

## 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 property are stated at fair value.

In the current year, the Group adopted Statement of Standard Accounting Practice ("SSAP") 12 "Income Taxes" issued by the HKSA which is effective for accounting periods commencing on or after 1st January 2003.

The effect of adoption of this new policy is set out in note 1(k).

### (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, 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 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.

## 1 Principal accounting policies (Continued)

### (c) 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 account is translated at an average rate. Exchange differences are dealt with in the profit and loss account.

### (d) 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 is 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 valuation is on an open market basis related to individual property and separate value is not attributed to land and buildings. The valuation is incorporated in the annual accounts. In the intervening years, the directors review the carrying value of the investment property and adjustment is made where they consider there has been a material change. 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 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 the property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the land and buildings revaluation reserve to the profit and loss account.

## 1 Principal accounting policies (Continued)

### (d) Fixed assets (Continued)

#### (iii) Other fixed assets

Other fixed assets, comprising leasehold improvements, plant and machinery, furniture and fixtures, office equipment, motor vehicles and company 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%
Company boat	20%

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.

## 1 Principal accounting policies (Continued)

### (e) 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. 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.

### (f) 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 account 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.

### (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 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.

## 1 Principal accounting policies (Continued)

### (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.

### (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 trust receipt loans.

### (i) Employee benefits

#### (i) Employee leave entitlements

Employee entitlements to annual leave and 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 employees in the Mainland China, the Group's contributions to the local municipal government retirement scheme in the Mainland China are expensed as incurred while the local municipal government in the Mainland China undertakes to assume that the retirement benefit obligations of the qualified employees in the Mainland China.

## 1 Principal accounting policies (Continued)

### (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.

In prior year, deferred taxation was 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 was expected to be payable or recoverable in the foreseeable future. The adoption of the new SSAP 12 represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As a result, net deferred tax liabilities as at 31st December 2001 and 2002 decreased by HK\$802,000 (with a corresponding increase of same amount in retained earnings) and HK\$527,000 (with a corresponding increase of same amount in retained earnings) respectively. Therefore, as detailed in consolidated statement of changes in equity, opening retained earnings at 1st January 2002 and 2003 have increased by HK\$802,000 and HK\$527,000 respectively. The change has reduced the profit attributable to shareholders for the year ended 31st December 2002 by HK\$275,000 (from HK\$8,754,000 to HK\$8,479,000).

### (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.

## 1 Principal accounting policies (Continued)

### (n) 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 based on 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:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Turnover		
Sales of goods	<b>238,928</b>	227,635
Other revenues		
Gross rental income from investment property	<b>206</b>	206
Interest income	<b>7</b>	5
	<b>213</b>	211
Total revenues	<b>239,141</b>	227,846

## 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

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

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



## 2 Turnover, revenue and segment information (Continued)

### Business segment (Continued)

	As restated			
	Manufacturing of cable and wire products 2002 HK\$'000	Trading of cable and wire products 2002 HK\$'000	Investment holdings 2002 HK\$'000	Group 2002 HK\$'000
Turnover	138,846	88,764	25	227,635
Segment results	42,043	15,315	-	57,358
Unallocated costs				(45,841)
Operating profit				11,517
Finance costs				(1,454)
Profit before taxation				10,063
Taxation				(1,584)
Profit attributable to shareholders				8,479
Segment assets	77,361	69,477	40,303	187,141
Unallocated assets	-	-	-	-
Total assets				187,141
Segment liabilities	19,829	15,494	1,290	36,613
Unallocated liabilities	-	-	-	29,627
Total liabilities				66,240
Capital expenditure	1,526	96	-	1,622
Depreciation and amortisation	6,095	1,895	1,313	9,303

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

## 2 Turnover, revenue and segment information (Continued)

### Geographical segment

	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	-
	<b>238,928</b>	<b>62,767</b>	<b>201,200</b>	<b>7,252</b>
Unallocated costs		<b>(45,756)</b>		
Operating profit		<b>17,011</b>		
		As restated		
	Turnover 2002 HK\$'000	Segment results 2002 HK\$'000	Total assets 2002 HK\$'000	Capital expenditure 2002 HK\$'000
Hong Kong	153,254	32,784	81,022	96
Mainland China	24,767	9,508	95,593	1,526
Other Asian countries	20,889	6,043	2,980	-
America	18,573	6,490	6,945	-
Europe	2,408	548	601	-
South Africa	7,744	1,985	-	-
	<b>227,635</b>	<b>57,358</b>	<b>187,141</b>	<b>1,622</b>
Unallocated costs		<b>(45,841)</b>		
Operating profit		<b>11,517</b>		

