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INTERIM REPORT 2005

Perennial

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PERENNIAL INTERNATIONAL LIMITED

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 (the "Group") for the six months ended 30th June 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2005

	Note	Unaudited Six months ended 30th June	
		2005 HK\$'000	As restated 2004 HK\$'000
Turnover	3	186,930	145,950
Cost of sales		(148,595)	(115,948)
Gross profit		38,335	30,002
Revaluation surplus on investment property	10(b)	400	–
Other revenues	3	148	94
Distribution expenses	4	(4,844)	(3,953)
Administrative expenses	4	(20,749)	(18,386)
Other operating expenses	4	(577)	(1,200)
Provision for product defect		(5,053)	–
Operating profit		7,660	6,557
Finance costs	6	(1,434)	(843)
Profit before taxation		6,226	5,714
Taxation	7	(1,209)	2,565
Profit attributable to shareholders		5,017	8,279
Dividend	8	(1,990)	(1,990)
Earnings per share			
Basic	9	2.5 cents	4.2 cents
Diluted	9	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2005

	Note	Unaudited 30th June 2005 HK\$'000	As restated Audited 31st December 2004 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	10(a)	78,584	80,872
Investment property	10(b)	3,100	2,700
Leasehold land and land use rights	11	31,530	31,923
Deposit paid for purchase of fixed asset		7,900	5,761
Deferred tax assets		684	1,852
		<u>121,798</u>	<u>123,108</u>
Current assets			
Inventories		54,942	46,582
Trade receivables	12	75,979	67,523
Other receivables, deposits and prepayments		3,579	2,879
Bank balances and cash		14,252	8,634
		<u>148,752</u>	<u>125,618</u>
Total assets		<u>270,550</u>	<u>248,726</u>
EQUITY			
Share capital	13	19,896	19,896
Other reserves		17,149	30,100
Retained earnings			
Others		105,422	89,113
Proposed dividend		1,990	3,980
Total equity		<u>144,457</u>	<u>143,089</u>
LIABILITIES			
Non-current liabilities			
Bank loans – secured	15	7,002	8,636
Obligations under hire purchase contracts	15	4,700	5,623
Deferred tax liabilities		3,203	3,355
		<u>14,905</u>	<u>17,614</u>
Current liabilities			
Trade payables	14	39,011	35,859
Other payables and accruals		19,847	14,878
Trust receipt loans – secured		34,200	28,837
Obligations under hire purchase contracts	15	4,076	3,511
Current portion of long-term bank loans – secured	15	13,256	4,235
Taxation		798	703
		<u>111,188</u>	<u>88,023</u>
Total liabilities		<u>126,093</u>	<u>105,637</u>
Total equity and liabilities		<u>270,550</u>	<u>248,726</u>
Net current assets		<u>37,564</u>	<u>37,595</u>
Total assets less current liabilities		<u>159,362</u>	<u>160,703</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2005

	Unaudited	
	Six months ended 30th June	
	2005	As restated
	HK\$'000	2004 HK\$'000
Operating activities		
Net cash inflow/(outflow) generated from operations	2,299	(4,451)
Hong Kong profits tax paid	(168)	(703)
	<hr/>	<hr/>
Net cash inflow/ (outflow) from operating activities	2,131	(5,154)
Net outflow from investing activities	(3,491)	(10,640)
Net cash inflow from financing	6,978	18,172
	<hr/>	<hr/>
Increase in cash and cash equivalents	5,618	2,378
Cash and cash equivalents at 1st January	8,634	6,793
	<hr/>	<hr/>
Cash and cash equivalents at 30th June	14,252	9,171
	<hr/> <hr/>	<hr/> <hr/>
Analysis of balances of cash and cash equivalents		
Bank balances and cash	14,252	9,171
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2005

