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Perennial

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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 2008**

The Board of Directors (the “Directors”) is pleased to announce the audited consolidated financial results of Perennial International Limited (the “Company”) and its subsidiaries (collectively, the “Group”) for the year ended 31st December 2008.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31st December 2008

		2008	2007
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
Revenue	2	507,628	470,496
Cost of sales		(421,229)	(390,008)
Gross profit		86,399	80,488
Other income	3	1,606	9,876
Distribution expenses		(11,522)	(9,521)
Administrative expenses		(43,999)	(46,067)
Other operating expenses		(2,800)	(2,230)
Operating profit	4	29,684	32,546
Finance costs	5	(4,724)	(6,306)
Profit before taxation		24,960	26,240
Taxation	6	(2,666)	(1,842)
Profit for the year		22,294	24,398
Dividend	7	9,950	7,960
Basic and diluted earnings per share (cents)	8	11.2	12.3

CONSOLIDATED BALANCE SHEET

As at 31st December 2008

	Note	2008 HK\$'000	2007 HK\$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights		34,694	29,562
Property, plant and equipment		122,401	108,844
Investment property		8,600	8,600
Deposits paid for additions of land use rights and machinery		2,510	13,690
Deferred tax assets		1,442	2,901
		<u>169,647</u>	<u>163,597</u>
Current assets			
Inventories		68,542	80,984
Trade receivables	9	106,576	116,131
Other receivables, deposits and prepayments		4,217	7,012
Derivative financial instruments		776	601
Cash and cash equivalents		14,307	24,646
		<u>194,418</u>	<u>229,374</u>
Total assets		<u><u>364,065</u></u>	<u><u>392,971</u></u>
EQUITY			
Share capital		19,896	19,896
Other reserves		39,261	29,870
Retained earnings			
Others		171,284	158,940
Proposed final dividend	7	5,970	3,980
Total equity		<u><u>236,411</u></u>	<u><u>212,686</u></u>

	<i>Note</i>	2008 HK\$'000	2007 HK\$'000
LIABILITIES			
Non-current liabilities			
Long-term bank loans		2,030	3,024
Obligations under finance lease contracts		4,283	6,850
Deferred tax liabilities		5,586	5,021
		<u>11,899</u>	<u>14,895</u>
Current liabilities			
Trade payables	<i>10</i>	31,382	53,547
Other payables and accruals		15,220	14,441
Derivative financial instruments		557	376
Taxation payable		1,499	1,051
Current portion of obligations under finance lease contracts		2,524	2,537
Current portion of long-term bank loans		3,148	2,077
Short-term bank loans		20,000	–
Trust receipt loans		41,425	91,361
		<u>115,755</u>	<u>165,390</u>
Total liabilities		<u>127,654</u>	<u>180,285</u>
Total equity and liabilities		<u>364,065</u>	<u>392,971</u>
Net current assets		<u>78,663</u>	<u>63,984</u>
Total assets less current liabilities		<u>248,310</u>	<u>227,581</u>

NOTES:

1. Basis of preparation

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

The Group has adopted all of the new and revised HKFRSs and interpretations that are effective for annual periods beginning on or after 1st January 2008. There have been no significant changes to the accounting policies applied in the consolidated accounts for the year ended 31st December 2008.

At the date of authorisation of these consolidated accounts, the following standards, amendments and interpretations to existing standards that are published and potentially relevant to the Group’s operations, but are not yet effective and have not been early adopted by the Group.

- HKAS 1 (Revised), ‘Presentation of financial statements’ (effective from 1st January 2009);
- HKAS 23 (Revised), ‘Borrowing costs’ (effective from 1st January 2009);
- HKFRS 3 (Revised), ‘Business combinations’ (effective from 1st July 2009);
- HKFRS 8, ‘Operating segments’ (effective from 1st January 2009);
- HKAS 27 (Revised), ‘Consolidated and separate financial statements’ (effective from 1st July 2009); and
- HK (IFRIC) – Int 17, ‘Distributions of non-cash assets to owners’ (effective from 1st July 2009).

