



恒都集團有限公司*
PERENNIAL INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 725)

ANNUAL RESULTS
FOR THE YEAR ENDED 31ST DECEMBER 2007

The Board of Directors (the “Directors”) is pleased to announce the consolidated audited financial results of Perennial International Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the year ended 31st December 2007.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st December 2007

	<i>Note</i>	2007 HK\$'000	2006 HK\$'000
Turnover	2	470,496	439,352
Cost of sales		(390,008)	(349,764)
Gross profit		80,488	89,588
Other gains	3	9,876	1,892
Distribution expenses		(9,521)	(8,692)
Administrative expenses		(46,067)	(43,538)
Other operating expenses		(2,230)	(2,979)
Operating profit	4	32,546	36,271
Finance costs	5	(6,306)	(5,268)
Profit before taxation		26,240	31,003
Taxation	6	(1,842)	(1,543)
Profit for the year		24,398	29,460
Dividend	7	7,960	7,960
Basic and diluted earnings per share (cents)	8	12.3	14.8

CONSOLIDATED BALANCE SHEET

As at 31st December 2007

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Leasehold land and land use rights		29,562	30,349
Property, plant and equipment		108,844	89,266
Investment property		8,600	4,700
Deposits paid for additions of land use rights and property, plant and equipment		13,690	7,133
Deferred tax assets		2,901	2,670
		<hr/> 163,597 <hr/>	<hr/> 134,118 <hr/>
Current assets			
Inventories		80,984	73,492
Trade receivables	9	116,131	109,375
Other receivables, deposits and prepayments		7,012	5,979
Derivative financial instruments		601	—
Bank balances and cash		24,646	14,049
		<hr/> 229,374 <hr/>	<hr/> 202,895 <hr/>
Total assets		<hr/> 392,971 <hr/>	<hr/> 337,013 <hr/>
EQUITY			
Share capital		19,896	19,896
Other reserves		29,870	18,974
Retained earnings			
Others		158,940	142,502
Proposed final dividend	7	3,980	5,970
		<hr/> 212,686 <hr/>	<hr/> 187,342 <hr/>
LIABILITIES			
Non-current liabilities			
Long-term bank loans		3,024	3,158
Obligations under finance lease contracts		6,850	9,015
Deferred tax liabilities		5,021	3,662
		<hr/> 14,895 <hr/>	<hr/> 15,835 <hr/>

	<i>Note</i>	2007 HK\$'000	2006 HK\$'000
Current liabilities			
Trade payables	<i>10</i>	53,547	43,550
Other payables and accruals		14,441	15,935
Derivative financial instruments		376	–
Taxation payable		1,051	725
Current portion of obligations under finance lease contracts		2,537	2,879
Current portion of long-term bank loans		2,077	2,224
Short-term bank loans		–	6,000
Trust receipt loans		91,361	62,523
		165,390	133,836
Total liabilities		180,285	149,671
Total equity and liabilities		392,971	337,013
Net current assets		63,984	69,059
Total assets less current liabilities		227,581	203,177

NOTES:

1. Basis of preparation

The consolidated accounts of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). These accounts have been prepared under the historical cost convention, as modified by the revaluation of investment properties and certain financial instruments, which are carried at fair value.

The Group has adopted all of the new and revised HKFRSs and interpretations that are effective on annual periods beginning on or after 1st January 2007. There have been no significant changes to the accounting policies applied in the accounts except for the adoption of HKFRS 7, “Financial instruments: Disclosures”, and the complementary amendment to HKAS 1, “Presentation of financial statements – Capital disclosures”. There have been some additional disclosures as set out in notes to the accounts.

At the date of authorisation of the accounts, the following new/revised standards, amendments and interpretations are in issue but not yet effective:

HKAS 1 (Revised)	Presentation of financial statements (effective for annual periods beginning on or after 1st January 2009)
HKAS 23 (Revised)	Borrowing Costs (effective for annual periods beginning on or after 1st January 2009)
HKAS 27 (Revised)	Consolidated and Separate Financial Statements (effective from annual period beginning on or after 1st July 2009)
HKFRS 3 (Revised)	Business Combination (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1st July 2009)
HKFRS 8	Operating Segments (effective for annual periods beginning on or after 1st January 2009)
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1st March 2007)
HK(IFRIC) – Int 12	Service Concession Arrangements (effective for annual periods beginning on or after 1st January 2008)
HK(IFRIC) – Int 13	Customer Loyalty Programmes (effective for annual periods beginning on or after 1st July 2008)
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1st January 2008)

The Group has carried out an assessment of the impact of the new standards, amendments and interpretations to existing standards which have been issued but are not yet effective and have not been early adopted by the Group. The adoption of these new standards, amendments and interpretations is not expected to result in substantial changes to the Group’s accounting policies.

