

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, certain leasehold land and buildings and investment properties are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice (“SSAPs”) issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1st July 2000)
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The effect of adopting these new standards is set out in the accounting policies below.

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Consolidation (continued)

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill arising on consolidation which was not previously charged or recognised in the consolidated profit and loss account.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(c) Fixed assets

(i) Investment property

Investment property is interests in land and buildings in respect of which construction work and development have been completed and which is held for its investment potential, any rental income being negotiated at arm's length.

Investment property held on leases with unexpired periods of greater than 20 years are valued at intervals of not more than three years by independent valuers; in each of the intervening years valuations are undertaken by professionally qualified executives of the Group. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment property revaluation reserve. Decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve to the profit and loss account.

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Fixed assets (continued)

(ii) Leasehold land and buildings

Leasehold land and buildings are interests in land and buildings other than investment property and are stated at fair value which is determined by the directors based on independent valuations which are performed on a regular interval basis. The valuations are on an open market basis related to individual properties and separate values are not attributed to land and buildings. In the intervening years, the directors review the carrying value of the properties and adjustment is made where they consider that there has been a material change. Increases in valuation are credited to the land and buildings revaluation reserve. Decreases in valuation are first offset against increases on earlier valuations in respect of the same property and are thereafter debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited. Upon the disposal of a property, the relevant portion of the realised revaluation reserve in respect of previous valuations is transferred from the revaluation reserve to retained earnings.

Amortisation of leasehold land is calculated to write off its valuation over the unexpired period of the lease. Depreciation on leasehold buildings is calculated to write off their costs or valuation on a straight line basis over the unexpired periods of the leases or their expected useful lives to the Group whichever is shorter. The principal annual rates used for this purpose are 2.5% – 5%.

(iii) Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a reducing balance basis. The principal annual rates are as follows:

Leasehold improvements	20%
Plant and machinery	20%
Furniture and fixtures	15% – 20%
Office equipment	20%
Motor vehicles	15% – 20%
Company boat	20%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Fixed assets (continued)

(iv) Impairment and gain or loss on sales

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(d) Assets under hire purchase/leases

(i) Hire purchase

Contracts that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as hire purchase. Assets are capitalised at the inception of the hire purchase at the lower of the fair value of the assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and hire purchase charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of hire purchase charges, are included in long-term liabilities. The hire purchase charges are charged to the profit and loss account over the lease periods.

Assets held under hire purchase are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of a subsidiary expressed in foreign currency are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with in the profit and loss account.

(f) Negative goodwill

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisitions prior to 1st January 2001, negative goodwill was taken directly to reserves on acquisition. The Group has taken advantage of the transitional provisions in SSAP 30 and such negative goodwill has not be restated. When an indication of impairment exists, the carrying amount of negative goodwill previously written off against reserves, is assessed and written down immediately to its recoverable amount.

The gain or loss on disposal of an entity includes the unamortised balance of goodwill relating to the entity disposed of or, for pre 1st January 2001 acquisitions, the related goodwill written off against reserves to the extent it has not previously been realised in the profit and loss account.

(g) Investment securities

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment securities will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to profit and loss when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items on the first-in first-out basis and are arrived at as follows:

- (i) Raw material purchased for use in the manufacturing process – invoiced price and shipping costs.
- (ii) Work in progress and finished manufactured goods – costs of direct materials, direct labour and an appropriate proportion of production overheads.
- (iii) Finished goods purchased for resale – invoiced price and shipping costs.

Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(i) Accounts receivables

Provision is made against accounts receivables to the extent that they are considered to be doubtful. Accounts receivables in the balance sheets are stated net of such provision.

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, bank overdrafts and trust receipt loans.

(k) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(l) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(m) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Operating lease rental income is recognised on a straight-line basis.

(n) Retirement benefit costs

The Group contributes to defined retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated at rates specified in the rules of the scheme. The retirement benefit scheme cost charged to the profit and loss account represents contributions payable by the Company to the fund. The assets of the scheme are held separately from those of the Group in an independently administered fund.

(o) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(p) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent mainly corporate expenses. Segment assets consist primarily of fixed assets, inventories, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to fixed assets (note 11).

