Highlights of Consolidated Results

	Year ended 30 June 2001 *HK$'000*	Year ended 30 June 2000 *HK$'000*
Turnover	**171,400**	192,302
Profit/(Loss) before tax	**(8,462)**	35,287
Profit/(Loss) attributable to shareholders	**(8,541)**	30,862
Total assets	**113,338**	146,054
Total liabilities	**46,690**	71,249
Shareholders' funds	**66,648**	74,805

FINANCIAL REVIEW

The Group's total turnover was down by approximately 11% to HK$171,000,000 as compared to approximately HK$192,000,000 last year.

The decrease in turnover was mainly attributed to the partial operation suspension of the Company's Dongguan factory because of the banning of the production of dangerous goods including fireworks, cigarette lighters and other inflammable commodities announced by the Guangdong Provincial government. The loss attributable to shareholders was approximately HK$8,541,000 as compared to a net profit of approximately HK$30,862,000 last year. Though the Group's performance was negatively affected by the prevailing social fire safety issue in Guangdong province during the year under review, we are expecting a come-back as our Jiangxi factory will be in full operation next year. Cost is also expected to reduce through the Group's disciplinary budgetary control.

MARKETING STRATEGY

Geographically, with the unfavourable economic condition in the United States, the Group was still able to increase its sales in the North American market by 8% as compared to last year. Sales in China also recorded a satisfactory growth rate of 15% while sales in other regions in Asia and Europe remained steady. However, sales in Hong Kong, which was down by approximately 50%, suffered a setback due to the sluggish economic condition in the region and the keen price competition triggered by the cigarette lighter manufacturers in China.

MARKETING STRATEGY (continued)

During the year, the Group adopted a marketing strategy which matched the products with the living standard of different geographical regions. In general, high-end lighters were mainly sold to some affluent countries such as the United States and Japan whereas middle to low-end products were for markets like China and certain South East Asian countries. Though constraints have not yet been experienced by the Group because of the uncertainties hanging over the U.S. market, we have adopted preparatory measures to prevent possible shrinkage in turnover. One significant step is to strengthen our marketing effort in China. With its vast population, China has always been a huge market for cigarette lighters. China's impending entry to the World Trade Organization is going to surface tremendous business opportunities for daily commodities like cigarette lighters. To face this challenge, a marketing team headed by personnel familiarized with the China market will be established. Emphasis will be put on developing products with reasonable price and good quality, as we believe that such products can best suit the purchasing power of the population in China. We have the right industrial facilities for meeting the needs of designing and manufacturing different products to fit in the unique needs of the customers in different markets. On the other hand, the South African market is also targeted for further expansion. Our products have been well-received in South Africa for many years. As part of our aggressive marketing strategies, we will strengthen our sales and marketing in South Africa to capture new market segments by developing new marketing channels and expanding distribution network. The Group's reputation for reliability and product safety occupies a niche that allows us to grow further in this region.

PRODUCT DEVELOPMENT

Being market-oriented has underpinned the success of the Group in the past, therefore we focus on designing product which can meet market taste. During the year, we have launched a number of lighters with brand-new designs to the market and the response was satisfactory. To increase the product diversity of our products, we have been actively developing new products such as lighters especially for igniting incense in temples for countries such as Japan and Thailand. We have our own research and development team which enables us to perform such works in-house to minimize both cost and product development time. The Group will continue to diversify its products to fit into various markets to enhance sales performance and stimulate demand.

EMPLOYEES

As at 30 June 2001, the Group had about 2,720 employees spreading from Hong Kong to the PRC. Industrial relationship had been well maintained.

The Group has adopted a share option scheme whereby certain employees of the Group may be granted options to acquire shares.

APPLICATION OF PROCEEDS FOR NEW ISSUE

The net proceeds from the initial public offering of the Company amounted to approximately HK$21,300,000. As at 30 June 2001, the Group used approximately HK$7,500,000 for the automation and expansion of the Group's production facilities in Dongguan, approximately HK$3,000,000 for the expansion of the range of the Group's product lines and enhancement of its product development capabilities, approximately HK$1,000,000 for the development of new market, approximately HK$2,000,000 for the development of website for B2B e-commerce, approximately HK$5,000,000 for repayment of bank loans, and approximately HK$400,000 as general working capital, approximately HK$300,000 for upgrading facilities for the Group's factory in Shandong.

The balance of the proceeds of approximately HK$2,100,000 will be used for further industrial upgrade of the Group's factory in Shandong in future.

LIQUIDITY & FINANCIAL RESOURCES

As at 30 June 2001, the Group had a total outstanding debt and finance lease obligation of HK$11,587,000 (2000: HK$14,623,000), of which HK$8,355,000 (2000: HK$12,983,000) was secured bank loan, HK$2,892,000 (2000: HK$1,640,000) was secured overdrafts, and HK$340,000 (2000: nil) was obligation under finance lease. Our gearing ratio was at a healthy ratio of 4.6% (2000: 4.5%). The computation is based on long term borrowings of the Group divided by shareholders' fund as at 30 June 2001.

CHARGES ON GROUP'S ASSETS

At 30 June 2001, all of the Group's investment properties and leasehold land and buildings with an aggregate carrying value of HK$16,136,000 (2000: HK$14,690,000), were pledged as securities for the banking facilities granted to the Group.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earns revenue and incurs costs in US dollars and Hong Kong dollars. Foreign exchange exposure of the Group is mainly minimal so long as the Hong Kong SAR Government's policy to link the Hong Kong dollars to the US dollars remains in effect.

Since the Group's principal manufacturing operations are in the PRC and most of the operating expenses are denominated in RMB, the management is aware of possible exchange rate exposure.

TREASURY POLICIES

The Group generally finances its operation with internally generated resources and banking and credit facilities provided by the banks in Hong Kong. Borrowing methods used by the Group mainly include trust receipt loans, overdrafts facilities and bank loans. The interest rates of most of these are fixed by reference to the Hong Kong Dollar Prime Rate for foreign currency's Trade Finance Rates.

CONTINGENT LIABILITIES

At 30 June 2001, the Group had contingent liabilities not provided for in the financial statements in respect of bills discounted with recourse amounting to approximately HK$6,900,000 (2000: HK$4,800,000).

At 30 June 2001, the Company had contingent liabilities not provided for in the financial statements in respect of guarantees given to the banks in connection with facilities granted to a subsidiary amounting to HK$45,270,000 (2000: HK$45,270,000). On the same day, such facilities were utilised to the extent of approximately HK$18,200,000 (2000: HK$19,400,000).