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



## 3 Operating profit

Operating profit was stated after crediting and charging the following:

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
<b>Crediting</b>		
Gain on disposal of fixed assets	<b>972</b>	–
Reversal of provision for bad and doubtful debts	<b>224</b>	–
<b>Charging</b>		
Amortisation and depreciation:		
Amortisation of leasehold land	<b>707</b>	707
Owned fixed assets other than leasehold land	<b>7,286</b>	8,103
Fixed assets held under hire purchase contracts	<b>154</b>	493
Auditors' remuneration	<b>720</b>	720
Cost of inventories sold	<b>136,391</b>	130,092
Net exchange loss	<b>543</b>	674
Operating lease rentals in respect of land and buildings	<b>282</b>	327
Outgoings in respect of investment property	<b>29</b>	25
Provision for bad and doubtful debts	<b>–</b>	296
Staff costs including directors' emoluments (note 9)	<b>39,934</b>	34,856

## 4 Finance costs

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Interest on bank loans and overdrafts		
Wholly repayable within five years	<b>1,076</b>	1,046
Not wholly repayable within five years	<b>307</b>	358
Interest element of hire purchase contracts	<b>13</b>	50
	<b>1,396</b>	1,454

## 5 Taxation

- (a) Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the year. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004. 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)/charged to the consolidated profit and loss account represents:

	2003 HK\$'000	As restated 2002 HK\$'000
Hong Kong profits tax	601	1,578
Overseas taxation	332	–
Deferred taxation relating to the origination and reversal of temporary differences	(1,145)	6
Deferred taxation resulting from an increase in tax rate	108	–
	<b>(104)</b>	1,584

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the home country of the Company as follows:

	2003 HK\$'000	As restated 2002 HK\$'000
Profit before taxation	15,615	10,063
Calculated at a taxation rate of 17.5% (2002: 16%)	2,733	1,610
Income not subject to taxation	(952)	(823)
Effect of different taxation rate in other countries	(1,459)	(91)
Expenses not deductible for taxation purposes	791	842
Utilisation of previously unrecognised tax losses	(87)	(15)
Recognition of previously unrecognised deferred tax assets (note (i))	(1,603)	–
Increase in opening net deferred tax liabilities resulting from an increase in tax rate	108	–
Deferred tax assets not recognised	365	61
Taxation (credit)/charge	<b>(104)</b>	1,584

Note:

- (i) The balance mainly represents the deferred tax recognised for temporary differences arising on tax depreciation of Perennial Cable (Shenzhen) Co., Limited ("PCS"). No deferred tax on such temporary differences had been recognised as at 31st December 2002 because PCS was then entitled to full exemption from the People's Republic of China ("PRC") income tax. Pursuant to an "Advance Ruling on Transfer Pricing" (預約定價協議) dated 22nd December 2003 entered into by PCS and the Shenzhen tax authorities, the full PRC income tax exemption has been terminated and PCS is subject to the PRC income tax with a preferential rate of 7.5% from then onwards. Accordingly, the relevant deferred tax has been recognised as at 31st December 2003.

## 5 Taxation (Continued)

- (b) Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2002: 16%).

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

	<b>2003</b> <b>HK\$'000</b>	As restated 2002 HK\$'000
At 1st January	<b>1,272</b>	1,266
Deferred taxation (credited)/charged to consolidated profit and loss account (note 5(a))	<b>(1,037)</b>	6
Taxation charged to equity	<b>1,042</b>	–
At 31st December	<b>1,277</b>	1,272

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

	<b>2003</b> <b>HK\$'000</b>	As restated 2002 HK\$'000
Revaluation reserves in shareholders' equity – land and building (note 11(a))	<b>1,042</b>	–

Deferred income tax assets are recognised for tax loss carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Group has unrecognised tax losses of HK\$1,935,000 (2002 :HK\$1,854,000) to carry forward against future taxable income.