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

(q) Dividends

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(q) Dividends (continued)

The opening retained earnings of the Company at 1st January 2000 increased by HK\$3,979,000 and current liabilities decreased by the same amount which are the reversal of the 1999 proposed final dividend previously recorded as a liability as at 31st December 1999. The opening retained earnings of the Company at 1 January 2001 increased by HK\$1,990,000 representing the reversal of the 2000 proposed final dividend of HK\$1,990,000 not declared until after the balance sheet date.

2. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading of electric cable and wire products. Revenues recognised during the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Turnover		
Sale of goods	205,510	241,130
Other revenues		
Gross rental income from investment property	12	–
Interest income	8	103
	20	103
Total revenues	205,530	241,233

Notes to the Accounts

2. TURNOVER, REVENUE AND SEGMENT INFORMATION

(continued)

An analysis of the Group's turnover and contribution to operating (loss)/profit for the year by principal activities and markets is as follows:

Business segment

	Manufacturing of cable and wire products 2001 HK\$'000	Trading of cable and wire products 2001 HK\$'000	Investment holdings 2001 HK\$'000	Group 2001 HK\$'000
Turnover	138,245	67,265	–	205,510
Segment results	31,256	5,419	–	36,675
Unallocated costs				(42,693)
Finance costs				(3,166)
Loss before taxation				(9,184)
Taxation				(1,506)
Loss attributable to shareholders				(10,690)
Segment assets	74,906	67,668	43,507	186,081
Unallocated assets				–
Total assets				186,081
Segment liabilities	22,298	6,518	1,152	29,968
Unallocated liabilities				42,503
Total liabilities				72,471
Capital expenditure	3,323	670	5	3,998
Depreciation	7,033	2,203	1,623	10,859
Other non-cash expenses	166	536	–	702

Notes to the Accounts

2. TURNOVER, REVENUE AND SEGMENT INFORMATION

(continued)

Business segment (continued)

	Manufacturing of cable and wire products 2000 HK\$'000	Trading of cable and wire products 2000 HK\$'000	Investment holdings 2000 HK\$'000	Group 2000 HK\$'000
Turnover	178,892	62,238	–	241,130
Segment results	43,461	4,217	–	47,678
Unallocated costs				(37,236)
Finance costs				(4,928)
Profit before taxation				5,514
Taxation				(804)
Profit attributable to shareholders				4,710
Segment assets	85,310	82,916	50,830	219,056
Unallocated assets				–
Total assets				219,056
Segment liabilities	20,263	11,149	1,094	32,506
Unallocated liabilities				56,640
Total liabilities				89,146
Capital expenditure	3,671	5,402	41,104	50,177
Depreciation	8,310	2,311	1,129	11,750
Other non-cash expenses	860	–	–	860

Notes to the Accounts

2. TURNOVER, REVENUE AND SEGMENT INFORMATION

(continued)

Geographical segment

	Turnover 2001 HK\$'000	Total assets 2001 HK\$'000	Capital expenditure 2001 HK\$'000
Hong Kong	138,934	79,060	2,357
The People's Republic of China	21,911	100,486	1,641
Other Asian countries	19,879	3,691	–
America	14,038	2,216	–
Europe	3,504	628	–
South Africa	7,244	–	–
	205,510	186,081	3,998

	Turnover 2000 HK\$'000	Total assets 2000 HK\$'000	Capital expenditure 2000 HK\$'000
Hong Kong	164,693	93,932	41,856
The People's Republic of China	29,932	117,649	8,321
Other Asian countries	30,814	2,488	–
America	11,098	3,862	–
Europe	3,290	501	–
South Africa	1,303	624	–
	241,130	219,056	50,177

Sales are based on the country in which the customers are located. There are no sales between the segments.

Notes to the Accounts

3. OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging the following:

	2001 HK\$'000	2000 HK\$'000
Amortisation of leasehold land	754	681
Auditors' remuneration	685	577
Cost of inventories	131,975	150,406
Depreciation		
Owned fixed assets other than leasehold land	9,373	9,073
Fixed assets held under hire purchase contracts	732	1,996
Loss on disposal of fixed assets	620	218
Operating lease rentals in respect of land and buildings	270	466
Outgoings in respect of investment property	120	–
Provision for bad and doubtful debts	–	407
Retirement benefit costs (Note 9)	368	29
Staff costs (excluding directors' remuneration)	23,850	25,599

4. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on bank loans and overdrafts		
Wholly repayable within five years	2,319	3,437
Not wholly repayable within five years	685	910
Interest element of hire purchase contracts	162	581
	3,166	4,928

Notes to the Accounts

5. TAXATION

- (a) Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the year.

