– as restated	516	(883)	(213)	(580)
Charge to income for the year	288	125	–	413
Effect of change in tax rate				
– Charge/(credit) to income for the year	48	(83)	(19)	(54)
At 30 June 2003	852	(841)	(232)	(221)
Acquisition of subsidiaries	6,417	(3,985)	–	2,432
Charge to income for the period	5,955	4,135	–	10,090
<b>At 31 December 2004</b>	<b>13,224</b>	<b>(691)</b>	<b>(232)</b>	<b>12,301</b>

For the purposes of balance sheet presentation, certain deferred tax assets and liabilities have been offset in accordance with the conditions set out in SSAP 12 (Revised). The following is the analysis of the deferred tax balances for financial reporting purposes:

	31.12.2004 HK\$'000	30.6.2003 HK\$'000
Deferred tax liabilities	13,224	852
Deferred tax assets	(923)	(1,073)
	<b>12,301</b>	<b>(221)</b>

## 29. DEFERRED TAXATION *(Continued)*

At the balance sheet date, the Group has unused tax losses of HK\$16,756,000 (2003: HK\$7,561,000) available for offset against future profits. A deferred tax asset has been recognised in respect of HK\$3,949,000 (2003: HK\$4,806,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$12,809,000 (2003: HK\$2,755,000) due to the unpredictability of future profits streams.

The Company had no significant unprovided deferred taxation for the period or at the balance sheet date.

## 30. SHARE CAPITAL

	Number of shares	HK\$'000
Ordinary shares of HK\$0.10 each		
Authorised:		
At 1 July 2002, 30 June 2003 and 31 December 2004	800,000,000	80,000
Issued and fully paid:		
At 1 July 2002 and 30 June 2003	150,000,000	15,000
Issued on private placements (note a)	50,000,000	5,000
Issued on exercise of share options (note b)	34,500,000	3,450
Issued in consideration for the acquisition of subsidiaries (note c)	58,000,000	5,800
<b>At 31 December 2004</b>	<b>292,500,000</b>	<b>29,250</b>

Notes:

- (a) During the period ended 31 December 2004, arrangements were made for private placements to provide additional working capital for the Group and details are as follows:

Issue date	Number of ordinary shares	Issue price
12 January 2004	30,000,000	HK\$0.63
12 May 2004	20,000,000	HK\$1.13
	<u>50,000,000</u>	

## 30. SHARE CAPITAL *(Continued)*

- (b) On 5 January 2004, the Company issued 15,000,000 ordinary shares at the price of HK\$0.347 per share upon the exercise of share options granted to certain employees. On 1 April 2004, the Company issued 19,500,000 ordinary shares at the price of HK\$1.014 per upon the exercise of share options granted to certain employees.
- (c) On 10 May 2004, the Company allotted 58,000,000 ordinary shares at the price of HK\$0.80 per share as consideration for the acquisition of Key Legend Limited.

## 31. SHARE OPTION SCHEME

The Company has adopted share option schemes on 30 June 2000 (the "2000 Scheme") and 28 November 2002 (the "2002 Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Details are set out below:

### (a) 2000 Scheme

Pursuant to the terms of the 2000 Scheme which terminated on 28 November 2002, the Company may grant options to the Company's directors and full-time employees of the Group.

The maximum number of unexercised share options permitted to be granted under the 2000 Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. No share options have been granted under the 2000 Scheme.

### (b) 2002 Scheme

On 28 November 2002, the Company adopted the 2002 Scheme which will expire on 27 November 2012. Pursuant to the terms of the 2002 Scheme, the directors of the Company may grant options to directors and full time employees of the Company or its subsidiaries to subscribe for shares in the Company at a consideration of HK\$1. The subscription price for the shares under the 2002 Scheme shall be a price determined by the directors of the Company being at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (ii) the average closing price of the shares stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; or (iii) the nominal value of the shares. Options granted are exercisable at any time during a period to be notified by the directors of the Company but limited to a maximum period of ten years after the date the options are granted. Options granted should be accepted within 28 days from the date of offer.

### 31. SHARE OPTION SCHEME *(Continued)*

#### (b) 2002 Scheme *(Continued)*

The maximum number of shares which may be issued upon exercise of all options to be granted under the 2002 Scheme and the other schemes shall not exceed 10% of the shares in issue at the date on which the 2002 Scheme becomes unconditional.

The Company may, by the approval of the shareholders in general meeting, grant options beyond the 10% limit provided that the options in excess of the 10% limit are granted only to employees specifically identified by the Company before shareholders' approval is sought.

Unless approved by the shareholders as set out herein, the total number of shares issued and to be issued upon exercise of the options granted to each employee (including both exercised and outstanding options) in any twelve month period must not exceed 1% of the shares of the Company in issue. Where any further grant of options to an employee would result in the shares issued and to be issued upon exercise of any options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the twelve month period up to and including the date of such further grant representing in aggregate over 1% of the shares in issue, such further grant must be separately approved by the shareholders in general meeting with such employee and his associates abstaining from voting.

However, the overall limit on the number of shares which may be issued upon exercise of all options granted under all share option schemes of the Company must not exceed 30% of the shares in issue from time to time.