## 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	
	2003 HK\$'000	As restated 2002 HK\$'000
At 1st January	1,510	1,663
Charged/(credited) to consolidated profit and loss account	678	(153)
Charged to equity	1,042	-
At 31st December	3,230	1,510

### Deferred tax assets

	Tax losses		Tax depreciation		Total	
	2003 HK\$'000	As restated 2002 HK\$'000	2003 HK\$'000	As restated 2002 HK\$'000	2003 HK\$'000	As restated 2002 HK\$'000
At 1st January	238	397	-	-	238	397
Credited/(charged) to consolidated profit and loss account	238	(159)	1,477	-	1,715	(159)
At 31st December	476	238	1,477	-	1,953	238

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:

	2003 HK\$'000	As restated 2002 HK\$'000
Deferred tax assets	(1,477)	(238)
Deferred tax liabilities	2,754	1,510
	1,277	1,272



## 6 Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of the loss of HK\$1,100,000 (2002: profit of HK\$97,000).

## 7 Dividends

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Interim, paid, of HK\$0.01 (2002: HK\$0.01) per ordinary share	<b>1,990</b>	1,990
Final, proposed, of HK\$0.01 (2002: HK\$0.01) per ordinary share	<b>1,990</b>	1,990
	<b>3,980</b>	3,980

At a meeting held on 23rd March 2004, the directors proposed a final dividend of HK\$0.01 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 2004.

## 8 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders of HK\$15,719,000 (2002: HK\$8,479,000) and on the weighted average number of 198,958,000 (2002: 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

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Wages and salaries	<b>38,539</b>	33,740
Termination benefits	<b>42</b>	17
Social security costs	<b>842</b>	606
Pension costs – contribution to MPF scheme	<b>394</b>	377
Others	<b>117</b>	116
	<b>39,934</b>	34,856

## 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:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Fees	<b>285</b>	60
Basic salaries, housing allowances, other allowances and benefits in kind	<b>7,851</b>	7,889
Discretionary bonuses	<b>1,132</b>	1,092
Contributions to MPF scheme for directors	<b>61</b>	60
	<b>9,329</b>	9,101

Directors' fees disclosed above included HK\$285,000 (2002: HK\$60,000) paid to two (2002: One) independent non-executive directors. One of the independent non-executive directors did not receive any emolument during the year (2002: Nil).

No directors waived their emoluments in respect of the years ended 31st December 2003 and 2002.

The emoluments of the directors fell within the following bands:

<b>Emoluments bands</b>	<b>Number of directors</b>	
	<b>2003</b>	2002
HK\$Nil – HK\$1,000,000	<b>6</b>	3
HK\$1,000,001 – HK\$2,000,000	<b>1</b>	2
HK\$2,000,001 – HK\$3,000,000	<b>1</b>	1
HK\$3,000,001 – HK\$4,000,000	<b>-</b>	1
HK\$4,000,001 – HK\$5,000,000	<b>1</b>	-
	<b>9</b>	7



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

In 2003, the five individuals whose emoluments were the highest in the Group for 2003 included four directors whose emoluments are reflected in the analysis presented above. In 2002, the five individuals whose emoluments were the highest in the Group were also directors. The emoluments payable to the remaining one individual were as follows:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	<b>771</b>	–
Discretionary bonuses	<b>320</b>	–
Contributions to MPF scheme	<b>12</b>	–
	<b>1,103</b>	–

The emoluments fell within the following band:

<b>Emoluments band</b>	<b>Number of individuals</b>	
	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
HK\$1,000,001 – HK\$2,000,000	<b>1</b>	–

During the years ended 31st December 2003 and 2002, 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.

## 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 2003	36,000	44,000	2,200	2,051	59,036	4,910	4,716	4,824	3,261	160,998
Additions	-	1,852	-	-	2,148	99	525	713	-	5,337
Revaluation	-	-	(100)	-	-	-	-	-	-	(100)
Disposals	-	-	-	-	(13)	(47)	(236)	(461)	(3,261)	(4,018)
At 31st December 2003	36,000	45,852	2,100	2,051	61,171	4,962	5,005	5,076	-	162,217
Accumulated depreciation:										
At 1st January 2003	1,247	2,677	-	775	35,932	2,897	2,435	2,874	2,529	51,366
Charge for the year	816	1,787	-	233	3,931	369	507	428	76	8,147
Revaluation	(2,063)	(4,464)	-	-	-	-	-	-	-	(6,527)
Disposals	-	-	-	-	(8)	(22)	(92)	(399)	(2,605)	(3,126)
At 31st December 2003	-	-	-	1,008	39,855	3,244	2,850	2,903	-	49,860
Net book value:										
At 31st December 2003	36,000	45,852	2,100	1,043	21,316	1,718	2,155	2,173	-	112,357
At 31st December 2002	34,753	41,323	2,200	1,276	23,104	2,013	2,281	1,950	732	109,632
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
The analysis of the cost or valuation at 31st December 2002 of the above assets is as follows:										
At cost	-	-	-	2,051	59,036	4,910	4,716	4,824	3,261	78,798
At professional valuation - 2001	36,000	44,000	2,200	-	-	-	-	-	-	82,200
	36,000	44,000	2,200	2,051	59,036	4,910	4,716	4,824	3,261	160,998
Net book value of hire purchase assets:										
At 31st December 2003	-	-	-	-	378	-	-	113	-	491
At 31st December 2002	-	-	-	-	1,124	-	-	138	-	1,262