No provision for overseas taxation had been made in 2000 and 2001 as the Group's overseas subsidiary had no assessable or taxable profits calculated in accordance with the tax law of the country in which it operated.

The amount of taxation charged to the consolidated profit and loss account represents:

	2001 HK\$'000	2000 HK\$'000
Hong Kong profits tax	734	1,316
Under/(over) provision in previous years	652	(409)
Deferred taxation (note 5(b))	120	(103)
	1,506	804

- (b) Deferred taxation for the year has been provided as follows:-

	2001 HK\$'000	2000 HK\$'000
Provision at 1st January	1,948	2,051
Transferred from/(to) profit and loss account (note 5(a))	120	(103)
Provision at 31st December (note 20)	2,068	1,948
Provided for in respect of:		
Accelerated depreciation allowances	2,068	1,948
Other timing differences	-	-
	2,068	1,948

Deferred taxation represents the net tax effect of timing differences arising from accelerated depreciation allowances which is expected to crystallise in the foreseeable future. There was no material deferred taxation not provided for the year.

Notes to the Accounts

6. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$539,000 (2000: profit of HK\$332,000).

7. DIVIDENDS

	2001 HK\$'000	2000 HK\$'000
Interim, paid, of HK\$Nil (2000: HK\$Nil) per ordinary share	–	–
Final, proposed, of HK\$Nil (2000: HK\$0.01) per ordinary share	–	1,990
	–	1,990

Note:

The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31st December 1999 and 2000 were HK\$3,979,000 and HK\$1,990,000 respectively. Under the Group's new accounting policy as described in Note 1(q), these have been written back against opening reserves as at 1st January 2000 and 2001 in Note 19 and are now charged in the period in which they were proposed.

8. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of HK\$10,690,000 (2000: HK\$4,710,000) and on the weighted average number of 198,958,000 (2000: 198,958,000) ordinary shares in issue during the year.

No diluted (loss)/earnings per share is presented as there is no potential dilutive ordinary share during the year.

9. RETIREMENT BENEFIT COSTS

The Group did not operate any retirement scheme up to 30th November 2000. With effect from 1st December 2000, a mandatory provident fund ("MPF") scheme has been set up by the Group which is available to all employees in Hong Kong, including executive directors. Contributions to the MPF scheme by the Group and employees are calculated at rates specified in the rules of the MPF scheme. The assets of the MPF scheme are held separately from those of the Group in an independently administered fund.

The MPF scheme cost charged to the consolidated profit and loss account represents contributions payable by the Company to the fund. Contributions totalling HK\$31,579 (2000: HK\$28,872) which are payable to the fund are included in accounts payable as at 31st December 2001.

Notes to the Accounts

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS —

- (a) The aggregate amounts of emoluments payable to directors of the Group during the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Fees	60	60
Basic salaries, housing allowances, other allowances and benefits in kind	4,374	5,794
Discretionary bonuses	1,990	1,125
Contributions to MPF scheme for directors	52	4
	6,476	6,983

Directors' fee disclosed in years 2000 and 2001 represented fees paid to an independent non-executive director. Another independent non-executive director did not receive any emolument during the year (2000: HK\$Nil).

No directors waived their emoluments in respect of the years ended 31st December 2001 and 2000.

The emoluments of the directors fell within the following bands:

Emoluments bands	Number of directors	
	2001	2000
HK\$nil – HK\$1,000,000	5	5
HK\$1,000,001 – HK\$2,000,000	1	–
HK\$2,000,001 – HK\$3,000,000	1	1
	7	6

Notes to the Accounts

10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS —

(continued)

- (b) The five individuals whose emoluments were the highest in the Group for the year include 4 (2000: 4) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 1 (2000: 1) individual during the year are as follows:

	2001 HK\$'000	2000 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	808	936
Discretionary bonuses	500	—
Contributions to MPF scheme	12	1
	1,320	937

The emoluments fell within the following bands:

Emoluments bands	Number of individual	
	2001	2000
HK\$nil – HK\$1,000,000	—	1
HK\$1,000,001 – HK\$1,500,000	1	—

During the years ended 31st December 2001 and 2000, no amounts have been paid in respect of directors' or past directors' pensions or for any compensation to directors or past directors in respect of loss of office.