2. Turnover and segment information

The Group has revised the expenses allocation to segments and the comparatives have been regrouped to conform with the current year's presentation.

An analysis of the Group's turnover and segment results for the year by business and geographical segments are as follows:

Business segment

	Cable and wire products 2007 HK\$'000	Property investment holdings 2007 HK\$'000	Total 2007 HK\$'000
Turnover	<u>470,496</u>	<u>–</u>	<u>470,496</u>
Segment results	<u>33,988</u>	<u>3,593</u>	<u>37,581</u>
Unallocated costs			<u>(5,035)</u>
Operating profit			<u>32,546</u>
Finance costs			<u>(6,306)</u>
Profit before taxation			<u>26,240</u>
Taxation			<u>(1,842)</u>
Profit for the year			<u>24,398</u>
Depreciation	7,714	–	7,714
Amortisation	<u>787</u>	<u>–</u>	<u>787</u>

The segment assets, liabilities and capital expenditure at 31st December 2007 are as follows:

	Cable and wire products 2007 HK\$'000	Property investment holdings 2007 HK\$'000	Unallocated 2007 HK\$'000	Total 2007 HK\$'000
Assets	<u>381,470</u>	<u>8,600</u>	<u>2,901</u>	<u>392,971</u>
Liabilities	<u>161,357</u>	<u>188</u>	<u>18,740</u>	<u>180,285</u>
Capital expenditure	<u>13,792</u>	<u>–</u>	<u>–</u>	<u>13,792</u>

	Cable and wire products 2006 <i>HK\$'000</i>	Property investment holdings 2006 <i>HK\$'000</i>	Total 2006 <i>HK\$'000</i>
Turnover	439,352	–	439,352
Segment results	40,837	669	41,506
Unallocated costs			(5,235)
Operating profit			36,271
Finance costs			(5,268)
Profit before taxation			31,003
Taxation			(1,543)
Profit for the year			29,460
Depreciation	6,481	–	6,481
Amortisation	787	–	787

The segment assets, liabilities and capital expenditure at 31st December 2006 are as follows:

	Cable and wire products 2006 <i>HK\$'000</i>	Property investment holdings 2006 <i>HK\$'000</i>	Unallocated 2006 <i>HK\$'000</i>	Total 2006 <i>HK\$'000</i>
Assets	329,643	4,700	2,670	337,013
Liabilities	129,095	433	20,143	149,671
Capital expenditure	23,465	–	–	23,465

Geographical segment

	Turnover 2007 <i>HK\$'000</i>	Segment results 2007 <i>HK\$'000</i>	Total assets 2007 <i>HK\$'000</i>	Capital expenditure 2007 <i>HK\$'000</i>
Hong Kong	233,229	19,129	134,868	654
Mainland China	81,881	4,846	206,364	13,138
Other Asian countries	37,953	3,891	7,461	–
America	107,982	8,713	37,618	–
Europe	8,482	962	6,660	–
South Africa	969	40	–	–
	<u>470,496</u>	<u>37,581</u>	<u>392,971</u>	<u>13,792</u>
Unallocated costs		<u>(5,035)</u>		
Operating profit		<u>32,546</u>		
	Turnover 2006 <i>HK\$'000</i>	Segment results 2006 <i>HK\$'000</i>	Total assets 2006 <i>HK\$'000</i>	Capital expenditure 2006 <i>HK\$'000</i>
Hong Kong	213,344	9,149	137,684	15,935
Mainland China	68,143	3,315	160,542	7,521
Other Asian countries	28,455	4,242	6,425	9
America	116,831	22,968	30,772	–
Europe	7,584	802	1,590	–
South Africa	4,995	1,030	–	–
	<u>439,352</u>	<u>41,506</u>	<u>337,013</u>	<u>23,465</u>
Unallocated costs		<u>(5,235)</u>		
Operating profit		<u>36,271</u>		

3. Other gains

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Gross rental income from investment property	278	242
Revaluation surplus on investment property	3,900	1,600
Reversal of impairment provision on property, plant and equipment	2,674	–
Tax incentive income	1,555	–
Sundry income	1,233	–
Interest income	236	50
	<u>9,876</u>	<u>1,892</u>

