



恒都集團有限公司*

PERENNIAL INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 725)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH JUNE 2008

INTERIM RESULTS

The Board of Directors (the “Directors”) of Perennial International Limited (the “Company”) is pleased to present the interim report and the unaudited condensed consolidated accounts of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June 2008 together with comparative figures as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

for the six months ended 30th June 2008

| | | Six months ended 30th June | |
|--|-------------|-----------------------------------|-----------------|
| | | 2008 | 2007 |
| | <i>Note</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Turnover | 4 | 238,634 | 224,156 |
| Cost of sales | | (192,993) | (181,212) |
| Gross profit | | 45,641 | 42,944 |
| Other gains | 5 | 257 | 2,639 |
| Distribution expenses | | (4,894) | (4,909) |
| Administrative expenses | | (23,167) | (24,152) |
| Other operating expenses | | (3,291) | (1,715) |
| Operating profit | 6 | 14,546 | 14,807 |
| Finance costs | 8 | (2,566) | (3,066) |
| Profit before taxation | | 11,980 | 11,741 |
| Taxation | 9 | (1,064) | (1,023) |
| Profit for the period | | 10,916 | 10,718 |
| Dividend | 10 | 3,980 | 3,980 |
| Basic and diluted earnings per share (cents) | 11 | 5.5 | 5.4 |

* *for identification purposes only*

CONDENSED CONSOLIDATED BALANCE SHEET*as at 30th June 2008*

| | | Unaudited | Audited |
|--|-------------|----------------------|-----------------|
| | | 30th June | 31st December |
| | | 2008 | 2007 |
| | <i>Note</i> | HK\$'000 | HK\$'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Leasehold land and land use rights | <i>14</i> | 31,336 | 29,562 |
| Property, plant and equipment | <i>12</i> | 117,295 | 108,844 |
| Investment property | <i>13</i> | 8,600 | 8,600 |
| Deposit paid for additions of land use rights and property, plant and equipment | | 1,587 | 13,690 |
| Deferred tax assets | | 2,887 | 2,901 |
| | | <hr/> 161,705 | <hr/> 163,597 |
| Current assets | | | |
| Inventories | <i>15</i> | 99,110 | 80,984 |
| Trade receivables | <i>16</i> | 118,293 | 116,131 |
| Other receivables, deposits and prepayments | | 7,017 | 7,012 |
| Derivative financial instruments | | 515 | 601 |
| Bank balances and cash | | 21,429 | 24,646 |
| | | <hr/> 246,364 | <hr/> 229,374 |
| | | <hr/> 408,069 | <hr/> 392,971 |
| EQUITY | | | |
| Share capital | <i>17</i> | 19,896 | 19,896 |
| Other reserves | <i>18</i> | 29,887 | 29,870 |
| Retained earnings | | | |
| Others | | 165,876 | 158,940 |
| Proposed dividend | <i>10</i> | 3,980 | 3,980 |
| | | <hr/> 219,639 | <hr/> 212,686 |
| Total equity | | <hr/> 219,639 | <hr/> 212,686 |

| | | Unaudited | Audited |
|---|-------------|------------------|-----------------|
| | | 30th June | 31st December |
| | | 2008 | 2007 |
| | <i>Note</i> | HK\$'000 | HK\$'000 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Long-term bank loans | 20 | 3,611 | 3,024 |
| Obligations under finance lease contracts | 20 | 5,597 | 6,850 |
| Deferred tax liabilities | | 5,206 | 5,021 |
| | | <u>14,414</u> | <u>14,895</u> |
| Current liabilities | | | |
| Trade payables | 19 | 48,867 | 53,547 |
| Other payables and accruals | | 19,382 | 14,441 |
| Derivative financial instruments | | 566 | 376 |
| Taxation payable | | 1,746 | 1,051 |
| Current portion of obligations | | | |
| under finance lease contracts | 20 | 2,453 | 2,537 |
| Current portion of long-term bank loans | 20 | 3,120 | 2,077 |
| Short-term bank loans | 20 | 16,000 | – |
| Trust receipt loans | 20 | 81,882 | 91,361 |
| | | <u>174,016</u> | <u>165,390</u> |
| Total liabilities | | <u>188,430</u> | <u>180,285</u> |
| Total equity and liabilities | | <u>408,069</u> | <u>392,971</u> |
| Net current assets | | <u>72,348</u> | <u>63,984</u> |
| Total assets less current liabilities | | <u>234,053</u> | <u>227,581</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the six months ended 30th June 2008