	Share capital HK\$'000	Share premium HK\$'000	Reserve arising on consolidation HK\$'000	Exchange fluctuation reserve HK\$'000	Unaudited investment property revaluation reserve HK\$'000	Building revaluation reserve HK\$'000	Capital redemption HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st January 2004, as previously reported	19,896	15,885	11,808	-	1,186	2,747	104	83,661	135,287
Effect of change in accounting policies									
- HKAS 17	-	-	-	-	-	(2,747)	-	(2,417)	(5,164)
- HKAS-Int 21	-	-	-	-	(208)	-	-	-	(208)
At 1st January 2004, as restated	19,896	15,885	11,808	-	978	-	104	81,244	129,915
Profit attributable to shareholders	-	-	-	-	-	-	-	8,279	8,279
2003 Final dividend paid	-	-	-	-	-	-	-	(1,990)	(1,990)
At 30th June 2004	<u>19,896</u>	<u>15,885</u>	<u>11,808</u>	<u>-</u>	<u>978</u>	<u>-</u>	<u>104</u>	<u>87,533</u>	<u>136,204</u>

Representing:-

 2004 interim dividend proposed
Others

 1,990
85,543

Retained earnings as at 30th June 2004

87,533

	Share capital HK\$'000	Share premium HK\$'000	Reserve arising on consolidation HK\$'000	Exchange fluctuation reserve HK\$'000	Unaudited investment property revaluation reserve HK\$'000	Building revaluation reserve HK\$'000	Capital redemption HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1st January 2005, as previously reported	19,896	15,885	11,808	454	1,786	21,471	104	94,831	166,235
Effect of change in accounting policies									
- HKAS 17	-	-	-	-	-	(21,096)	-	(1,738)	(22,834)
- HKAS-Int 21	-	-	-	-	(312)	-	-	-	(312)
- HKAS 40	-	-	-	-	(1,474)	-	-	1,474	-
- HKFRS 3	-	-	(11,808)	-	-	-	-	11,808	-
At 1st January 2005, as restated	19,896	15,885	-	454	-	375	104	106,375	143,089
Profit attributable to shareholders	-	-	-	-	-	-	-	5,017	5,017
Revaluation	-	-	-	-	-	331	-	-	331
2004 final dividend paid	-	-	-	-	-	-	-	(3,980)	(3,980)
At 30th June 2005	<u>19,896</u>	<u>15,885</u>	<u>-</u>	<u>454</u>	<u>-</u>	<u>706</u>	<u>104</u>	<u>107,412</u>	<u>144,457</u>

Representing:-

 2005 interim dividend proposed
Others

 1,990
105,422

Retained earnings as at 30th June 2005

107,412

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS

1 Basis of preparation and accounting policies

This unaudited condensed consolidated financial information has been 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 financial information should be read in conjunction with the 2004 annual accounts.

The accounting policies and methods of computation used in the preparation of this condensed consolidated financial information are consistent with those used in the annual financial statements for the year ended 31st December 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRS”) which are effective for accounting periods commencing on or after 1st January 2005.

This interim financial information has been prepared in accordance with the HKFRS standards and interpretations issued and effective as at the time of preparing this information. The HKFRS standards and interpretations that will be applicable at 31st December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The changes to the Group’s accounting policies and the effect of adopting these new policies are set out in note 2 below.

2 Changes in accounting policies

(a) Effect of adopting new HKFRS

In 2005, the Group adopted the new HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments : Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments : Recognition and Measurement
HKAS 40	Investment Property
HKAS-Int 15	Operating Leases – Incentives
HKAS-Int 21	Income Taxes – Recovery of Revalued Non-Depreciated Assets
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

2 Changes in accounting policies (Continued)

(a) Effect of adopting new HKFRS (Continued)

The adoption of these new HKFRS did not have any significant impact on its results of operations and financial position, except for the adoption of HKAS 17, HKAS 40, HKAS-Int 21 and HKFRS 3.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land was accounted for at fair value or cost less accumulated depreciation and accumulated impairment.

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the income statement as part of other income. In prior years, the increases in fair value were credited to the investment properties revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement. In connection with adoption of HKAS 40, since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative information, any adjustment should be made to the retained earnings as at 1st January 2005, including the reclassification of any amount held in revaluation reserve for investment property.

The adoption of revised HKAS-Int 21 has resulted in a change in the accounting policy relating to the measurement of deferred tax liabilities arising from the revaluation of investment properties. Such deferred tax liabilities are measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use. In prior years, the carrying amount of that asset was expected to be recovered through sale.

The adoption of HKFRS 3 has resulted in a change that negative goodwill credited to the reserve arising on consolidation as at 1st January 2005 has been credited to the opening balance of retained earnings.