Notes to the Accounts

11. FIXED ASSETS – GROUP

	Land and buildings		Investment property	Leasehold improvements	Plant and machinery	Furniture and fixtures	Office equipment	Motor vehicles	Company boat	Total
	In Hong Kong, held under lease of between 10 to 50 years	Outside Hong Kong, held under lease of between 10 to 50 years								
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation:										
At 1st January 2001	41,710	51,174	-	1,894	55,965	6,802	3,246	4,177	3,261	168,229
Additions	-	-	-	143	2,131	190	1,096	438	-	3,998
Transfer	(2,500)	-	2,500	-	-	-	-	-	-	-
Revaluation	(3,210)	(7,174)	(300)	-	-	-	-	-	-	(10,684)
Disposals	-	-	-	-	(21)	(2,131)	(15)	-	-	(2,167)
At 31st December 2001	36,000	44,000	2,200	2,037	58,075	4,861	4,327	4,615	3,261	159,376
Accumulated depreciation:										
At 1st January 2001	590	2,065	-	166	25,199	3,321	1,402	2,006	2,166	36,915
Charge for the year	899	1,921	-	324	5,839	660	554	462	200	10,859
Transfer	(86)	-	86	-	-	-	-	-	-	-
Revaluation	(984)	(3,094)	(86)	-	-	-	-	-	-	(4,164)
Disposals	-	-	-	-	(13)	(1,526)	(8)	-	-	(1,547)
At 31st December 2001	419	892	-	490	31,025	2,455	1,948	2,468	2,366	42,063
Net book value:										
At 31st December 2001	35,581	43,108	2,200	1,547	27,050	2,406	2,379	2,147	895	117,313
At 31st December 2000	41,120	49,109	-	1,728	30,766	3,481	1,844	2,171	1,095	131,314

The analysis of the cost or valuation at 31st December 2001 of the above assets is as follows:

	Land and buildings		Investment property	Leasehold improvements	Plant and machinery	Furniture and fixtures	Office equipment	Motor vehicles	Company boat	Total
	In Hong Kong, held under lease of between 10 to 50 years	Outside Hong Kong, held under lease of between 10 to 50 years								
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At cost	-	-	-	2,037	58,075	4,861	4,327	4,615	3,261	77,176
At professional valuation - 2001	36,000	44,000	2,200	-	-	-	-	-	-	82,200
	36,000	44,000	2,200	2,037	58,075	4,861	4,327	4,615	3,261	159,376

The analysis of the cost or valuation at 31st December 2000 of the above assets is as follows:

At cost	-	-	-	1,894	55,965	6,802	3,246	4,177	3,261	75,345
At professional valuation - 1999	41,710	51,174	-	-	-	-	-	-	-	92,884
	41,710	51,174	-	1,894	55,965	6,802	3,246	4,177	3,261	168,229

Notes to the Accounts

11. FIXED ASSETS – GROUP (continued)

- (a) All leasehold land and buildings and investment property were revalued at 30th June 2001 on the basis of their open market value carried out by DTZ Debenham Tie Leung Limited, an independent firm of chartered surveyors. The deficits arising on the revaluation amounted to HK\$6,520,000. HK\$3,620,000 was set off against revaluation reserve brought forward from previous year and the remaining of HK\$2,900,000 was charged to the consolidated profit and loss account. The revaluation of the Group's leasehold land and buildings and investment property do not constitute a timing differences for tax purpose.
- (b) The carrying amount of these land and buildings and investment property would have been HK\$67,112,520 (2000: HK\$68,746,389) had they been stated at cost less accumulated depreciation and accumulated impairment losses.
- (c) At 31st December 2001, net book value of land and buildings and investment property pledged as security for the Group's long-term bank loans amounted to HK\$37,781,000 (2000: HK\$41,120,000).
- (d) Included in the total amount of fixed assets at 31st December 2001 are assets held under hire purchase contracts with an aggregate net book value of HK\$3,279,661 (2000: HK\$5,537,780).