| | Share capital | Other reserves | Retained earnings | Total |
|---|--------------------------|---------------------------|------------------------------|-----------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| At 1st January 2008 | 19,896 | 29,870 | 162,920 | 212,686 |
| Profit for the period | – | – | 10,916 | 10,916 |
| Exchange difference arising from translation of accounts of subsidiaries | – | 17 | – | 17 |
| Final dividend paid for 2007 | – | – | (3,980) | (3,980) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 30th June 2008 | <u>19,896</u> | <u>29,887</u> | <u>169,856</u> | <u>219,639</u> |
| Represented by: | | | | |
| Interim dividend proposed for 2008 | | | 3,980 | |
| Others | | | 165,876 | |
| | | | <hr/> | |
| Retained earnings as at 30th June 2008 | | | <u>169,856</u> | |
| | | | <hr/> | |
| | Share capital | Other reserves | Retained earnings | Total |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| At 1st January 2007 | 19,896 | 18,974 | 148,472 | 187,342 |
| Profit for the period | – | – | 10,718 | 10,718 |
| Exchange difference arising from translation of accounts of subsidiaries | – | 12 | – | 12 |
| Final dividend paid for 2006 | – | – | (5,970) | (5,970) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 30th June 2007 | <u>19,896</u> | <u>18,986</u> | <u>153,220</u> | <u>192,102</u> |
| Represented by: | | | | |
| Interim dividend proposed for 2007 | | | 3,980 | |
| Others | | | 149,240 | |
| | | | <hr/> | |
| Retained earnings as at 30th June 2007 | | | <u>153,220</u> | |
| | | | <hr/> | |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)*for the six months ended 30th June 2008*

| | Six months ended 30th June | |
|--|-----------------------------------|-----------------|
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |
| Cash flows from operating activities | | |
| Net cash (used in)/generated from operations | (434) | 10,907 |
| Profits tax paid | (169) | (775) |
| | <hr/> | <hr/> |
| Net cash (used in)/generated from operating activities | (603) | 10,132 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (1,585) | (6,386) |
| Deposit paid for land use rights and property, plant and equipment | (1,412) | (926) |
| Sale of property, plant and equipment | – | 133 |
| Interest received | 98 | 91 |
| | <hr/> | <hr/> |
| Net cash used in investing activities | (2,899) | (7,088) |
| Cash flows from financing activities | | |
| (Decrease)/increase in trust receipt loans | (9,480) | 12,646 |
| Raising/(repayment) of long-term bank loans | 1,630 | (1,553) |
| Increase in short-term bank loans | 16,000 | – |
| Repayment of capital element of finance lease contracts | (1,336) | (1,496) |
| Interest of finance lease contracts | (253) | (430) |
| Bank loan interest | (2,313) | (2,636) |
| Dividend paid to the Company's shareholders | (3,980) | (5,970) |
| | <hr/> | <hr/> |
| Net cash generated from financing activities | 268 | 561 |
| Net (decrease)/increase in cash and cash equivalents | (3,234) | 3,605 |
| Cash and cash equivalents at the beginning of the period | 24,646 | 14,049 |
| Exchange difference on cash and cash equivalents | 17 | 12 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at the end of the period | 21,429 | 17,666 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Analysis of balances of cash and cash equivalents: | | |
| Bank balances and cash | 21,429 | 17,666 |
| | <hr/> <hr/> | <hr/> <hr/> |

1. GENERAL INFORMATION

The Perennial Group, founded in 1989, manufactures and trades quality power cords, power cord sets, cables and wire, wire harnesses and plastic resins. The Group's primary markets are America, Europe, Australia, China, Japan and Southeast Asia where it sells to prominent multi-national producers of electrical and electronic products.

2. BASIS OF PREPARATION

This unaudited condensed consolidated accounts for the six months ended 30th June 2008 are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

This unaudited condensed consolidated accounts should be read in conjunction with the annual accounts for the year ended 31st December 2007.

3. ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the annual accounts for the year ended 31st December 2007

New interpretations to standards effective in 2008:

| | |
|------------------|---|
| HK(IFRIC)-Int 11 | HKFRS 2 – Group and treasury share transactions |
| HK(IFRIC)-Int 12 | Service concession arrangements |
| HK(IFRIC)-Int 14 | HKAS 19 – The Limit on a defined benefit asset, minimum funding requirements and their interaction |

The adoption of these new interpretations to standards does not have significant impact on the unaudited condensed consolidated accounts.