The adoption of the above standards, amendments and interpretations to existing standards in future periods is not expected to result in substantial changes to the Group’s accounting policies.

In addition, Hong Kong Institute of Certified Public Accountants also published a number of amendments to the existing standards under its annual improvement project. These amendments are not expected to have a significant financial impact on the results and financial position of the Group.

2. Revenue and segment information

The segment information has been revised to only present the cable and wire products business segment as the Group's principal activities are the manufacturing and trading of electric cable and wire products. The property investment segment has not been presented and has been regrouped as unallocated since its contribution less than 10% of the Group's total revenue, results, assets and liabilities.

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

Business segment

	2008 <i>HK\$'000</i>
Cable and wire products	
Segment revenue	<u>507,628</u>
Segment results	35,300
Unallocated costs, net of income	<u>(5,616)</u>
Operating profit	29,684
Finance costs	<u>(4,724)</u>
Profit before taxation	24,960
Taxation	<u>(2,666)</u>
Profit for the year	<u>22,294</u>
Depreciation	8,655
Amortisation	<u>900</u>

The segment assets, liabilities and capital expenditure at 31st December 2008 are as follows:

	Cable and wire products 2008 <i>HK\$'000</i>	Unallocated 2008 <i>HK\$'000</i>	Total 2008 <i>HK\$'000</i>
Assets	<u>354,023</u>	<u>10,042</u>	<u>364,065</u>
Liabilities	<u>90,285</u>	<u>37,369</u>	<u>127,654</u>
Capital expenditure	<u>17,754</u>	<u>–</u>	<u>17,754</u>

2007
HK\$'000

Cable and wire products

Segment revenue	470,496
Segment results	33,988
Unallocated costs, net of income	(1,442)
Operating profit	32,546
Finance costs	(6,306)
Profit before taxation	26,240
Taxation	(1,842)
Profit for the year	24,398
Depreciation	7,714
Amortisation	787

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

	Cable and wire products 2007 HK\$'000	Unallocated 2007 HK\$'000	Total 2007 HK\$'000
Assets	381,470	11,501	392,971
Liabilities	161,357	18,928	180,285
Capital expenditure	13,792	–	13,792

Geographical segment

	Segment revenue 2008 <i>HK\$'000</i>	Segment results 2008 <i>HK\$'000</i>	Total assets 2008 <i>HK\$'000</i>	Capital expenditure 2008 <i>HK\$'000</i>
Hong Kong	217,971	19,861	121,201	29
Mainland China	84,370	6,296	180,851	17,725
Other Asian Countries	43,098	3,799	10,740	–
America	155,177	4,726	49,724	–
Europe	7,012	618	1,549	–
	<u>507,628</u>	<u>35,300</u>	<u>364,065</u>	<u>17,754</u>

Unallocated costs, net of income

(5,616)

Operating profit

29,684

	Segment revenue 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	15,536	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>33,988</u>	<u>392,971</u>	<u>13,792</u>

Unallocated costs, net of income

(1,442)

Operating profit

32,546

There is no sale between geographical segments.

3. Other income

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Gross rental income from investment property	320	278
Revaluation surplus on investment property	–	3,900
Reversal of impairment provision on property, plant and equipment	–	2,674
Tax incentive income	–	1,555
Sundry income	1,145	1,233
Interest income	141	236
	<u>1,606</u>	<u>9,876</u>