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	62,748	62,748

Details of the Company's subsidiaries are set out in note 27.

Notes to the Accounts

13. INVESTMENT SECURITIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Investments at cost		
Shares listed in Hong Kong	146	146
Unlisted shares (note below)	–	–
	146	146
Provision for impairment losses		
Shares listed in Hong Kong	(131)	(131)
Unlisted shares (note below)	–	–
	(131)	(131)
	15	15
Market value of listed shares	13	19

Note:

In 1999, Perennial Investments (H.K.) Limited (“Perennial Investments”), a subsidiary of the Company, was in legal dispute with Union Bridge Investment Limited (“Union Bridge”) in relation to its investment in Popbridge Industrial Limited (“Popbridge”). Full provision was made for the investment in Popbridge of HK\$4,500,000 in view of the uncertainty over the future prospects of this investment.

The litigation in relation to Popbridge was settled out of court by a Deed made on 4th October 2000. Under the terms of the Deed, Perennial Investments relinquished its rights over the shares in Popbridge. It was agreed that Union Bridge should pay Perennial Investments HK\$500,000 monthly for nine months commencing from 3rd January 2001. Whole amount was received before the year ended date. As a result, provision made in respect of the legal dispute was written back in 2000 and 2001 amounted to HK\$2,569,000 and HK\$2,580,000 respectively.

Notes to the Accounts

14. INVENTORIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Raw materials	15,179	19,489
Work in progress	1,673	3,594
Finished goods	4,560	4,865
	21,412	27,948
Provision	(1,306)	(739)
	20,106	27,209

As 31st December 2001, the carrying amount of inventories that are carried at net realisable value amounted approximately to HK\$1,300,000 (2000: HK\$Nil).

15. TRADE RECEIVABLES

At 31st December 2001, the ageing analysis of trade receivables were as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Current – 3 months	41,468	47,574
4 – 6 months	4,001	4,051
Over 7 months	432	1,367
	45,901	52,992
Provision	(453)	(480)
	45,448	52,512

Payment terms with customers are largely on credit with the exception of new customers, which are on cash on delivery basis. Invoices are normally payable within 60 to 90 days of issuance. Longer payment terms might grant to those customers which have good payment history and long-term business relationship with the Group.

Notes to the Accounts

16. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in deposits, prepayments and other receivables are loans to certain directors of the Company. The information in relation to the disclosure pursuant to section 161B of the Companies Ordinance is as follows:

Name	Terms of the loan	Maximum amounts outstanding during the year HK\$'000	Amount outstandings at 31st December 2001 HK\$'000	Amount outstandings at 31st December 2000 HK\$'000
Mr Mon Chung Hung	Unsecured, interest free and repayable	664	–	–
Mr Siu Yuk Shing, Marco	on demand	877	–	–
Mr Li Ho Cheong	(2000: Unsecured, interest bearing at 3% per annum and repayable on demand)	407	–	305

At 31st December 2001, no receivable interest has been accrued for (2000: HK\$4,875).

17. TRADE PAYABLES

At 31st December 2001, the ageing analysis of trade payables were as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Current – 3 months	17,618	22,327
4 – 6 months	3,159	3,596
Over 7 months	–	700
	20,777	26,623

Payment terms granted by the suppliers are largely on credit. Invoices are normally payable within 30 to 90 days.

Notes to the Accounts

18. SHARE CAPITAL

	Company	
	2001 HK\$'000	2000 HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each	50,000	50,000
Issued and fully paid:		
Ordinary shares of HK\$0.10 each	19,896	19,896