4. Operating profit

Operating profit is stated after charging the following:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Amortisation and depreciation:		
Amortisation of leasehold land and land use rights	787	787
Depreciation of owned property, plant and equipment	5,560	5,542
Depreciation of property, plant and equipment held under finance lease contracts	2,154	939
Auditor's remuneration	1,200	1,100
Cost of inventories sold	332,764	298,459
Net exchange loss	1,542	223
Operating lease rentals in respect of land and buildings	350	447
Outgoing expenses in respect of investment property	18	24
Provision for slow-moving inventories	–	441
Impairment of trade receivables	–	734
Loss on disposal of property, plant and equipment	506	421
Staff costs	55,729	48,148
Revaluation deficit on buildings	–	1,522
	<u>–</u>	<u>–</u>

5. Finance costs

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest on bank loans – wholly repayable within five years	5,502	5,066
Interest of finance lease contracts	804	202
	<u>6,306</u>	<u>5,268</u>

6. Taxation

The amount of taxation charged/(credited) to the consolidated profit and loss account represents:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Hong Kong profits tax	1,272	953
Overseas taxation	1,141	316
Over provision in prior year	(35)	(524)
Deferred taxation relating to the origination and reversal of temporary differences	(536)	798
	1,842	1,543

Hong Kong profits tax has been provided at the rate of 17.5% (2006:17.5%) 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.

7. Dividend

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interim, paid, of HK\$0.02 (2006: HK\$0.01) per ordinary share	3,980	1,990
Final, proposed, of HK\$0.02 (2006: HK\$0.03) per ordinary share	3,980	5,970
	7,960	7,960

At a meeting held on 28th March 2008, the directors proposed a final dividend of HK\$0.02 per ordinary share.

8. Earnings per share

The calculation of basic earnings per share is based on the Group's profit for the year of HK\$24,398,000 (2006: HK\$29,460,000) divided by the weighted average number of 198,958,000 (2006: 198,958,000) ordinary shares in issue during the year.

In both 2007 and 2006, diluted earnings per share is the same as basic due to the absence of dilutive potential ordinary shares as at the date of balance sheet.

9. Trade receivables

At 31st December 2007, the ageing analysis of trade receivables is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current – 3 months	106,416	99,586
4 – 6 months	9,871	10,834
Over 6 months	1,594	1,161
	<hr/>	<hr/>
Provision for bad and doubtful debts	117,881 (1,750)	111,581 (2,206)
	<hr/>	<hr/>
	116,131	109,375
	<hr/> <hr/>	<hr/> <hr/>

The group's average credit period granted to trade debtors mainly ranges from 30 to 90 days.

10. Trade payables

At 31st December 2007, the ageing analysis of trade payables is as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current – 3 months	45,483	39,753
4 – 6 months	7,969	3,241
Over 6 months	95	556
	<hr/>	<hr/>
	53,547	43,550
	<hr/> <hr/>	<hr/> <hr/>

FINANCIAL REVIEW

Results

The Group's turnover was HK\$470,496,000 (2006: HK\$439,352,000), up 7%. Profit for the year was HK\$24,398,000 compared to HK\$29,460,000 in 2006. Earnings per share were HK\$0.123 (2006: HK\$0.148).

Final Dividend

The Board of Directors recommend the payment of a final dividend of HK\$0.02 per share. Together with the interim dividend of HK\$0.02 per share, the Group's total dividends for the year 2007 amounted to HK\$0.04 per share (2006: HK\$0.04 per share).

Liquidity and Financial Resources

As at 31st December 2007, the consolidated indebtedness of the Group, including long-term borrowings of HK\$9,874,000, was HK\$105,849,000. The borrowings are denominated in Hong Kong dollars. The bank balances and cash amounted to HK\$24,646,000.

As at 31st December 2007, the Group's trade receivables balance was HK\$116,131,000, representing 24.7% of the year's turnover of HK\$470,496,000. The Group adopted a stringent credit policy to minimize credit risk. The interest cover was 5.2 times as compared to 6.9 times in 2006.

Capital Expenditure and Major Acquisition

During the year under review, capital expenditure of HK\$13,792,000 were mainly related to construction of new facilities at Shi Yan District, Shenzhen and expansion of production capacities.

Capital Structure

As at 31st December 2007, the consolidated shareholders' equity of the Group was HK\$212,686,000, an increase of 13.5% over 2006. The debt to equity ratio, calculated by dividing total liabilities to shareholders' equity, was approximately 84.8%.

Pledge of Assets

As at 31st December 2007, the Group's banking facilities amounting to approximately HK\$66,470,000 were secured by legal charges over certain leasehold land and land use rights, buildings and investment property of the Group with a total net book value of HK\$40,140,000.

BUSINESS REVIEW

The Group is principally engaged in the manufacturing and trading of quality power cord, power cord sets, cables and wires, wire harnesses and plastic resins.