The following new standard, amendments and interpretation to standards are not yet effective for the financial year beginning 1st January 2008 and have not been early adopted by the Group in the interim financial report.

| | |
|--------------------------------|--|
| HKAS 1 (revised) | Presentation of financial statements |
| HKAS 23 (revised) | Borrowing costs |
| HKAS 32 and HKAS 1 (Amendment) | Puttable financial instrument and obligations arising on liquidation |
| HKFRS 2 (revised) | Share-based payment |
| HKFRS 3 (revised) | Business combinations |
| HKFRS 8 | Operating segments |
| HK(IFRIC)-Int 13 | Customers loyalty programmes |

4 TURNOVER, REVENUE AND SEGMENT INFORMATION

Turnover recognised during the period are as follows:

| | Unaudited | |
|---------------|----------------------------------|-----------------|
| | Six month ended 30th June | |
| | 2008 | 2007 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Sale of goods | 238,634 | 224,156 |

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

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

Business segment

| | Unaudited | | |
|------------------------|--|-------------------|-----------------|
| | Six months ended 30th June 2008 | | |
| | Cable and | Property | |
| | wire products | investment | Total |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Turnover | 238,634 | – | 238,634 |
| Segment results | 16,356 | 78 | 16,434 |
| Unallocated costs | | | (1,888) |
| Operating profit | | | 14,546 |
| Finance costs | | | (2,566) |
| Profit before taxation | | | 11,980 |
| Taxation | | | (1,064) |
| Profit for the period | | | 10,916 |
| Depreciation | 4,418 | – | 4,418 |
| Amortisation | 415 | – | 415 |

The segment assets, liabilities and capital expenditure at 30th June 2008 are as follows:

| | Cable and wire products HK\$'000 | Property investment holdings HK\$'000 | Unallocated HK\$'000 | Total HK\$'000 |
|---------------------|---|--|---------------------------------|---------------------------|
| Assets | <u>396,582</u> | <u>8,600</u> | <u>2,887</u> | <u>408,069</u> |
| Liabilities | <u>169,297</u> | <u>153</u> | <u>18,980</u> | <u>188,430</u> |
| Capital expenditure | <u>15,102</u> | <u>–</u> | <u>–</u> | <u>15,102</u> |

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

| | Unaudited Six months ended 30th June 2007 | | |
|------------------------|--|--|-------------------|
| | Cable and wire products HK\$'000 | Property investment holdings HK\$'000 | Total HK\$'000 |
| Turnover | <u>224,156</u> | <u>–</u> | <u>224,156</u> |
| Segment results | <u>15,351</u> | <u>1,868</u> | 17,219 |
| Unallocated costs | | | <u>(2,412)</u> |
| Operating profit | | | 14,807 |
| Finance costs | | | <u>(3,066)</u> |
| Profit before taxation | | | 11,741 |
| Taxation | | | <u>(1,023)</u> |
| Profit for the period | | | <u>10,718</u> |
| Depreciation | 3,907 | – | 3,907 |
| Amortisation | <u>393</u> | <u>–</u> | <u>393</u> |

The segment assets and liabilities as at 31st December 2007 and capital expenditure for the six months ended 30th June 2007 are as follows:

| | Cable and wire products <i>HK\$'000</i> | Property investment holdings <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|---|---|--------------------------------|--------------------------|
| As at 31st December 2007 | | | | |
| Assets | 381,470 | 8,600 | 2,901 | 392,971 |
| Liabilities | 161,357 | 188 | 18,740 | 180,285 |
| For the six months ended 30th June 2007 | | | | |
| Capital expenditure | 6,386 | – | – | 6,386 |

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

Geographical segment

| | Unaudited | | | Total assets <i>HK\$'000</i> |
|-----------------------|-------------------------------------|--|--|---|
| | Turnover <i>HK\$'000</i> | Segment results <i>HK\$'000</i> | Capital expenditure <i>HK\$'000</i> | |
| Hong Kong | 97,302 | 8,415 | – | 117,868 |
| Mainland China | 45,641 | 3,513 | 15,102 | 228,359 |
| Other Asian countries | 21,077 | 1,893 | – | 12,684 |
| America | 70,240 | 2,220 | – | 45,548 |
| Europe | 4,374 | 393 | – | 3,610 |
| South Africa | – | – | – | – |
| | <u>238,634</u> | <u>16,434</u> | <u>15,102</u> | <u>408,069</u> |
| Unallocated costs | | <u>(1,888)</u> | | |
| Operating profit | | <u><u>14,546</u></u> | | |

There are no sales between the geographical segments.

