

## NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 31 December 2001

### 1. CORPORATE INFORMATION

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The sole principal activity of the Group is the design, manufacture and sale of cigarette lighters and lighter-related accessories.

In the opinion of the directors, the ultimate holding company is Four Guard Int'l Limited, a company incorporated in the British Virgin Islands.

### 2. BASIS OF PREPARATION

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of land and buildings in Hong Kong.

The unaudited interim results of the Group have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting", and on a basis consistent with the accounting policies adopted in preparing the annual report of the Group for the year ended 30 June 2001.

### 3. SEGMENTAL INFORMATION

The sole principal activity of the Group is the design, manufacture and sale of cigarette lighters and lighter-related accessories. An analysis of the Group's turnover and contribution to profit from operating activities by geographical area of market for the six months ended 31 December 2001 is as follows:

	UNAUDITED Turnover		UNAUDITED Contribution to profit from operating activities	
	Six months ended 31 December		Six months ended 31 December	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
United States	27,356	25,593	7,249	6,615
The People's Republic of China ("PRC"):				
Hong Kong	5,893	4,123	1,562	1,627
Elsewhere	6,823	13,096	241	510
Asia	21,651	34,203	6,929	9,451
Europe	4,247	5,868	1,062	1,923
Others	6,216	4,333	1,647	1,349
	<u>72,186</u>	<u>87,216</u>	<u>18,690</u>	<u>21,475</u>
Expenses, net of income			<u>(14,842)</u>	<u>(16,465)</u>
Profit from operating activities			<u>3,848</u>	<u>5,010</u>

#### 4. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	<b>UNAUDITED</b>	
	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest expenses	613	626
Cost of goods sold	53,496	65,741
Depreciation:		
Owned fixed assets	1,771	2,565
Leased fixed assets	78	59
Amortisation of intangible assets	239	238
Provision for diminution in value of investment securities	950	—

#### 5. TAXATION

	<b>UNAUDITED</b>	
	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong	196	349
PRC, elsewhere other than Hong Kong	15	—
Deferred tax	—	—
	<u>211</u>	<u>349</u>

Hong Kong Profits Tax is calculated at the rate of 16% on the estimated assessable profit arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

There is no significant unprovided deferred taxation for both interim periods.

#### 6. DIVIDEND

The directors have resolved that no interim dividend be declared in respect of the six months ended 31 December 2001 (six months ended 31 December 2000: Nil).

## 7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	<b>UNAUDITED</b>	
	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purposes of basic and diluted Earnings per share (net profit attributable to shareholders)	3,057	1,652
	<i>thousand</i>	<i>thousand</i>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	150,000	120,164

## 8. FIXED ASSETS

During the period, the Group spent approximately HK\$2,400,000 (six months ended 31 December 2000: HK\$1,600,000) on fixed assets.

## 9. LONG-TERM INVESTMENT

	<b>Group</b>		<b>Company</b>	
	<b>31 December</b>	<b>30 June</b>	<b>31 December</b>	<b>30 June</b>
	<b>2001</b>	<b>2001</b>	<b>2001</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(UNAUDITED)</i>	<i>(AUDITED)</i>	<i>(UNAUDITED)</i>	<i>(AUDITED)</i>
Convertible note, at cost	–	2,000	–	2,000
5,000,000 ordinary shares of B M Intelligence International Limited	2,000	–	2,000	–
<i>Less: Provision for diminution in value of investment securities</i>	<i>(950)</i>	<i>–</i>	<i>(950)</i>	<i>–</i>
	1,050	2,000	1,050	2,000

On 18 July 2001, the Company exercised its rights to convert the convertible note into 5,000,000 ordinary shares of B M Intelligence International Limited, a company listed on the Stock Exchange, at the issue price of HK\$0.40 per share.

Subsequent to the balance sheet date on 7 January 2002 and 18 March 2002, the Company sold 1,000,000 and 4,000,000 ordinary shares of B M Intelligence International Limited at the price of HK\$0.247 and HK\$0.216 per share respectively.

#### 10. TRADE AND BILLS RECEIVABLES

Payments for the Group's products are primarily settled on an open account basis. Customers' creditworthiness is assessed regularly to minimise credit risks.

The following is an aged analysis of trade and bills receivables at the reporting date:

	<b>31 December 2001</b>	<b>30 June 2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(UNAUDITED)</i>	<i>(AUDITED)</i>
1-3 months	17,256	12,818
4-6 months	8,861	4,149
7-12 months	6,913	6,560
13-24 months	7,779	5,371
	<u>40,809</u>	<u>28,898</u>

#### 11. TRADE PAYABLES

The following is an aged analysis of trade payables at the reporting date:

	<b>31 December 2001</b>	<b>30 June 2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(UNAUDITED)</i>	<i>(AUDITED)</i>
1-3 months	17,224	7,976
4-6 months	2,224	292
7-12 months	9,072	8,910
13-24 months	463	1,908
Over 24 months	–	1,453
	<u>28,983</u>	<u>20,539</u>

#### 12. SHARE CAPITAL

There were no movements in the share capital of the Company in the current interim reporting period.

### 13. COMMITMENTS

At 31 December 2001, the Group had the following capital commitments:

	<b>Group</b>	
	<b>31 December 2001</b>	<b>30 June 2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(UNAUDITED)</i>	<i>(AUDITED)</i>
Contracted, but not provided for:		
Capital contributions to a subsidiary	29,375	29,375
Capital Contributions to a jointly-controlled entity	8,018	8,018
Leasehold improvements	2,189	4,293
Plant and machinery	4,837	4,837
	<u>44,419</u>	<u>46,523</u>

At 31 December 2001, the Company did not have any significant commitments.

### 14. LEASE ARRANGEMENT

As at the balance sheet date, the Group leases out a number of investment properties under operating leases. The investment properties were leased out for periods of one to three years without renewal options given to the leases.

As at the balance sheet date, the future minimum lease payments under non-cancellable operating leases are receivable for each of the following period is:

	<b>Group</b>	
	<b>31 December 2001</b>	<b>30 June 2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(UNAUDITED)</i>	<i>(AUDITED)</i>
Not later than one year	362	691
Later than one year and not later than five Years	160	300
	<u>522</u>	<u>991</u>

## 15. RELATED PARTY TRANSACTIONS

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

	<b>UNAUDITED</b>	
	<b>Six months ended</b>	
	<b>31 December</b>	
	<b>2001</b>	<b>2000</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Purchases of finished goods	28,155	25,301
Sales of raw materials	6,311	12,710
Sales of machinery and moulds	512	(344)
	<u>          </u>	<u>          </u>

## 16. CONTINGENT LIABILITIES

At 31 December 2001, the Group had contingent liabilities not provided for in the financial statements in respect of bills discounted with recourse amounting to approximately HK\$8,900,000 (as at 30 June, 2001: HK\$6,900,000).

At 31 December 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\$65,028,000 (as at 30 June 2001: HK\$45,270,000). On the same day, such facilities were utilised to the extent of approximately HK\$26,000,000 (as at 30 June 2001: HK\$18,200,000).