

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 Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, leasehold land and buildings and investment properties are stated at fair value.

(b) Recently issued accounting standards

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st 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.

(c) 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, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

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.

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 or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account and any related accumulated exchange fluctuating reserve.

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.

NOTES TO THE ACCOUNTS

1 Principal accounting policies (Continued)

(d) 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 balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(e) Fixed assets

(i) *Investment properties*

An investment property is an interest in land and building 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 properties are valued annually by independent valuers. The valuation is on an open market basis related to individual properties and separate value is not attributed to land and buildings. The valuation is 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 property revaluation reserve to the profit and loss account.

(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 based on independent valuations which are performed annually. The valuations are on an open market basis related to individual properties and separate values are not attributed to land and buildings. 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.

1 Principal accounting policies (Continued)

(e) Fixed assets (Continued)

(iii) Other fixed assets

Other fixed assets, comprising leasehold improvements, plant and machinery, furniture and fixtures, office equipment, motor vehicles and motor boat are stated at cost less accumulated depreciation and accumulated impairment losses.

(iv) Depreciation

Leasehold land is depreciated over the unexpired period of the lease. Depreciation on leasehold buildings is calculated to write off their costs or valuation less accumulated impairment losses on a straight line basis over the unexpired periods of the leases or their estimated useful lives, whichever is shorter. The principal annual rates used for this purpose are 2.5% – 5%.

Other 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%
Motor boat	10%

Improvements are capitalised and depreciated over their expected useful lives to the Group.

(v) Impairment and gain or loss on sale

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 account 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 other than investment property 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.

NOTES TO THE ACCOUNTS

1 Principal accounting policies (Continued)

(f) 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 hire purchase payments. Each hire purchase 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 and short-term liabilities, as appropriate. 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.

(g) 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 materials 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.

(h) Account receivables

Provision is made against account receivables to the extent that they are considered to be doubtful. Account receivables in the balance sheet are stated net of such provision.

1 Principal accounting policies (Continued)

(i) 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 and bank overdraft.

(j) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Bonus plans*

The expected cost of bonus payment is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plan are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(iii) *Retirement benefit costs*

For Hong Kong employees, the Group contributes to a defined contribution retirement scheme which is available to all relevant employees. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' basic salaries, bonus, commission and housing allowance. The Group's contributions to the defined contribution retirement scheme are expensed as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

For PRC employees, the Group contributes to a defined contribution retirement scheme managed by the local municipal government in the PRC. The Group's contributions to the retirement scheme are calculated as a percentage of employees' salaries and expensed as incurred while the local municipal government in the PRC undertakes to assume that the retirement benefit obligations of the qualified employees in the PRC.

(k) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE ACCOUNTS

1 Principal accounting policies (Continued)

(l) 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 over the lease periods.

(m) Borrowing costs

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

(n) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain.

(o) 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 the outflow is probable, it will then be recognised as a provision.

1 Principal accounting policies (Continued)

(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 and deposit paid for purchase of fixed asset.

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.

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 were as follows:

	2004 HK\$'000	2003 HK\$'000
Turnover		
Sales of goods	303,143	238,928
Other revenues		
Gross rental income from investment property	198	206
Interest income	22	7
	220	213
Total revenues	303,363	239,141

NOTES TO THE ACCOUNTS

2 Turnover, revenue and segment information (Continued)

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities and markets was as follows:

Business segment

	Manufacturing of cable and wire products 2004 HK\$'000	Trading of cable and wire products 2004 HK\$'000	Investment holdings 2004 HK\$'000	Group 2004 HK\$'000
Turnover	166,622	136,521	–	303,143
Segment results	27,753	38,414	–	66,167
Unallocated costs				(50,188)
Operating profit				15,979
Finance costs				(2,004)
Profit before taxation				13,975
Taxation				1,175
Profit attributable to shareholders				15,150
Segment assets	107,083	111,308	56,837	275,228
Unallocated assets	–	–	–	–
Total assets				275,228
Segment liabilities	38,365	11,083	1,289	50,737
Unallocated liabilities	–	–	–	58,256
Total liabilities				108,993
Capital expenditure	5,264	13,860	–	19,124
Depreciation and amortisation	4,920	3,347	1,013	9,280

There are no sales or other transactions between the business segments.