Notes to the Accounts

19. RESERVES

Group

	Share Premium HK\$'000	Arising on consolidation HK\$'000	Land and buildings and investment property revaluation HK\$'000	Capital redemption HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st January 2000, as previously reported	15,885	11,808	4,906	104	72,601	105,304
Effect of adopting SSAP 9 (revised) (Note 1(q))	-	-	-	-	3,979	3,979
At 1st January 2000, as restated	15,885	11,808	4,906	104	76,580	109,283
Profit attributable to shareholders	-	-	-	-	4,710	4,710
1999 final dividend paid (note 7)	-	-	-	-	(3,979)	(3,979)
2000 final dividend proposed (note 7)	-	-	-	-	(1,990)	(1,990)
At 31st December 2000	15,885	11,808	4,906	104	75,321	108,024
Representing: Reserves at						
31st December 2000	15,885	11,808	4,906	104	75,321	108,024
2000 final dividend proposed	-	-	-	-	1,990	1,990
At 31st December 2000	15,885	11,808	4,906	104	77,311	110,014

Notes to the Accounts

19. RESERVES (continued) Group

	Share Premium HK\$'000	Arising on consolidation HK\$'000	Land and buildings and investment property revaluation HK\$'000	Capital redemption HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st January 2001, as previously reported	15,885	11,808	4,906	104	75,321	108,024
Effect of adopting SSAP 9 (revised) (Note 1(q))	-	-	-	-	1,990	1,990
At 1st January 2001, as restated	15,885	11,808	4,906	104	77,311	110,014
Loss attributable to shareholders	-	-	-	-	(10,690)	(10,690)
2000 final dividend paid	-	-	-	-	(1,990)	(1,990)
Deficit on revaluation of properties (Note 11(a))	-	-	(3,620)	-	-	(3,620)
At 31st December 2001	15,885	11,808	1,286	104	64,631	93,714
Representing:						
Reserves at						
31st December 2001	15,885	11,808	1,286	104	64,631	93,714
2001 final dividend proposed	-	-	-	-	-	-
At 31st December 2001	15,885	11,808	1,286	104	64,631	93,714

Notes to the Accounts

19. RESERVES (continued) Company

	Share Premium HK\$'000	Contributed surplus (note) HK\$'000	Capital redemption HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st January 2000, as previously reported	15,885	62,548	104	34,434	112,971
Effect of adopting SSAP 9 (revised) (Note 1(q))	–	–	–	3,979	3,979
At 1st January 2000, as restated	15,885	62,548	104	38,413	116,950
Profit attributable to shareholders	–	–	–	332	332
1999 final dividend paid	–	–	–	(3,979)	(3,979)
2000 final dividend proposed	–	–	–	(1,990)	(1,990)
At 31st December 2000	15,885	62,548	104	32,776	111,313
Representing: – Reserves at					
31st December 2000	15,885	62,548	104	32,776	111,313
2000 final dividend proposed	–	–	–	1,990	1,990
At 31st December 2000	15,885	62,548	104	34,766	113,303

Notes to the Accounts

19. RESERVES (continued) Company

	Share premium HK\$'000	Contributed surplus (note) HK\$'000	Capital redemption HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st January 2001, as previously reported	15,885	62,548	104	32,776	111,313
Effect of adopting SSAP 9 (revised) (Note 1(q))	–	–	–	1,990	1,990
At 1st January 2001, as restated	15,885	62,548	104	34,766	113,303
Loss attributable to shareholders	–	–	–	(539)	(539)
2000 final dividend paid	–	–	–	(1,990)	(1,990)
At 31st December 2001	15,885	62,548	104	32,237	110,774
Representing: – Reserves at 31st December 2001	15,885	62,548	104	32,237	110,774
2001 final dividend proposed	–	–	–	–	–
At 31st December 2001	15,885	62,548	104	32,237	110,774

Note:

The contributed surplus of the Company arose when the Company issued shares in exchange for the shares of subsidiaries being acquired in connection with the reorganisation of the Group prior to its listing on the Stock Exchange, and represents the difference between the nominal value of the Company's shares issued and the value of net assets of the subsidiaries acquired. Under the Companies Act of 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders. At Group level, the contributed surplus is reclassified into its component reserves of the underlying subsidiaries.