| | Unaudited Six months ended 30th June 2007 | | | Audited 31st December 2007 |
|-----------------------|--|---------------------------------------|---|------------------------------------|
| | Turnover <i>HK\$'000</i> | Segment results <i>HK\$'000</i> | Capital expenditure <i>HK\$'000</i> | Total assets <i>HK\$'000</i> |
| Hong Kong | 112,709 | 9,221 | 549 | 134,868 |
| Mainland China | 40,462 | 2,397 | 5,837 | 206,364 |
| Other Asian countries | 16,439 | 2,352 | – | 7,461 |
| America | 49,940 | 3,015 | – | 37,618 |
| Europe | 4,467 | 223 | – | 6,660 |
| South Africa | 139 | 11 | – | – |
| | <u>224,156</u> | <u>17,219</u> | <u>6,386</u> | <u>392,971</u> |
| Unallocated costs | | <u>(2,412)</u> | | |
| Operating profit | | <u><u>14,807</u></u> | | |

There are no sales between the geographical segments.

Unallocated costs represent mainly corporate expenses.

Segment assets consist primarily of leasehold land and land use rights, property, plant and equipment, inventories, receivables and bank balances and cash for operations. Unallocated assets mainly represent deferred tax assets. Segment liabilities mainly comprise liabilities and accruals for operations. Unallocated liabilities comprises deferred tax liabilities, taxation payable, obligations under finance lease contracts and accruals for corporate expenses. Capital expenditure mainly comprises additions to property, plant and equipment, leasehold land and land use rights.

5 OTHER GAINS

| | Unaudited Six months ended 30th June | |
|--|---|-------------------------|
| | 2008 <i>HK\$'000</i> | 2007 <i>HK\$'000</i> |
| Revaluation surplus on investment property | – | 2,410 |
| Gross rental income from investment property | 159 | 138 |
| Interest income | 98 | 91 |
| | <u>257</u> | <u>2,639</u> |

6 OPERATING PROFIT

Expenses included in cost of sales, distribution expenses, administrative expenses and other operating expenses are analysed as follows:

| | Unaudited | |
|--|----------------------------|---------------|
| | Six months ended 30th June | |
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |
| Amortisation and depreciation: | | |
| Amortisation of leasehold land and land use rights | 415 | 393 |
| Depreciation of owned property, plant and equipment | 3,670 | 2,807 |
| Depreciation of property, plant and equipment held under finance lease contracts | 748 | 1,100 |
| Auditor's remuneration | 685 | 645 |
| Cost of inventories sold | 159,942 | 151,690 |
| Net exchange loss | 1,368 | 809 |
| Operating lease rentals in respect of land and buildings | 135 | 222 |
| Written-back of provision for slow-moving inventories | (153) | (163) |
| Impairment of trade receivables | 1,349 | 2,065 |
| Loss on disposal of property, plant and equipment | 44 | 132 |
| Staff costs (including directors' emoluments) (Note 7) | 31,880 | 24,475 |
| | <u>31,880</u> | <u>24,475</u> |

7 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

| | Unaudited | |
|--|----------------------------|---------------|
| | Six months ended 30th June | |
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |
| Wages and salaries | 30,560 | 23,217 |
| Termination benefits | 40 | 35 |
| Social security costs | 976 | 928 |
| Pension costs – contribution to MPF scheme | 214 | 225 |
| Other benefits | 90 | 70 |
| | <u>31,880</u> | <u>24,475</u> |

Included in the employee benefit expenses are remunerations paid to the Directors as set out below:

Director's emoluments

| | Unaudited | |
|---|-----------------------------------|-----------------|
| | Six months ended 30th June | |
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |
| Basic salaries, housing allowances, other allowances and benefits in kind | 5,117 | 4,782 |
| Discretionary bonuses | 50 | 117 |
| Pension costs – contributions to MPF scheme | 36 | 36 |
| | <u>5,203</u> | <u>4,935</u> |

8 FINANCE COSTS

| | Unaudited | |
|--|-----------------------------------|-----------------|
| | Six months ended 30th June | |
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |
| Interest on bank loans wholly repayable within five years | 2,313 | 2,636 |
| Interest of finance lease contracts | 253 | 430 |
| | <u>2,566</u> | <u>3,066</u> |

9 TAXATION

Hong Kong profits tax has been provided at the rate 16.5% (2007: 17.5%) on the estimated assessable profit for the period.