## 11 Fixed assets – Group (Continued)

- (a) Investment property was revalued at 31st December 2003 on the basis of open market value by DTZ Debenham Tie Leung Limited, an independent firm of chartered surveyors. The deficits arising on the revaluation amounted to HK\$100,000 was set off against the investment property revaluation reserve brought forward from previous year. The revaluation does not constitute a temporary difference for deferred taxation purpose.

Land and buildings other than investment property were also revalued at 31st December 2003 on the basis of open market value carried out by DTZ Debenham Tie Leung Limited, an independent firm of chartered surveyors. The revaluation surplus amounted to HK\$6,527,000 of which HK\$2,738,000 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\$1,042,000 was credited to land and buildings revaluation reserve in shareholders' equity.

- (b) The carrying amount of these land and buildings and investment property would have been HK\$78,240,000 (2002: HK\$81,191,000) and HK\$1,046,000 (2002: HK\$1,078,000) respectively had they been stated at cost less accumulated depreciation and accumulated impairment losses.
- (c) At 31st December 2003, net book value of land and buildings pledged as security for the Group's long-term bank loans amounted to HK\$36,000,000 (2002: HK\$34,753,000).

## 12 Investments in subsidiaries

	Company	
	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	<b>62,748</b>	62,748

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

## 13 Investment securities

	Group	
	2003 HK\$'000	2002 HK\$'000
Investment securities, at cost		
Shares listed in Hong Kong	<b>146</b>	146
Provision for impairment losses		
Shares listed in Hong Kong	<b>(131)</b>	(131)
	<b>15</b>	15
Market value of listed shares	<b>24</b>	16

## 14 Inventories

	Group	
	2003 HK\$'000	2002 HK\$'000
Raw materials	17,612	18,454
Work in progress	2,724	1,305
Finished goods	11,836	5,504
	<b>32,172</b>	25,263
Provision	<b>(1,581)</b>	(1,749)
	<b>30,591</b>	23,514

At 31st December 2003, the carrying amount of inventories that are carried at net realisable value amounted approximately to HK\$1,581,000 (2002: HK\$1,749,000).

## 15 Trade receivables

At 31st December 2003, the ageing analysis of trade receivables was as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Current – 3 months	45,096	46,120
4 – 6 months	1,584	1,693
Over 7 months	259	534
	<b>46,939</b>	48,347
Provision	<b>(463)</b>	(687)
	<b>46,476</b>	47,660

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 grant to those customers which have good payment history and have long-term business relationship with the Group.



## 16 Other receivables, deposits and prepayments

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

Name	Terms of the loan	Maximum amounts outstanding during the year HK\$'000	Amounts outstanding at 31st December 2003 HK\$'000	Amounts outstanding at 31st December 2002 HK\$'000
Mr Mon Chung Hung	Unsecured, interest-free and repayable on demand	77	-	-
Mr Siu Yuk Shing, Marco	Unsecured, interest-free and repayable on demand	650	-	-
Mr Li Ho Cheong (note)	Unsecured, interest-free and repayable on demand	750	-	-

Note: Mr Li Ho Cheong resigned as director of the Company on 1st April 2003.