2 Turnover, revenue and segment information (Continued)
Business segment (continued)

	Manufacturing of cable and wire products 2003 HK\$'000	Trading of cable and wire products 2003 HK\$'000	Investment holdings 2003 HK\$'000	Group 2003 HK\$'000
Turnover	105,616	133,312	–	238,928
Segment results	40,805	21,962	–	62,767
Unallocated costs				(45,756)
Operating profit				17,011
Finance costs				(1,396)
Profit before taxation				15,615
Taxation				104
Profit attributable to shareholders				15,719
Segment assets	79,151	81,973	40,076	201,200
Unallocated assets	–	–	–	–
Total assets				201,200
Segment liabilities	24,998	11,157	1,466	37,621
Unallocated liabilities	–	–	–	28,292
Total liabilities				65,913
Capital expenditure	1,060	6,177	15	7,252
Depreciation and amortisation	4,953	2,037	1,157	8,147

There are no sales or other transactions between the business segments.

NOTES TO THE ACCOUNTS

2 Turnover, revenue and segment information (Continued)

Geographical segment

	Turnover 2004 HK\$'000	Segment results 2004 HK\$'000	Total assets 2004 HK\$'000	Capital expenditure 2004 HK\$'000
Hong Kong	177,128	30,178	114,930	12,104
Mainland China	24,264	4,473	126,171	7,018
Other Asian countries	31,893	9,773	6,828	2
America	62,510	19,569	26,484	–
Europe	2,774	741	815	–
South Africa	4,574	1,433	–	–
	303,143	66,167	275,228	19,124
Unallocated costs		(50,188)		
Operating profit		15,979		

	Turnover 2003 HK\$'000	Segment Results 2003 HK\$'000	Total assets 2003 HK\$'000	Capital Expenditure 2003 HK\$'000
Hong Kong	150,427	40,718	80,552	2,721
Mainland China	23,388	7,681	102,358	4,531
Other Asian countries	23,445	5,436	4,197	–
America	33,157	7,083	13,151	–
Europe	2,469	647	527	–
South Africa	6,042	1,202	415	–
	238,928	62,767	201,200	7,252
Unallocated costs		(45,756)		
Operating profit		17,011		

Sales are segmented as per location of the customers. There are no sales between the geographical segments.

3 Operating profit

Operating profit was stated after crediting and charging the following:

	2004	2003
	HK\$'000	HK\$'000
Crediting		
Gain on disposal of fixed assets	–	972
Reversal of provision for bad and doubtful debts	–	224
Charging		
Amortisation and depreciation:		
Amortisation of leasehold land	763	707
Owned fixed assets other than leasehold land	7,242	7,286
Fixed assets held under hire purchase contracts	1,275	154
Loss on disposal of fixed assets	260	–
Auditors' remuneration	741	720
Cost of inventories sold	193,424	136,391
Net exchange loss	1,898	543
Operating lease rentals in respect of land and buildings	309	282
Outgoings in respect of investment property	35	29
Provision for bad and doubtful debts	118	–
Staff costs (including directors' emoluments) (note 9)	45,170	39,934

4 Finance costs

	2004	2003
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts		
Wholly repayable within five years	1,483	1,076
Not wholly repayable within five years	267	307
Interest element of hire purchase contracts	254	13
	2,004	1,396

NOTES TO THE ACCOUNTS

5 Taxation

- (a) Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

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

	2004	2003
	HK\$'000	HK\$'000
Hong Kong profits tax	158	601
Overseas taxation	473	332
Over provision in prior year	(1,446)	–
Deferred taxation relating to the origination and reversal of temporary differences	(360)	(1,145)
Deferred taxation resulting from an increase in tax rate	–	108
	(1,175)	(104)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong profits tax as follows:

	2004	2003
	HK\$'000	HK\$'000
Profit before taxation	13,975	15,615
Calculated at a taxation rate of 17.5% (2003: 17.5%)	2,446	2,733
Income not subject to taxation	(200)	(952)
Effect of different taxation rate in other countries	(2,822)	(1,459)
Expenses not deductible for taxation purposes	405	791
Over provision in prior year	(1,446)	–
Utilisation of previously unrecognised tax losses	–	(87)
Recognition of previously unrecognised deferred tax assets	–	(1,603)
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	–	108
Deferred tax assets not recognized	115	365
Reversal of deferred tax assets previously recognised	230	–
Others	97	–
Taxation credit	(1,175)	(104)

5 Taxation (Continued)

- (b) Deferred taxation is calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2003: 17.5%).

The movement on the net deferred tax liabilities account was as follows:

	2004	2003
	HK\$'000	HK\$'000
At 1st January	1,277	1,272
Deferred taxation credited to consolidated profit and loss account (note 5(a))	(360)	(1,037)
Taxation charged to equity	3,942	1,042
At 31st December	4,859	1,277

The deferred taxation charged to equity during the year was as follows:

	2004	2003
	HK\$'000	HK\$'000
Revaluation reserves in shareholders' equity – land and buildings (note 11(a))	3,942	1,042

Deferred income tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through the future taxable income is probable. The Group has unrecognised tax losses of HK\$1,962,000 (2003: HK\$1,935,000) to carry forward against future taxable income.

NOTES TO THE ACCOUNTS

5 Taxation (Continued)

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year was as follows:

Deferred tax liabilities

	Tax depreciation	
	2004 HK\$'000	2003 HK\$'000
At 1st January	3,230	1,510
Charged to consolidated profit and loss account	399	678
Charged to equity	3,942	1,042
At 31st December	7,571	3,230

Deferred tax assets

	Tax losses		Tax depreciation		Total	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
At 1st January	476	238	1,477	–	1,953	238
Credited to consolidated profit and loss account	558	238	201	1,477	759	1,715
At 31st December	1,034	476	1,678	1,477	2,712	1,953

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	2004 HK\$'000	2003 HK\$'000
Deferred tax assets	(1,852)	(1,477)
Deferred tax liabilities	6,711	2,754
	4,859	1,277

6 Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of loss of HK\$394,000 (2003: loss of HK\$1,100,000).

7 Dividends

	2004	2003
	HK\$'000	HK\$'000
Interim, paid, of HK\$0.01 (2003: HK\$0.01) per ordinary share	1,990	1,990
Final, proposed, of HK\$0.02 (2003: HK\$0.01) per ordinary share	3,980	1,990
	5,970	3,980

At a meeting held on 30th March 2005, the directors proposed a final dividend of HK\$0.02 per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2005.

8 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$15,150,000 (2003: HK\$15,719,000) and on the weighted average number of 198,958,000 (2003: 198,958,000) ordinary shares in issue during the year.

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

9 Staff costs (including directors' emoluments)

	2004	2003
	HK\$'000	HK\$'000
Wages, salaries and fringe benefits	43,590	38,539
Social security costs	990	842
Pension costs – contribution to mandatory provident fund ("MPF") scheme	418	394
Others	172	159
	45,170	39,934

NOTES TO THE ACCOUNTS

10 Directors' and senior management's emoluments

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year were as follows:

	2004 HK\$'000	2003 HK\$'000
Fees	380	285
Basic salaries, housing allowances, other allowances and benefits in kind	9,209	7,851
Discretionary bonuses	1,763	1,132
Contributions to MPF scheme for directors	64	61
	11,416	9,329

Directors' fees disclosed above included HK\$380,000 (2003: HK\$285,000) paid to three (2003: two) independent non-executive directors. None of the independent non-executive directors did not receive any emolument during the year (2003: one).

No directors waived their emoluments in respect of the years ended 31st December 2004 and 2003.