Notes to the Accounts

20 LONG-TERM LIABILITIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Bank loans – secured	10,050	14,284
Obligations under hire purchase contracts	437	866
Deferred taxation (note 5(b))	2,068	1,948
	12,555	17,098

	Group	
	2001 HK\$'000	2000 HK\$'000
The analysis of the above is as follows:		
Bank loans – secured (note 24)		
Wholly repayable within five years	9,758	6,750
Not wholly repayable within five years	4,408	11,369
	14,166	18,119
Obligations under hire purchase contracts		
Wholly repayable within five years	1,438	2,378
	15,604	20,497
Current portion of long-term liabilities		
– bank loans	(4,116)	(3,835)
– hire purchase	(1,001)	(1,512)
	10,487	15,150

Hire purchase not wholly repayable within five years are repayable by instalments from 1st January 2002 to 31st July 2004. Interest is charged on the outstanding balances at 4.5% to 10.75% (2000: 4.5% to 10.75%).

Notes to the Accounts

20 LONG-TERM LIABILITIES (continued)

At 31st December 2001, the Groups bank loans and overdraft were repayable as follows:

	Bank overdrafts		Bank loans	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within one year	8,725	11,125	4,116	3,835
In the second year	–	–	1,907	3,915
In the third to fifth year	–	–	3,735	2,737
After the fifth year	–	–	4,408	7,632
	8,725	11,125	14,166	18,119

At 31st December 2001, the Group's obligations under hire purchase contracts were repayable as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Within one year	1,052	1,625
In the second year	368	805
In the third to fifth year	84	124
After the fifth year	–	–
	1,504	2,554
Future finance charges on hire purchase	(66)	(176)
	1,438	2,378

Notes to the Accounts

20 LONG-TERM LIABILITIES (continued)

	Group	
	2001 HK\$'000	2000 HK\$'000
The present value of hire purchase contracts liabilities is as follows:		
Within one year	1,001	1,512
In the second year	354	747
In the third to fifth year	83	119
After the fifth year	–	–
	1,438	2,378

21 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of (loss)/profit before taxation to net cash inflow from operating activities

	Group	
	2001 HK\$'000	2000 HK\$'000
Operating (loss)/profit	(9,184)	5,514
Interest income	(8)	(103)
Interest on bank loans and overdrafts	3,004	4,347
Interest element of hire purchase contracts	162	581
Loss on disposal of fixed assets	620	218
Revaluation deficit on leasehold land and buildings not covered by previous surplus	2,900	–
Amortisation of leasehold land	754	681
Depreciation of owned fixed assets other than leasehold land	9,373	9,073
Depreciation of fixed assets held under hire purchase contracts	732	1,996
Write back of provision for unlisted investment securities and related litigation costs	(2,580)	(2,569)
Decrease/(increase) in inventories	7,103	(362)
Decrease in trade receivable, other receivables, deposits and prepayments	12,306	4,615
Decrease in bills receivable	1,196	333
Decrease in trade payable, other payables and accruals	(2,458)	(2,095)
Net cash inflow from operating activities	23,920	22,229

Notes to the Accounts

21 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(continued)

(b) Analysis of changes in financing during the year

	Share capital including share premium		Bank loans		Obligations under hire purchase contracts	
	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January	35,781	35,781	18,119	–	2,378	5,129
New bank loans	–	–	–	21,000	–	–
Repayment of bank loans	–	–	(3,953)	(2,881)	–	–
Inception of hire purchase contracts	–	–	–	–	702	860
Repayment of capital element of hire purchase contracts	–	–	–	–	(1,642)	(3,611)
At 31st December	35,781	35,781	14,166	18,119	1,438	2,378

(c) Major non-cash transactions

During the year, the Group entered into hire purchase arrangements in respect of assets with capital value at inception of such arrangements of HK\$702,000 (2000: HK\$860,000).

22 CONTINGENT LIABILITIES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
(a) Bills of exchange discounted with recourse	770	–	–	–

Notes to the Accounts

22 CONTINGENT LIABILITIES (continued)

- (b) At 31st December 2001, 13 (2000: 12) employees have completed the required number of years of service under the Employment Ordinance (“the Ordinance”) to be eligible for long service payment on termination of their employment. The Group is only liable to make such payment where the termination meets the circumstances specified in the Ordinance. If the termination of all these employees meets the circumstances specified in the Ordinance, the Group’s liabilities at 31st December 2001 would be HK\$1,445,000 (2000: HK\$1,201,000). Provision of HK\$103,000 (2000: HK\$347,000) has been made in the accounts as at 31st December 2001. The shortfall of HK\$1,342,000 (2000: HK\$854,000) has not been provided for in the accounts as at 31st December 2001, as in the opinion of the directors, the amount will not crystallise in the foreseeable future.