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

| | Unaudited | |
|-----------------------|-----------------------------------|-----------------|
| | Six months ended 30th June | |
| | 2008 | 2007 |
| | HK\$'000 | HK\$'000 |
| Hong Kong profits tax | 850 | 300 |
| Overseas taxation | 14 | 723 |
| Deferred taxation | 200 | – |
| | <u>1,064</u> | <u>1,023</u> |

12 PROPERTY, PLANT AND EQUIPMENT

| | Unaudited | | | | | | | | | |
|---|----------------|----------------|----------------|------------------------|---------------------------|---------------------|-------------------|------------------|-----------------------------|----------------|
| | Buildings | | | Plant and machinery | Furniture and fixtures | Office equipment | Motor vehicles | Pleasure boat | Construction in progress | Total |
| | Inside | Outside | Leasehold | | | | | | | |
| | HK | HK | improvements | | | | | | | |
| <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | |
| Net book value at 1st January 2008 | 10,148 | 44,520 | 3,969 | 17,742 | 1,397 | 5,045 | 3,131 | 13,046 | 9,846 | 108,844 |
| Additions | - | - | - | 3,015 | - | 172 | 95 | - | 9,631 | 12,913 |
| Disposals | - | - | - | (30) | (2) | (12) | - | - | - | (44) |
| Transfers | - | 19,477 | - | - | - | - | - | - | (19,477) | - |
| Depreciation | (126) | (796) | (208) | (1,818) | (84) | (447) | (300) | (639) | - | (4,418) |
| Net book value at 30th June 2008 | <u>10,022</u> | <u>63,201</u> | <u>3,761</u> | <u>18,909</u> | <u>1,311</u> | <u>4,758</u> | <u>2,926</u> | <u>12,407</u> | <u>-</u> | <u>117,295</u> |
| At 30th June 2008 | | | | | | | | | | |
| At cost | - | - | 6,070 | 76,353 | 5,545 | 9,550 | 5,752 | 14,667 | - | 117,937 |
| At valuation | 10,148 | 63,997 | - | - | - | - | - | - | - | 74,145 |
| Accumulated depreciation | (126) | (796) | (2,309) | (57,444) | (4,234) | (4,792) | (2,826) | (2,260) | - | (74,787) |
| Net book value | <u>10,022</u> | <u>63,201</u> | <u>3,761</u> | <u>18,909</u> | <u>1,311</u> | <u>4,758</u> | <u>2,926</u> | <u>12,407</u> | <u>-</u> | <u>117,295</u> |
| | Audited | | | | | | | | | |
| | Buildings | | | Plant and machinery | Furniture and fixtures | Office equipment | Motor vehicles | Pleasure boat | Construction in progress | Total |
| | Inside | Outside | Leasehold | | | | | | | |
| | HK | HK | improvements | | | | | | | |
| <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | <i>HKS'000</i> | |
| Net book value at 1st January 2007 | 9,223 | 33,213 | 1,720 | 16,710 | 1,063 | 4,201 | 3,657 | 14,324 | 5,155 | 89,266 |
| Additions | - | 258 | 2,485 | 3,826 | 539 | 1,655 | 802 | 102 | 4,125 | 13,792 |
| Disposals | - | - | (19) | (113) | (41) | (217) | (666) | - | - | (1,056) |
| Depreciation | (228) | (838) | (318) | (3,218) | (199) | (802) | (731) | (1,380) | - | (7,714) |
| Revaluation | 1,153 | 11,887 | - | - | - | - | - | - | - | 13,040 |
| Exchange adjustment | - | - | 101 | 537 | 35 | 208 | 69 | - | 566 | 1,516 |
| Net book value at 31st December 2007 | <u>10,148</u> | <u>44,520</u> | <u>3,969</u> | <u>17,742</u> | <u>1,397</u> | <u>5,045</u> | <u>3,131</u> | <u>13,046</u> | <u>9,846</u> | <u>108,844</u> |
| At 31st December 2007 | | | | | | | | | | |
| At cost | - | - | 6,070 | 73,555 | 5,566 | 9,484 | 5,657 | 14,667 | 9,846 | 124,845 |
| At valuation | 10,148 | 44,520 | - | - | - | - | - | - | - | 54,668 |
| Accumulated depreciation | - | - | (2,101) | (55,813) | (4,169) | (4,439) | (2,526) | (1,621) | - | (70,669) |
| Net book value | <u>10,148</u> | <u>44,520</u> | <u>3,969</u> | <u>17,742</u> | <u>1,397</u> | <u>5,045</u> | <u>3,131</u> | <u>13,046</u> | <u>9,846</u> | <u>108,844</u> |