The emoluments of the directors fell within the following bands:

Emoluments bands	Number of directors	
	2004	2003
HK\$0 – HK\$1,000,000	4	6
HK\$1,000,001 – HK\$2,000,000	2	1
HK\$2,000,001 – HK\$3,000,000	3	1
HK\$3,000,001 – HK\$4,000,000	–	–
HK\$4,000,001 – HK\$5,000,000	–	1
HK\$5,000,001 – HK\$6,000,000	1	–
	10	9

10 Directors' and senior management's emoluments (Continued)**(b) Five highest paid individuals**

In 2004, the five individuals whose emoluments ranked for the highest were also directors of the Company. In 2003, the five highest paid included four directors and one senior staff. The emoluments for the two years are listed below:

	2004 HK\$'000	2003 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	-	771
Discretionary bonuses	-	320
Contributions to MPF scheme	-	12
	-	1,103

The emoluments fell within the following band:

Emoluments band	Number of individuals	
	2004	2003
HK\$1,000,001 – HK\$2,000,000	-	1

During the years ended 31st December 2004 and 2003, no amount has 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	Motor 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 2004	36,000	45,852	2,100	2,051	61,171	4,962	5,005	5,076	–	162,217
Exchange adjustment	–	–	–	3	446	57	21	22	–	549
Additions	–	–	–	1,151	3,775	49	1,843	1,558	10,748	19,124
Reclassification	–	(1,852)	–	–	–	–	–	–	–	(1,852)
Revaluation	16,500	2,000	600	–	–	–	–	–	–	19,100
Disposals	–	–	–	–	–	(15)	(92)	(1,163)	–	(1,270)
At 31st December 2004	52,500	46,000	2,700	3,205	65,392	5,053	6,777	5,493	10,748	197,868
Accumulated depreciation:										
At 1st January 2004	–	–	–	1,008	39,855	3,244	2,850	2,903	–	49,860
Exchange adjustment	–	–	–	1	279	37	6	9	–	332
Charge for the year	833	1,841	–	212	4,417	347	407	530	693	9,280
Revaluation	(833)	(1,841)	–	–	–	–	–	–	–	(2,674)
Disposals	–	–	–	–	–	(12)	(62)	(853)	–	(927)
At 31st December 2004	–	–	–	1,221	44,551	3,616	3,201	2,589	693	55,871
Net book value:										
At 31st December 2004	52,500	46,000	2,700	1,984	20,841	1,437	3,576	2,904	10,055	141,997
At 31st December 2003	36,000	45,852	2,100	1,043	21,316	1,718	2,155	2,173	–	112,357
The analysis of the cost or valuation at 31st December 2004 of the above assets is as follows:										
At cost	–	–	–	3,205	65,392	5,053	6,777	5,493	10,748	96,668
At professional valuation – 2004	52,500	46,000	2,700	–	–	–	–	–	–	101,200
	52,500	46,000	2,700	3,205	65,392	5,053	6,777	5,493	10,748	197,868

11 Fixed assets – Group (Continued)

	Land and buildings		Investment property	Leasehold improvements	Plant and machinery	Furniture and fixtures	Office equipment	Motor vehicles	Motor boat	Total
	In Hong Kong, held under lease of between 10 to 50 years HK\$'000	Outside Hong Kong, held under lease of between 10 to 50 years HK\$'000								
The analysis of the cost or valuation at 31st December 2003 of the above assets is as follows:										
At cost	-	-	-	2,051	61,171	4,962	5,005	5,076	-	78,265
At professional valuation – 2003	36,000	45,852	2,100	-	-	-	-	-	-	83,952
	36,000	45,852	2,100	2,051	61,171	4,962	5,005	5,076	-	162,217
Net book value of hire purchase assets:										
At 31st December 2004	-	-	-	-	1,314	-	22	1,384	9,980	12,700
At 31st December 2003	-	-	-	-	378	-	-	113	-	491

- (a) Investment property was revalued at 31st December 2004 on the basis of open market value by DTZ Debenham Tie Leung Limited, an independent firm of chartered surveyors. The surplus arising on the revaluation amounted to HK\$600,000, and was credited to the investment property revaluation reserve in shareholders' equity. The revaluation does not constitute a temporary difference for deferred taxation purposes.