## 17 Amounts due from/(to) subsidiaries

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

## 18 Trade payables

At 31st December 2003, the ageing analysis of trade payables was as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Current – 3 months	24,882	22,312
4 – 6 months	1,067	3,190
Over 7 months	101	125
	<b>26,050</b>	<b>25,627</b>

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

## 19 Share capital

	<b>Authorised ordinary shares of HK\$0.10 each</b>	
	<b>No. of shares</b>	<b>HK\$'000</b>
At 1st January 2002 and at 31st December 2002	500,000,000	50,000
At 1st January 2003 and at 31st December 2003	500,000,000	50,000
	<b>Issued and fully paid ordinary shares of HK\$0.10 each</b>	
	<b>No. of shares</b>	<b>HK\$'000</b>
At 1st January 2002 and at 31st December 2002	198,958,000	19,896
At 1st January 2003 and at 31st December 2003	198,958,000	19,896

## 20 Reserves

Group	Share	Reserve	Investment	Land and	Capital	Retained	Total
	premium	arising on	property	buildings	redemption	earnings	
	HK\$'000	consolidation	revaluation	revaluation	HK\$'000	HK\$'000	HK\$'000
	HK\$'000	HK\$'000	reserve	reserve	HK\$'000	HK\$'000	HK\$'000
At 1st January 2003, as previously reported	15,885	11,808	1,286	-	104	71,395	100,478
Change in accounting policy of deferred taxation (note 1(k))	-	-	-	-	-	527	527
At 1st January 2003, as restated	15,885	11,808	1,286	-	104	71,922	101,005
Deficit on revaluation of investment property (note 11 (a))	-	-	(100)	-	-	-	(100)
Surplus on revaluation of land and buildings net of deferred taxation (note 11 (a))	-	-	-	2,747	-	-	2,747
Profit for the year	-	-	-	-	-	15,719	15,719
Dividends paid (note 7)	-	-	-	-	-	(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	
At 1st January 2002, as previously reported	15,885	11,808	1,286	-	104	64,631	93,714
Change in accounting policy of deferred taxation (note 1(k))	-	-	-	-	-	802	802
At 1st January 2002, as restated	15,885	11,808	1,286	-	104	65,433	94,516
Profit for the year	-	-	-	-	-	8,479	8,479
Dividends paid (note 7)	-	-	-	-	-	(1,990)	(1,990)
At 31st December 2002	15,885	11,808	1,286	-	104	71,922	101,005
Representing: -							
2002 final dividend proposed						1,990	
Others						69,932	
Retained earnings as at 31st December 2002						71,922	

## 20 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 2003	15,885	62,548	104	30,344	108,881
Loss for the year	-	-	-	(1,100)	(1,100)
Dividends paid (note 7)	-	-	-	(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	
At 1st January 2002	15,885	62,548	104	32,237	110,774
Profit for the year	-	-	-	97	97
Dividends paid (note 7)	-	-	-	(1,990)	(1,990)
At 31st December 2002	15,885	62,548	104	30,344	108,881
Representing:					
2002 final dividend proposed				1,990	
Others				28,354	
Retained earnings as at 31st December 2002				30,344	

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.



**21 Long-term liabilities**

	<b>Group</b>	
	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Bank loans – secured (note 24)	<b>8,137</b>	10,049
Obligations under hire purchase contracts	<b>83</b>	437
	<b>8,220</b>	10,486
Current portion of long-term liabilities	<b>(1,286)</b>	(2,266)
	<b>6,934</b>	8,220

	<b>Group</b>	
	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
The analysis of the above is as follows:		
Bank loans – secured (note 24)		
Wholly repayable within five years	<b>6,460</b>	6,988
Not wholly repayable within five years	<b>1,677</b>	3,061
	<b>8,137</b>	10,049
Obligations under hire purchase contracts		
Wholly repayable within five years	<b>83</b>	437
	<b>8,220</b>	10,486
Current portion of long-term liabilities		
– bank loans	<b>(1,203)</b>	(1,912)
– hire purchase	<b>(83)</b>	(354)
	<b>6,934</b>	8,220

Hire purchase wholly repayable within five years are repayable by instalments from 1st January 2004 to 31st July 2004. Interest is charged on the outstanding balances at 5.0% to 5.25% per annum (2002: 5.1% to 7.78% per annum).