Set out below was the options granted during the period:

Participants	Date of grant	Exercise price HK\$	Balance of 1 July 2003	Number of share options		Balance of 31 December 2004
				Granted during the period	Exercised during the period	
Employees	5 January 2004	0.347	-	15,000,000	15,000,000	-
Employees	1 April 2004	1.014	-	19,500,000	19,500,000	-

The closing price of the Company's shares immediately before the date on which the options were granted in respect of the grant in January and April 2004 was HK\$0.345 and HK\$1.01 respectively. The weighted average closing price immediately before five days on which the option were exercised in respect of the grant in January and April 2004 was HK\$0.345 and HK\$1.01 respectively. No options were cancelled and lapsed during the period.



## 32. RESERVES

### The Company

	Share premium HK\$'000	Contributed surplus HK\$'000	(Accumulated losses)/ retained profit HK\$'000	Total HK\$'000
At 1 July 2002	6,459	62,315	(6,453)	62,321
Net loss for the year	—	—	(1,173)	(1,173)
At 30 June 2003	6,459	62,315	(7,626)	61,148
Issue of shares on private placements	36,500	—	—	36,500
Issue of shares on exercise of share options	21,528	—	—	21,528
Issue of shares on acquisition of subsidiaries	40,600	—	—	40,600
Share issue expenses	(1,074)	—	—	(1,074)
Net profit for the period	—	—	19,458	19,458
Interim dividends paid	—	—	(2,925)	(2,925)
Proposed final dividend	—	—	(8,775)	(8,775)
<b>At 31 December 2004</b>	<b>104,013</b>	<b>62,315</b>	<b>132</b>	<b>166,460</b>

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation prior to the listing of the Company's shares, over the nominal value of the Company's share issued in exchange therefor.

## 33. MAJOR NON-CASH TRANSACTION

During the period, the Group entered into a finance lease arrangement in respect of property, plant and equipment with a total capital value at the inception of the lease of HK\$471,000 (1.7.2002 to 30.6.2003: HK\$2,400,000)

### 34. ACQUISITION OF SUBSIDIARIES

	1.7.2003 to 31.12.2004 HK\$'000	1.7.2002 to 30.6.2003 HK\$'000
<b>Net assets acquired</b>		
Property, plant and equipment	36,667	–
Inventories	545	–
Trade and bills receivables	28,709	–
Prepayment, deposits and other receivables	34	–
Bank balances and cash	1,932	–
Trade payables	(15,929)	–
Other payable and accruals	(1,010)	–
Deferred taxation	(2,432)	–
	<u>48,516</u>	–
Negative goodwill	(2,129)	–
Goodwill	13	–
	<u>46,400</u>	–
Net inflow of cash and cash equivalents in connection with the acquisition of subsidiaries:		
Cash consideration	–	–
Bank balances and cash acquired	1,932	–
	<u>1,932</u>	–
Net cash inflow arising on acquisition	<u>1,932</u>	–

The subsidiaries acquired during the period ended 31 December 2004 contributed HK\$308,445,000 to the Group's turnover, and HK\$61,483,000 to the Group's profit from operations.

### 35. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	31.12.2004 HK\$'000	30.6.2003 HK\$'000	31.12.2004 HK\$'000	30.6.2003 HK\$'000
Guarantees given to banks, in respect of banking facilities utilised by subsidiaries	–	–	–	16,703
Bills discounted with recourse	–	8,306	–	–
	<u>–</u>	<u>8,306</u>	<u>–</u>	<u>16,703</u>

### 36. OPERATING LEASE ARRANGEMENTS

#### The Group as lessee

	THE GROUP	
	1.7.2003 to 31.12.2004 HK\$'000	1.7.2002 to 30.6.2003 HK\$'000
Minimum lease payments paid under operating leases during the period/year	<u>1,886</u>	<u>264</u>

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	31.12.2004 HK\$'000	30.6.2003 HK\$'000
Within one year	1,989	113
In the second to fifth years inclusive	<u>4,703</u>	<u>–</u>
	<u>6,692</u>	<u>113</u>

### 36. OPERATING LEASE ARRANGEMENTS *(Continued)*

#### The Group as lessee *(Continued)*

Operating lease payments represent rentals payable by the Group for certain of its godowns, office and production plant. Leases are negotiated for terms from one to five years.

#### The Group as lessor

The Group leases its investment properties as set out in note 16 to the financial statements under operating lease arrangements, with leases negotiated for term ranging from 1 to 2 years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	31.12.2004 HK\$'000	30.6.2003 HK\$'000
Within one year	545	50
In the second to fifth years inclusive	1,009	–
	<u>1,554</u>	<u>50</u>

### 37. CAPITAL COMMITMENTS

	THE GROUP	
	31.12.2004 HK\$'000	30.6.2003 HK\$'000
Contracted, but not provided for:		
Capital expenditure in respect of the acquisition of property, plant and equipment	<u>5,593</u>	<u>3,955</u>

### 38. RELATED PARTY TRANSACTIONS

During the period, the Group had the following material transactions with its jointly controlled entity:

	THE GROUP	
	1.7.2003 to 31.12.2004 HK\$'000	1.7.2002 to 30.6.2003 HK\$'000
Purchases of finished goods	59,646	45,318
Purchases of raw materials	1,132	21
Sales of raw materials	(14,615)	(10,532)
Sales of machinery and moulds	-	(638)

The above transactions were carried out on terms agreed between the Group and the jointly controlled entity and were conducted in the normal course of business with reference to the prevailing market prices.

Details of the Group's trade balances with the jointly controlled entity at the balance sheet date, are disclosed in note 24 to the financial statements.