13 INVESTMENT PROPERTY

| | Unaudited 30th June 2008 <i>HK\$'000</i> | Audited 31st December 2007 <i>HK\$'000</i> |
|--|--|---|
| At the beginning of the period/year | 8,600 | 4,700 |
| Revaluation surplus credited to the condensed consolidated profit and loss account | – | 3,900 |
| | <hr/> | <hr/> |
| At the end of the period/year | 8,600 | 8,600 |
| | <hr/> <hr/> | <hr/> <hr/> |

14 LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

| | Unaudited 30th June 2008 <i>HK\$'000</i> | Audited 31st December 2007 <i>HK\$'000</i> |
|------------------------------------|--|---|
| In Hong Kong held on: | | |
| – Leases of between 10 to 50 years | 21,116 | 21,392 |
| Outside Hong Kong held on: | | |
| – Leases of between 10 to 50 years | 10,220 | 8,170 |
| | <hr/> | <hr/> |
| | 31,336 | 29,562 |
| | <hr/> <hr/> | <hr/> <hr/> |

15 INVENTORIES

| | Unaudited 30th June 2008 <i>HK\$'000</i> | Audited 31st December 2007 <i>HK\$'000</i> |
|---------------------------------------|--|---|
| Raw materials | 46,928 | 35,551 |
| Work in progress | 13,063 | 12,106 |
| Finished goods | 40,962 | 35,323 |
| | <hr/> | <hr/> |
| | 100,953 | 82,980 |
| Provision for slow moving inventories | (1,843) | (1,996) |
| | <hr/> | <hr/> |
| | 99,110 | 80,984 |
| | <hr/> <hr/> | <hr/> <hr/> |

16 TRADE RECEIVABLES

At 30th June 2008, the ageing analysis of trade receivables is as follows:

| | Unaudited 30th June 2008 <i>HK\$'000</i> | Audited 31st December 2007 <i>HK\$'000</i> |
|--------------------------------------|--|---|
| Current – 3 months | 107,676 | 106,416 |
| 4 – 6 months | 11,687 | 9,871 |
| Over 6 months | 1,019 | 1,594 |
| | <hr/> | <hr/> |
| | 120,382 | 117,881 |
| Provision for bad and doubtful debts | (2,089) | (1,750) |
| | <hr/> | <hr/> |
| | 118,293 | 116,131 |
| | <hr/> <hr/> | <hr/> <hr/> |

The carrying amounts of trade receivables approximate to their fair values as at balance sheet date.

The average credit period allowed to customers is 60 to 90 days after invoice date. New customers are charged in cash on delivery.

17 SHARE CAPITAL

| | Unaudited 30th June 2008 <i>HK\$'000</i> | Audited 31st December 2007 <i>HK\$'000</i> |
|---------------------------------|--|---|
| Authorised: | | |
| Ordinary shares of HK 0.10 each | 50,000 | 50,000 |
| | <hr/> <hr/> | <hr/> <hr/> |
| Issued and fully paid: | | |
| Ordinary shares of HK 0.10 each | 19,896 | 19,896 |
| | <hr/> <hr/> | <hr/> <hr/> |

18 OTHER RESERVES

| | Share premium <i>HK\$'000</i> | Exchange fluctuation reserve <i>HK\$'000</i> | Unaudited Building revaluation reserve <i>HK\$'000</i> | Capital redemption reserve <i>HK\$'000</i> | Total other reserves <i>HK\$'000</i> |
|--|-------------------------------------|---|--|---|---|
| At 1st January 2008 | 15,885 | 5,085 | 8,796 | 104 | 29,870 |
| Exchange differences arising from translation of accounts of subsidiaries | – | 17 | – | – | 17 |
| At 30th June 2008 | <u>15,885</u> | <u>5,102</u> | <u>8,796</u> | <u>104</u> | <u>29,887</u> |

19 TRADE PAYABLES

At 30th June 2008, the ageing analysis of trade payables is as follow:

| | Unaudited 30th June 2008 <i>HK\$'000</i> | Audited 31st December 2007 <i>HK\$'000</i> |
|--------------------|---|---|
| Current – 3 months | 43,273 | 45,483 |
| 4 – 6 months | 5,586 | 7,969 |
| Over 6 months | 8 | 95 |
| | <u>48,867</u> | <u>53,547</u> |

The carrying amounts of trade payables approximate to their fair values as at balance sheet date.