## 21 Long-term liabilities (Continued)

At 31st December 2003, the Group's bank loans (excluding obligations under hire purchase contracts) were repayable as follows:

	<b>Bank loans</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>1,203</b>	1,912
In the second year	<b>1,246</b>	1,203
In the third to fifth year	<b>4,011</b>	3,873
After the fifth year	<b>1,677</b>	3,061
	<b>8,137</b>	10,049

At 31st December 2003, the Group's obligations under hire purchase contracts were repayable as follows:

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>84</b>	368
In the second year	-	84
	<b>84</b>	452
Future finance charges on hire purchase	<b>(1)</b>	(15)
Present value of hire purchase contracts liabilities	<b>83</b>	437

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

	<b>Group</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>83</b>	354
In the second year	-	83
	<b>83</b>	437

**22 Notes to the consolidated cash flow statement**
**(a) Reconciliation of profit before taxation to net cash inflow generated from operations**

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Profit before taxation	<b>15,615</b>	10,063
Interest income	<b>(7)</b>	(5)
Interest on bank loans	<b>307</b>	358
Interest on trust receipt loans and overdrafts	<b>1,076</b>	1,046
Interest element of hire purchase contracts	<b>13</b>	50
Gain on disposal of fixed assets	<b>(972)</b>	–
Revaluation surplus on leasehold land and buildings	<b>(2,738)</b>	–
Amortisation of leasehold land	<b>707</b>	707
Depreciation of owned fixed assets other than leasehold land	<b>7,286</b>	8,103
Depreciation of fixed assets held under hire purchase contracts	<b>154</b>	493
Operating profit before working capital changes	<b>21,441</b>	20,815
Increase in inventories	<b>(7,077)</b>	(3,408)
Decrease/(increase) in trade receivables, other receivables, deposits and prepayments	<b>1,540</b>	(2,689)
Increase in trade payables, other payables and accruals	<b>719</b>	6,934
Net cash inflow generated from operations	<b>16,623</b>	21,652

**(b) Analysis of changes in financing during the year**

	<b>Bank loans</b>		<b>Obligations under hire purchase contracts</b>	
	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
At 1st January	<b>10,049</b>	14,166	<b>437</b>	1,438
Repayment of bank loans	<b>(1,912)</b>	(4,117)	–	
Repayment of capital element of hire purchase contracts	–	–	<b>(354)</b>	(1,001)
At 31st December	<b>8,137</b>	10,049	<b>83</b>	437

## 23 Commitments

### (a) Capital commitment

At 31st December 2003, the Group had the following capital commitment for a pleasure boat:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Contracted but not provided for	<b>8,275</b>	–

At 31st December 2003, the Group had the following capital commitment for investment in a subsidiary:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Contracted but not provided for	–	7,000

### (b) Commitments under operating leases

At 31st December 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>Land and buildings</b>	
	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Not later than one year	<b>7</b>	79
Later than one year and not later than five years	–	7
	<b>7</b>	86

The Company did not have any significant commitments at 31st December 2003 and 2002.

## 24 Pledge of assets

At 31st December 2003, the Group's banking facilities amounting to approximately HK\$80 million (2002: HK\$75 million) were secured by the following:

- legal charges over certain land and buildings of the Group with a total net book value of HK\$36,000,000 (2002: HK\$34,753,000);
- corporate guarantees given by the Company; and
- a deed of guarantee executed by the Company amounting to HK\$39 million (2002: HK\$33 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 23rd March 2004.

## 27 Subsidiaries

At 31st December 2003, the Company held shares in the following subsidiaries:

Name	Place of incorporation/ establishment	Paid up share capital/ registered capital	Principal activities	Interest	
				2003	2002
<b>Shares held directly</b>					
Perennial Limited	British Virgin Islands	Ordinary US\$1,200	Investment holding and provision of sourcing and management services	100%	100%
<b>Shares held indirectly</b>					
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%
<sup>1</sup> 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%
<sup>1</sup> Perennial Cable Harness Limited (formerly known as NTC Services Limited)	Hong Kong	Ordinary HK\$10,000	Manufacturing and sale of wire harnesses	100%	100%
<sup>1</sup> 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%
<sup>#</sup> Perennial Cable (Shenzhen) Co., Limited	Mainland China	HK\$28,000,000	Manufacturing of electric cables, wires and wire harness	100%	100%

## 27 Subsidiaries (Continued)

Name	Place of incorporation/ establishment	Paid up share capital/ registered capital	Principal activities	Interest	
				2003	2002
<b>Shares held indirectly (Continued)</b>					
<sup>1</sup> 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%
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%

Save as noted below, the above companies operate principally in Hong Kong instead of their respective place of incorporation/establishment, except for Perennial Cable (Macao) Limited and Perennial Cable (Shenzhen) Co., Limited where operating activities are carried out in Macau and the Mainland China respectively.

<sup>1</sup> 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 15.6% of the Group's total net assets.