Land and buildings other than investment property were also revalued at 31st December 2004 on the basis of open market value carried out by DTZ Debenham Tie Leung Limited. The revaluation surplus amounted to HK\$21,174,000 of which HK\$163,000 was credited to the consolidated profit and loss account up to the amount previously debited to the consolidated profit and loss account, and the remaining balance net of deferred taxation liability of HK\$3,942,000 was credited to land and building revaluation reserve in shareholders' equity.

- (b) The carrying amount of these land and buildings and investment property would have been HK\$73,478,000 (2003: HK\$78,240,000) and HK\$1,014,000 (2003: HK\$1,046,000), respectively had they been stated at cost less accumulated depreciation and accumulated impairment losses.
- (c) At 31st December 2004, net book value of land and buildings pledged as security for the Group's long-term bank loans amounted to HK\$52,500,000 (2003: HK\$36,000,000).

NOTES TO THE ACCOUNTS

12 Investments in subsidiaries

	Company	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares, at cost	62,748	62,748

Particular of the Company's subsidiaries are set out in note 26.

13 Inventories

	Group	
	2004	2003
	HK\$'000	HK\$'000
Raw materials	23,711	17,612
Work in progress	9,472	2,724
Finished goods	14,724	11,836
	47,907	32,172
Provision for slow moving inventories	(1,325)	(1,581)
	46,582	30,591

As 31st December 2004, the carrying amount of inventories that are carried at net realisable value amounted approximately to HK\$1,325,000 (2003: HK\$1,581,000).

14 Trade receivables

At 31st December 2004, the ageing analysis of trade receivables was as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Current – 3 months	65,088	45,096
4 – 6 months	3,450	1,584
Over 6 months	402	259
	68,940	46,939
Provision	(1,417)	(463)
	67,523	46,476

Payment terms with customers are mainly 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 be granted to customers which have good payment history and have long-term business relationship with the Group.

15 Amounts due from/(to) subsidiaries

The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

16 Bank balances and cash

Included in the balances of Group are Renminbi bank balances and cash in Mainland China of approximately HK\$2,756,000 (2003: HK\$275,000).

17 Trade payables

At 31st December 2004, the ageing analysis of trade payables was as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Current – 3 months	34,326	24,882
4 – 6 months	1,400	1,067
Over 6 months	133	101
	35,859	26,050

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

NOTES TO THE ACCOUNTS

18 Share capital

	Authorised ordinary shares of HK\$0.10 each	
	No. of shares	HK\$'000
At 1st January 2003 and at 31st December 2003	500,000,000	50,000
At 1st January 2004 and at 31st December 2004	500,000,000	50,000

	Issued and fully paid ordinary shares of HK\$0.10 each	
	No. of shares	HK\$'000
At 1st January 2003 and at 31st December 2003	198,958,000	19,896
At 1st January 2004 and at 31st December 2004	198,958,000	19,896

19 Reserves

Group

	Share premium	Reserve arising on consolidation	Exchange fluctuation reserve	Investment property revaluation reserve	Land and buildings revaluation reserve	Capital redemption	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2004	15,885	11,808	–	1,186	2,747	104	83,661	115,391
Surplus on revaluation of investment property and land and buildings (note 11(a))	–	–	–	600	18,724	–	–	19,324
Exchange difference arising from translation of the accounts of subsidiaries	–	–	454	–	–	–	–	454
Profit for the year	–	–	–	–	–	–	15,150	15,150
Dividends paid (note 7)	–	–	–	–	–	–	(3,980)	(3,980)
At 31st December 2004	15,885	11,808	454	1,786	21,471	104	94,831	146,339
Representing: –								
2004 final dividend proposed							3,980	
Others							90,851	
Retained earnings as at 31st December 2004							94,831	
At 1st January 2003	15,885	11,808	–	1,286	–	104	71,922	101,005
Deficit on revaluation of investment property	–	–	–	(100)	–	–	–	(100)
Surplus on revaluation of land and buildings	–	–	–	–	2,747	–	–	2,747
Profit for the year	–	–	–	–	–	–	15,719	15,719
Dividends paid	–	–	–	–	–	–	(3,980)	(3,980)
At 31st December 2003	15,885	11,808	–	1,186	2,747	104	83,661	115,391
Representing: –								
2003 final dividend proposed							1,990	
Others							81,671	
Retained earnings as at 31st December 2003							83,661	