4. Operating profit

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Amortisation and depreciation:		
Amortisation of leasehold land and land use rights	900	787
Depreciation of owned property, plant and equipment	7,200	5,560
Depreciation of property, plant and equipment held under finance lease contracts	1,455	2,154
Auditor's remuneration	1,444	1,200
Cost of inventories sold	349,811	332,764
Net exchange loss	166	1,542
Operating lease rentals in respect of land and buildings	255	350
Outgoing expenses in respect of investment property	14	18
Loss on disposal of property, plant and equipment	184	506
Net loss/(gain) on derivative financial instruments	6	(225)
Write-off of trade receivables	1,246	28
Provision for returns and doubtful debts	2,419	–
Staff costs (including directors' emoluments)	68,739	55,729
	<u>68,739</u>	<u>55,729</u>

5. Finance costs

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interest on bank loans – wholly repayable within five years	4,271	5,502
Interest of finance lease contracts	453	804
	<u>4,724</u>	<u>6,306</u>

6. Taxation

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Hong Kong profits tax	1,088	1,272
Overseas taxation	1,113	1,141
Over-provision in prior year	(260)	(35)
Deferred taxation relating to the origination and reversal of temporary differences	725	(536)
	<u>2,666</u>	<u>1,842</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2007:17.5%) 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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interim, paid, of HK\$0.02 (2007: HK\$0.02) per ordinary share	3,980	3,980
Final, proposed, of HK\$0.03 (2007: HK\$0.02) per ordinary share	5,970	3,980
	<hr/> 9,950 <hr/>	<hr/> 7,960 <hr/>

At a meeting held on 23rd March 2009, the directors proposed a final dividend of HK\$0.03 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\$22,294,000 (2007: HK\$24,398,000) divided by the weighted average number of 198,958,000 (2007: 198,958,000) ordinary shares in issue during the year.

In both 2008 and 2007, diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary shares as at the date of balance sheet.

9. Trade receivables

At 31st December 2008, the ageing analysis of trade receivables is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current – 3 months	95,086	106,416
4 – 6 months	12,291	9,871
Over 6 months	246	1,594
	<hr/> 107,623 <hr/>	<hr/> 117,881 <hr/>
Provision for returns and doubtful debts	(1,047)	(1,750)
	<hr/> 106,576 <hr/>	<hr/> 116,131 <hr/>

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 30 to 90 days of issuance. Longer payment terms might be granted to customers who have long-term business relationship with the Group and did not have default in payments in the past history.

10. Trade payables

At 31st December 2008, the ageing analysis of trade payables is as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current – 3 months	27,320	45,483
4 – 6 months	3,770	7,969
Over 6 months	292	95
	<hr/> 31,382 <hr/>	<hr/> 53,547 <hr/>

FINANCIAL REVIEW

Results

The Group's revenue was HK\$507,628,000 (2007: HK\$470,496,000), up 8%. Profit for the year was HK\$22,294,000 compared to HK\$24,398,000 in 2007. Earnings per share were HK\$0.112 (2007: HK\$0.123).

Final Dividend

The Board of Directors recommend the payment of a final dividend of HK\$0.03 per share. Together with the interim dividend of HK\$0.02 per share, the Group's total dividend for the year 2008 amount to HK\$0.05 per share (2007: HK\$0.04 per share).

Liquidity and Financial Resources

As at 31st December 2008, the consolidated indebtedness of the Group, including long-term borrowings of HK\$6,313,000, was HK\$73,410,000. The borrowings are mainly denominated in Hong Kong dollars. The cash and cash equivalents amounted to HK\$14,307,000.

As at 31st December 2008, the Group's trade receivable balance was HK\$106,576,000, representing 21.0% of the year's revenue of HK\$507,628,000. The Group adopted a stringent credit policy to minimize credit risk. The interest cover was 6.3 times as compared to 5.2 times in 2007.

Capital Expenditure and Material Acquisition

During the year under review, capital expenditures were made in the construction of new facilities at Shi Yan District, Shenzhen and expansion of production capacity (approximate to HK\$17,754,000).

Capital Structure

As at 31st December 2008, the consolidated shareholders' equity of the Group was HK\$236,411,000, an increase of 11.2% over that of the previous year. The debt to equity ratio, (calculated by dividing total liabilities to shareholders' equity), was approximately 54.0%.