23 COMMITMENTS

(a) Capital commitment

At 31st December 2001, the Group had the following capital commitment for consumables:

	Group	
	2001 HK\$'000	2000 HK\$'000
Contracted but not provided for	31	–

(b) Commitments under operating leases

At 31st December 2001, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2001 HK\$'000	As restated 2000 HK\$'000
No later than one year	99	99
Later than one year and not later than five year	86	33
	185	132

The comparative figures of lease commitments have been restated as a result of the adoption of the SSAP 14 (revised).

The Company does not have any commitments at 31st December 2001 (2000: Nil).

Notes to the Accounts

24 PLEDGE OF ASSETS

At 31st December 2001, the Group's banking facilities amounting to approximately HK\$72 million (2000: HK\$74 million) were secured by the following:

- (a) legal charges over certain land and buildings and investment property of the Group with a total net book value of HK\$37,781,000 (2000: HK\$41,120,000);
- (b) corporate guarantees given by the Company;
- (c) letters of undertaking from the Company and a subsidiary covenanting that their tangible net worth will be maintained at not less than HK\$45 million (2000: HK\$45 million) and HK\$10 million (2000: HK\$10 million) respectively; and
- (d) a deed of guarantee executed by the Company amounting to HK\$33 million (2000: HK\$30 million)

25 ULTIMATE HOLDING COMPANY

The Directors of the Company regard Spector Holdings Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company.

26 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 26th March 2002.

Notes to the Accounts

27 SUBSIDIARIES

At 31st December 2001, the Company held shares in the following subsidiaries:

Name	Place of incorporation/ establishment	Paid up share capital/ Registered capital	Principal activities	Interest	
				2001	2000
Shares held directly					
Perennial Limited	British Virgin Islands	Ordinary US\$1,200	Investment holding and provision of sourcing and management services	100%	100%
Shares held indirectly					
Ever Peak Development Limited	Hong Kong	Ordinary HK\$3	Property holding	100%	100%
Glitter Wire & Cable Company, Limited	Hong Kong	Ordinary HK\$500 Non-voting deferred HK\$2,000,000	Property holding	100%	100%
* New Technology Cable Limited	Hong Kong	Ordinary HK\$1,000 Non-voting deferred HK\$10,000,000	Manufacturing and sales of electric cables and wires	100%	100%
NTC Services Limited	Hong Kong	Ordinary HK\$10,000	Provision of staff management services	100%	100%
Perennial Cable (H.K.) Limited	Hong Kong	Ordinary HK\$2,000,000	Trading of electric cables, wires and accessories	100%	100%
* Perennial Cable Limited	British Virgin Islands	Ordinary US\$1	Investment and property holding, manufacturing and sales of electric cables, wires and accessories	100%	100%

Notes to the Accounts

27 SUBSIDIARIES (continued)

Name	Place of incorporation/ establishment	Paid up share capital/ Registered capital	Principal activities	Interest	
				2001	2000
Shares held indirectly (continued)					
# Perennial Cable (Shenzhen) Co., Limited	Mainland China	HK\$21,000,000	Manufacturing of electric cables and wires	100%	100%
* Perennial Plastics (H.K.) Limited	Hong Kong	Ordinary HK\$2	Manufacturing and sales of plastic resins and compounds	100%	100%
Perennial Plastics Limited	British Virgin Islands	Ordinary US\$50,000	Investment holding	100%	100%
Perennial Investments (H.K.) Limited	Hong Kong	Ordinary HK\$10,000	Investment holding	100%	100%
NTC Cableworks Limited	British Virgin Islands	Ordinary US\$2	Trading of electric cables, wires and accessories	100%	–

Save as noted below, the above companies' place of operation is the same as their place of incorporation/establishment.

* The manufacturing activities of these companies are performed by sub-contractors in the Mainland China.

Perennial Cable (Shenzhen) Co., Limited, one of the Company's subsidiaries, is not audited by PricewaterhouseCoopers, Hong Kong. The net assets of this subsidiary amounted to 4.7% of the Group's total net assets.