NOTES TO THE ACCOUNTS

19 Reserves (Continued)

Company

	Share premium	Contributed surplus (note)	Capital redemption	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2004	15,885	62,548	104	25,264	103,801
Loss for the year	–	–	–	(394)	(394)
Dividends paid (note 7)	–	–	–	(3,980)	(3,980)
At 31st December 2004	15,885	62,548	104	20,890	99,427
Representing:–					
2004 final dividend proposed				3,980	
Others				16,910	
Retained earnings as at 31st December 2004				20,890	
At 1st January 2003	15,885	62,548	104	30,344	108,881
Loss for the year	–	–	–	(1,100)	(1,100)
Dividends paid	–	–	–	(3,980)	(3,980)
At 31st December 2003	15,885	62,548	104	25,264	103,801
Representing:–					
2003 final dividend proposed				1,990	
Others				23,274	
Retained earnings as at 31st December 2003				25,264	

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 of Hong Kong Limited, 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.

20 Long-term liabilities

	Group	
	2004 HK\$'000	2003 HK\$'000
Bank loans – secured (note 23)	12,871	8,137
Obligations under hire purchase contracts	9,134	83
	22,005	8,220
Current portion of long-term liabilities	(7,746)	(1,286)
	14,259	6,934

	Group	
	2004 HK\$'000	2003 HK\$'000
The analysis of the above is as follows:		
Bank loans – secured (note 23)		
Wholly repayable within five years	12,627	6,460
Not wholly repayable within five years	244	1,677
	12,871	8,137
Obligations under hire purchase contracts		
Wholly repayable within five years	9,134	83
	22,005	8,220
Current portion of long-term liabilities		
– bank loans	(4,235)	(1,203)
– hire purchase	(3,511)	(83)
	14,259	6,934

Hire purchases wholly repayable within five years are repayable by instalments from 1st January 2005 to 30th September 2007. Interest is charged on the outstanding balances at 4.35% to 11.59% per annum (2003: 5.0% to 5.25% per annum).

NOTES TO THE ACCOUNTS

20 Long-term liabilities (Continued)

At 31st December 2004, the Group's bank loans (excluding obligations under hire purchase contracts) were repayable as follows:

	Bank loans	
	2004	2003
	HK\$'000	HK\$'000
Within one year	4,235	1,203
In the second year	3,349	1,246
In the third to fifth year	5,043	4,011
After the fifth year	244	1,677
	12,871	8,137

At 31st December 2004, the Group's obligations under hire purchase contracts were repayable as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Within one year	3,897	84
In the second year	3,897	–
In the third to fifth year	1,959	–
	9,753	84
Future finance charges on hire purchase	(619)	(1)
Present value of hire purchase contracts liabilities	9,134	83

The present value of hire purchase contracts liabilities was as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Within one year	3,511	83
In the second year	3,695	–
In the third to fifth year	1,928	–
	9,134	83

21 Consolidated cash flow statement
(a) Reconciliation of profit before taxation to net cash inflow generated from operations

	2004	2003
	HK\$'000	HK\$'000
Profit before taxation	13,975	15,615
Interest income	(22)	(7)
Interest on bank loans	267	307
Interest on trust receipt loans and overdrafts	1,483	1,076
Interest element of hire purchase contracts	254	13
Loss/(gain) on disposal of fixed assets	260	(972)
Revaluation surplus on leasehold land and buildings	(163)	(2,738)
Amortisation of leasehold land	763	707
Depreciation of owned fixed assets other than leasehold land	7,242	7,286
Depreciation of fixed assets held under hire purchase Contracts	1,275	154
Operating profit before working capital changes	25,334	21,441
Increase in inventories	(15,991)	(7,077)
(Increase)/decrease in trade receivables, other receivables, deposits and prepayments	(22,335)	1,540
Increase in trade payables, other payables and accruals	13,116	719
Net cash inflow generated from operations	124	16,623