20 BORROWINGS

| | Unaudited 30th June 2008 <i>HK\$'000</i> | Audited 31st December 2007 <i>HK\$'000</i> |
|--|---|---|
| Non-current | | |
| Long-term bank loans | 3,611 | 3,024 |
| Obligations under finance lease contracts | 5,597 | 6,850 |
| | <u>9,208</u> | <u>9,874</u> |
| Current | | |
| Current portion of long-term bank loans | 3,120 | 2,077 |
| Current portion of obligations under finance lease contracts | 2,453 | 2,537 |
| Short-term bank loans | 16,000 | – |
| Trust receipt loans | 81,882 | 91,361 |
| | <u>103,455</u> | <u>95,975</u> |
| Total borrowings | <u>112,663</u> | <u>105,849</u> |

Total borrowings include secured liabilities of HK\$ 68,690,000 (31st December 2007: HK\$66,470,000), which are secured by leasehold land and land use rights, buildings and investment property of the Group.

The maturity of borrowings is as follows:

| | Long-term | | Short-term | | Trust | | Obligations under | |
|---------------------------------|--------------|-----------|---------------|-----------|---------------|-----------|-------------------|----------|
| | bank loans | | bank loans | | receipt loans | | finance lease | |
| | 30th | 31st | 30th | 31st | 30th | 31st | 30th | 31st |
| | June | December | June | December | June | December | June | December |
| Unaudited | Audited | Unaudited | Audited | Unaudited | Audited | Unaudited | Audited | |
| 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | |
| HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | |
| Within 1 year | 3,120 | 2,077 | 16,000 | – | 81,882 | 91,361 | 2,453 | 2,537 |
| Between 1 and 2 years | 2,667 | 2,157 | – | – | – | – | 2,431 | 2,497 |
| Between 2 and 5 years | 944 | 867 | – | – | – | – | 3,166 | 4,353 |
| Total borrowings | 6,731 | 5,101 | 16,000 | – | 81,882 | 91,361 | 8,050 | 9,387 |
| Analysis of borrowings | | | | | | | | |
| Wholly repayable within 5 years | 6,731 | 5,101 | 16,000 | – | 81,882 | 91,361 | 8,050 | 9,387 |
| Over 5 years | – | – | – | – | – | – | – | – |
| Total borrowings | 6,731 | 5,101 | 16,000 | – | 81,882 | 91,361 | 8,050 | 9,387 |

21 BANKING FACILITIES

At 30th June 2008, the Group's banking facilities amounting to approximately HK\$220,000,000 (31st December 2007: HK\$220,000,000) were secured by the following:

- (a) 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\$39,738,000 (31st December 2007: HK\$40,140,000);
- (b) a deed of guarantee executed by the Company amounting to HK\$160,000,000 (31st December 2007: HK\$160,000,000).

22 RELATED PARTY TRANSACTIONS

(a) Transactions with the related party

- (i) Name and relationship with the related party

常州市恒軒進出口有限公司 (“PIEL”) is wholly owned by Mr. Zhou Jing Zhuan, a member of senior management of the Group. PIEL is thus a related party of the Group.

(ii) Detail of the transactions

During the period, the Group entered into the following significant transactions in the ordinary course of business with PIEL:

| | Unaudited | |
|----------------|-----------------------------------|------------------------|
| | Six months ended 30th June | |
| | 2008 | 2007 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Sales of goods | 79 | 3,004 |

These transactions were entered into on normal commercial terms or, if there are no sufficient comparable transactions, on terms no less favourable to the Group than terms available to or from independent third parties

(b) Compensation of key management personnel

| | Unaudited | |
|--|-----------------------------------|------------------------|
| | Six months ended 30th June | |
| | 2008 | 2007 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Basic salaries, housing allowances, other allowances and benefits in kind | 6,266 | 6,169 |
| Discretionary bonuses | 64 | 128 |
| Pension costs – contributions to MPF scheme | 54 | 48 |
| | 6,384 | 6,345 |

23 COMMITMENTS

(a) Capital commitments

At 30th June 2008, the Group had the following capital commitment for construction project:

| | Unaudited | Audited |
|---------------------------------|------------------------|------------------------|
| | 30th June | 31st December |
| | 2008 | 2007 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Contracted but not provided for | 1,058 | 2,421 |

(b) Commitments under operating leases

At 30th June 2008 and 31st December 2007, the Group did not have any commitments under operating leases.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results

The continued surge in wages, prices of raw materials, oil, electricity, and the appreciation of Renminbi have adversely affected our results, despite the prudent measures implemented on cost control.

The Group's turnover for the six months ended 30th June 2008 was HK\$238,634,000 (2007: HK\$224,156,000). Unaudited consolidated profit attributable to shareholders was HK\$10,916,000 (2007: HK\$10,718,000) up 1.8%. Earnings per share were HK\$0.055 (2007: HK\$0.054).