Pledge of Assets

As at 31st December 2008, the Group's banking facilities amounting to approximately HK\$50,871,000 were secured by legal charges over certain leasehold land, land use rights, buildings, and investment property of the Group with a total net book value of HK\$39,335,000.

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 year, our sales in power cord and power cord sets, cables and wires, wire harnesses and plastic resins accounted for 58%, 12%, 29% and 1% of the Group's total revenue, respectively.

Although manufacturers in the past year have been facing severe head wind from the Global Financial Tsunami, the Group has implemented prudent strategy, set defined vision, adopted risk management, optimized cashflow management, conducted evaluation and take defensive measures on cost control. Consequently, the Financial Tsunami has not constituted significant impact on our result. The Group maintained steady growth in revenue and profit during the year under review. We, in the meantime, will continue to implement the same strategy in 2009.

Meanwhile, we focus on the development of high quality, stable returns and solid growth environmentally-proof products. This proven strategy has brought in positive contribution to our bottom line performance.

The implementation of the People's Republic of China's new labour law on 1st January 2008 has undoubtedly increased our cost. Nevertheless, the Group has continued to adhere to the regulations upon executing our employees policy. We are committed to lessening the surging pressure on costs by capitalizing on semi-automation to enhance efficiency and reduce manpower. As a result, the additional cost arising from the new labour law has not constituted substantial increase in cost.

FUTURE PROSPECTS

The Group achieved solid growth in the last year and is expecting a steady growth in sales volume in year 2009. There will be challenges arising from the weak global economy and the economic recession in many mature countries. However, the Group will continue to implement prudent strategy and take cautious measures to weather these challenges.

Our core strategy for 2009 is to provide customers with strong performance products at competitive price. With a progressive increase in production of high growth wire harnesses and environmentally-sound halogen-free products, we will continue to invest our resources in research and development of environmentally-friendly and green products.

On employees policy front, we will re-engineer our structure to streamline staff force and reduce expenses. In the meantime, the Group will capitalize on the Financial Tsunami opportunity to sharpen our management and operations edge by recruiting well-educated and experienced talents.

To conclude, 2009 will be a challenging year. But we believe if we remain positive, optimistic and prudent in enhancing efficiency, controlling cost and building closer partnership relationship with our customers, the Group's business will continue to grow and prosper in a progressive manner.

EMPLOYEES' REMUNERATION POLICY

As at 31st December 2008, the Group employed approximately 1,600 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, In addition to on-job training, the Group adopts policies of continuous professional training programs.

SOCIAL RESPONSIBILITY

Being a responsible corporate citizen is the Group's strong belief. So we continue to participate in 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 financial report and the financial results of the Group for the year ended 31st December 2008 and the accounting principles and practices adopted by the Group. The Audit Committee also evaluated the adequacy and effectiveness of the Group's internal control systems and made recommendations to the Board.

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 the Company fully complies to the Code Provisions, and adopts Recommended Best Practices as defined in Appendix 14 of the Rules Governing the Listing of Securities appropriately when possible.

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 27th April, 2009 to 30th April, 2009, 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 30th April, 2009, the final dividend will be paid on or before 15th May, 2009 to shareholders whose names are registered in the register of members of the Company at the close of business on 30th 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 4:30p.m. on 24th April, 2009.

APPRECIATION

On behalf of the Board of Directors, my sincere thanks to our shareholders, partners and customers for their continuous support and to our staff for their dedication.

By order of the Board
Koo Di An, Louise
Chairman

Hong Kong, 23rd March 2009

The figures in respect of this preliminary announcement of the Group's results for the year ended 31st December 2008 have been agreed by the Group's auditor, 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. CHENG Kwok Kit, Edwin and Mr. MA Chun Hon, Richard.

* For identification purposes only