(b) Analysis of changes in financing during the year

	Trust receipt loans		Bank loans		Obligations under hire purchase contract	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January	14,856	14,276	8,137	10,049	83	437
Addition/(repayment) of loans	13,981	580	4,734	(1,912)	-	-
Addition/(repayment) of capital element of hire purchase contracts	-	-	-	-	9,051	(354)
At 31st December	28,837	14,856	12,871	8,137	9,134	83

NOTES TO THE ACCOUNTS

22 Commitments

(a) Capital commitment

At 31st December 2004, the Group had the following capital commitment for construction project:

	2004 HK\$'000	2003 HK\$'000
Contracted but not provided for	1,535	–

(b) Commitments under operating leases

At 31st December 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings	
	2004 HK\$'000	2003 HK\$'000
Not later than one year	87	7
Later than one year and not later than five years	14	–
	101	7

The Company did not have any significant commitments at 31st December 2004 and 2003.

23 Banking facilities

At 31st December 2004, the Group's banking facilities amounting to approximately HK\$71,800,000 (2003: HK\$80,000,000) were secured by the following:

- (a) legal charges over certain land and buildings of the Group with a total net book value of HK\$52,500,000 (2003: HK\$36,000,000);
- (b) corporate guarantees given by the Company; and
- (c) a deed of guarantee executed by the Company amounting to HK\$39,000,000 (2003: HK\$39,000,000).

24 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.

25 Approval of accounts

The accounts were approved by the Board of Directors on 30th March 2005.

26 Subsidiaries

At 31st December 2004, the Company held shares in the following subsidiaries:

Name	Place of incorporation/ establishment	Paid up share capital/ registered capital	Principal activities	Interest	
				2004	2003
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 sale of electric cables and wires	100%	100%
◦ Perennial Cable Harness Limited (formerly known as NTC Services Limited)	Hong Kong	Ordinary HK\$10,000	Manufacturing and sale of wire harnesses	100%	100%
◦ Perennial Cable (H.K.) Limited	Hong Kong	Ordinary HK\$2,000,000	Manufacturing and sale of electric cables, wires and accessories	100%	100%
Perennial Cable Limited	British Virgin Islands	Ordinary US\$1	Investment and property holding, trading of electric cable, wires, wire harness and accessories	100%	100%

NOTES TO THE ACCOUNTS

26 Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Paid up share capital/ registered capital	Principal activities	Interest	
				2004	2003
^b Perennial Cable (Shenzhen) Co., Limited (wholly owned foreign enterprise)	Mainland China	HK\$28,000,000	Manufacturing of electric cables, wires and wire harness	100%	100%
^c Perennial Plastics (H.K.) Limited	Hong Kong	Ordinary HK\$2	Manufacturing and sale 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%
^a Perennial Cable (Macao) Limited	British Virgin Islands	Ordinary US\$2	Trading of electric cables, wires, wire harness and accessories	100%	100%
New Technology Cable (UK) Limited	United Kingdom	Ordinary GBP1	License holding	100%	100%
New Technology Cable Pte. Limited	Singapore	Ordinary SG\$2	License holding	100%	100%
Shinka K.K.	Japan	Ordinary JPY10,000,000	License holding	100%	100%
Perennial USA Inc.	USA	Ordinary USD1,000	Trading of electric cables, wires, wire harness and accessories	100%	100%

Operation of the above companies are carried out mainly in Hong Kong instead of their place of incorporation/establishment except for:

- ^a Perennial Cable (Macao) Limited in Macao, the People's Republic of China;
- ^b Perennial Cable (Shenzhen) Co., Limited in Shenzhen, the People's Republic of China; and
- ^c Perennial Plastics (H.K.) Limited, Perennial Cable Harness Limited and Perennial Cable (H.K.) Limited whose manufacturing activities are conducted by their appointed sub-contractors in Shenzhen, the People's Republic of China.