Interim Dividend

The Board of Directors of the Company declared an interim dividend of HK\$0.02 per share (2007: HK\$0.02 per share).

The register of members of the Company will be closed from 2nd October 2008 to 6th October 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, payable on or before 15th October 2008, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars at Hong Kong Registrars Limited, Shop 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 30th September 2008.

Liquidity and Financial Resources

As at 30th June 2008, the Group's bank balances and cash was HK\$21,429,000. The consolidated indebtedness of the Group, including short-term borrowings of HK\$103,455,000, was HK\$112,663,000. The borrowings are denominated in Hong Kong dollars and bear interest at floating rates.

The amount of the Group's current working capital was HK\$72,348,000 (31st December 2007: HK\$63,984,000). The current ratio was 1.42. The Group's trade receivables were HK\$118,293,000, representing 49.6% of the current period's turnover of HK\$238,634,000.

Capital structure

The equity of the Group was HK\$219,639,000, an increase of 14.3% over that of the last corresponding period. The gearing ratio, calculated by dividing total liabilities by shareholders' equity, was approximately 85.8%.

Pledge of assets

As at 30th June 2008, the Group's banking facilities amounting to approximately HK\$220,000,000 (31st December 2007: HK\$220,000,000) 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\$39,738,000 (31st December 2007: HK\$40,140,000), and corporate guarantee given by the Company.

FOREIGN EXCHANGE EXPOSURE

All foreseeable foreign exchange risk of the Company are appropriately hedged.

BUSINESS REVIEW

During the period under review, our sales in power cord and power cord sets, cables and wires, wire harnesses and plastic resins accounted for 67%, 27%, 5% and 1% of the Group's total turnover, respectively.

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-time development.

Our core strategy for 2008 is to focus on the development of high quality, high return and high growth products, in conjunction with an increase in the production of wire harnesses and environmentally-sound products.

The establishment of our new factory in late December 2007 has improved our capacity to cope with business growth.

Future Prospects

The promulgation of the People's Republic of China's new labour law on 1st January 2008 has increased our costs. To lessen the effects of these increases, we will focus on semi-automation to improve production and to enhance efficiency and reduce manpower.

As a responsible employer, we are constantly improving our working environment and compensation schemes, and we provide training and promotion opportunities to attract and retain talent.

The priorities of the Group are to optimise inventory management, regulate the price of raw materials, reduce production wastage, and utilise recycled energy.

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

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June 2008, the Group employed approximately 2,000 full time management, administrative and production staff in Hong Kong and the mainland China. The Group follows market practice on remuneration packages. Employees' 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. In addition to on-job training, the Group adopts policies of continuous professional training programs.

THE AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters, including a review of the unaudited condensed consolidated accounts for the six months ended 30th June 2008 with the Directors.

CORPORATE GOVERNANCE

The Group is committed to safeguarding shareholders' rights and further improving our standard of corporate governance standard. As such, we have established the Compliance Committee, Audit Committee, Remuneration Committee and Nomination Committee in order to adhere to the best practice.

SOCIAL RESPONSIBILITY

The Group holds a strong belief in corporate social responsibility. As a result, we will continue to support community activities in both Hong Kong and the People's Republic of China.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

With effect from 1st January 2005, the Company has applied the principles and complied with the requirements of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

The Directors confirm that, for six months ended 30th June 2008, the Company has fully complied with the code provision in the Code, and adopts Recommended Best Practices as defined in Appendix 14 of the Rules Governing the Listing of Securities appropriately when possible.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Company (the “Code”). Having made specific enquiry of the Directors of the Company, all Directors of the Company had complied with the required standards as set out in the Code during the period from 1st January 2008 to 30th June 2008 (both dates inclusive).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of its shares during the six months ended 30th June 2008. Neither the Company nor its subsidiaries has purchased, redeemed or sold any of the Company’s shares during the six months ended 30th June 2008.

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

The information required by paragraphs 46(1) to 46(9) of Appendix 16 to the Listing Rules has been published on the website <http://www.hkex.com.hk> of The Stock Exchange of Hong Kong Limited and the company’s website <http://www.equitynet.com.hk/0725> in due course.

VOTE OF THANKS

On behalf of the Board of Directors, I would like to express my sincere gratitude to our shareholders, partners and customers for their loyalty and to our staff for their dedication.

By order of the board
KOO Di An, Louise
Chairman

Hong Kong, 10th September 2008

As at the date of this report, 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.