During the period under review, our sales in power cord and power cord sets, cables and wires, wire harnesses and plastic resins accounted for 74%, 9%, 16% and 1% of the Group's total turnover, respectively.

By continued review and revision of our strategies, the Group is committed to enhancing cost efficiency, optimizing the operations, enforcing prudent financial and transparent corporate governance policies. We, in the meantime, focus on the development of high quality, high returns and high growth products in conjunction with a progressive increase in the wire harnesses business and environmentally proof halogen-free products.

Having passed the statutory inspection, we moved in our Group's newly constructed facilities and commenced production of primarily plastic resins in late December 2007. The addition of this new factory will be instrumental in improving our production efficiency.

To cope with our future development, we plan to recruit an executive for expansion of our market in Europe.

FUTURE PROSPECTS

In January 2008, Perennial Cable (Shenzhen) Co., Limited, a subsidiary of the Group, renewed a three-year term advance pricing agreement with the State Administration of Taxation, the People's Republic of China. The Group received positive support from the Taxation Bureau that enables us to focus on production, and impacting positively on our long-term development.

The implementation of the People's Republic of China's new labour law on 1st January 2008 has an impact on our costs. We aim to lessen the effect by continued optimizing inventory management, monitoring the price of raw materials, reducing production wastage and optimization of the recycled energy. Capitalizing on semi-automation, we will enhance efficiency and reduce manpower to mitigate the surging pressure on costs in the People's Republic of China.

Face with the keen competition of skilled labour in Shenzhen, we endeavour to improve our compensations and working environment, to provide training and promotion opportunities to attract and retain talents.

In 2008, we will continue to invest in research and development of environmentally-sound products, promotion our green products and focusing on the expansion of wire harness business. Looking ahead, the United States of America, Japan and Europe will remain as our key markets.

EMPLOYEES' REMUNERATION POLICY

As at 31st December 2007, the Group employed approximately 1,900 full time management, administrative and production staff worldwide. The Group follows market practice on remuneration packages. Employee's remuneration is reviewed and determined by senior management annually depending on the employee's performance, experience and industry practice. The Group invests in its human capital, apart from providing on job training for workers, the Group reimburses its staff for fees paid to attend pre-approved professional trainings.

SOCIAL RESPONSIBILITY

Being a responsible corporate citizen is the Group's strong belief. we therefore continue to participate and support community activities in both Hong Kong and the People's Republic of China.

AUDIT COMMITTEE

During the year, the Audit Committee reviewed the Interim Report, the Audited Annual Financial Statements, the accounting principles applied and the practices adopted. It evaluated also the adequacy and effectiveness of internal controls. It made recommendations of improvement on Internal Controls where needed.

CORPORATE GOVERNANCE

The Group is committed to safeguarding shareholders' rights and enhancing corporate governance standard. As a result, we establish the Compliance Committee, Audit Committee, Remuneration Committee and Nomination Committee to adhere to the best practice.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the Model Code for Securities Transactions by Directors of Listing Issuers as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors, they had complied with the required standards of the said code during the year.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANY

The information required by paragraphs 45(1) to 45(8) of Appendix 16 to the Listing Rules will be published on the website <http://www.hkex.com.hk> of the Stock Exchange and on the Company's website <http://www.equitynet.com.hk/0725> in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22nd April 2008 to 25th April 2008, both days inclusive, during which period no transfer of shares will be effected. Subject to the approval of shareholders at the Annual General Meeting to be held on 28th April 2008, the final dividend will be paid on or before 7th May 2008 to shareholders whose names are registered in the register of members of the Company at the close of business on 25th April 2008.

In order to qualify for the final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 21st April 2008.

APPRECIATION

On behalf of the Board of Directors, I would like to express my gratitude to our team of dedicated staff for their unfailing service and to our shareholders, customers and suppliers for their enduring support to the Group.

By order of the Board
KOO Di An, Louise
Chairman

Hong Kong, 28th March 2008

The figures in respect of this preliminary announcement of the Group's results for the year ended 31st December 2007 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated accounts for the year. The work performed by PricewaterhouseCoopers in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

As at the date of this announcement, the executive Directors are Mr. MON Chung Hung, Ms. LI Man Wai, Mr. SIU Yuk Shing, Marco, Ms. MON Wai Ki, Vicky and Ms. MON Tiffany, the non-executive Director is Ms. KOO Di An, Louise and the independent non-executive Directors are Mr. LAU Chun Kay, Mr. LIAO Zhixiong and Mr. MA Chun Hon, Richard.

* For identification purposes only