2 Changes in accounting policies (Continued)

(a) Effect of adopting new HKFRS (Continued)

In connection with adoption of HKAS 17 and HKAS-Int 21, the standards require retrospective application and the details are as follows:

- (i) The adoption of revised HKAS 17 resulted in a decrease in opening reserves at 1st January 2004 by HK\$5,164,000 and the details of the adjustments to the balance sheets at 30th June 2005 and 31st December 2004, and the income statements for the year ended 31st December 2004 and the six months ended 30th June 2005 and 2004 are as follows:

		30th June 2005 HK\$'000	As at 31st December 2004 HK\$'000
Decrease in property, plant and equipment		68,820	58,425
Increase in leasehold land and land use rights		31,530	31,923
Decrease in land and buildings revaluation reserve		37,290	21,096
	For the year ended 31st December 2004 HK\$'000	For the six months ended 30th June 2005 HK\$'000	30th June 2004 HK\$'000
Decrease in administrative expenses	659	220	357
Increase in basic earnings per share	0.3 cent	0.1 cent	0.2 cent

- (ii) The adoption of HKAS-Int 21 resulted in decrease in opening reserves at 1st January 2004 by HK\$208,000 and the details of the adjustments to the balance sheets at 30th June 2005 and 31st December 2004, and the income statements for the six months ended 30th June 2005 and 2004 are as follows:

		30th June 2005 HK\$'000	As at 31st December 2004 HK\$'000
Increase in deferred tax liability		382	312
Decrease in investment property revaluation reserve		312	312
Decrease in retained earnings		70	-
		For the six months ended 30th June 2005 HK\$'000	30th June 2004 HK\$'000
Increase in tax expense		70	-

2 Changes in accounting policies (Continued)

(b) New Accounting Policies

The accounting policies used for the condensed consolidated financial information for the six months ended 30th June 2005 are the same as those set out in note 1 to the 2004 annual financial statements except for the following:

2.1 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognized as a separate component of equity.

2.2 Property, plant and equipment

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2 Changes in accounting policies (Continued)

(b) New Accounting Policies (Continued)

2.3 Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated Group, is classified as investment property.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are performed in accordance with the guidance issued by the international Valuation Standards Committee. These valuations are reviewed annually by external valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognized in the income statement.

2.4 Impairment of assets

Assets that have an indefinite useful life are not subject to amortization, which are at least tested annually for impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2 Changes in accounting policies (Continued)

(b) New Accounting Policies (Continued)

2.5 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

2.6 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability, including fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.7 Interest income

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognized either as cash is collected or on a cost-recovery basis as conditions warrant.

3 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 period are as follows:

	Unaudited	
	For the six months ended	
	30th June	30th June
	2005	2004
	HK\$'000	HK\$'000
Turnover		
Sale of goods	186,930	145,950
Other revenues		
Gross rental income from investment property	114	87
Interest income	34	7
	<u>148</u>	<u>94</u>
Total revenues	<u>187,078</u>	<u>146,044</u>

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

Business segment

	Unaudited			Group
	Six months ended 30th June 2005			
	Manufacturing	Trading	Investment	HK\$'000
	of cable and	of cable and	holdings	
	wire products	wire products	HK\$'000	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>85,550</u>	<u>101,380</u>	–	<u>186,930</u>
Segment results	<u>13,991</u>	<u>24,344</u>	–	38,335
Revaluation surplus on investment property			400	400
Unallocated costs				(26,022)
Provision for product defect				(5,053)
Operating profit				7,660
Finance costs				(1,434)
Profit before taxation				6,226
Taxation				(1,209)
Profit attributable to shareholders				<u>5,017</u>
Depreciation and amortisation	<u>2,373</u>	<u>1,514</u>	<u>573</u>	<u>4,460</u>

3 Turnover, revenue and segment information (Continued)

Business segment (Continued)

The segment assets and liabilities at 30th June 2005 and capital expenditure for the six months then ended are as follows:

	Manufacturing of cable and wire products HK\$'000	Trading of cable and wire products HK\$'000	Investment holdings HK\$'000	Unallocated HK\$'000	Group HK\$'000
Assets	114,153	118,777	37,620	–	270,550
Liabilities	40,011	17,759	1,488	66,835	126,093
Capital expenditure	1,461	2,151	–	–	3,612
	As restated Unaudited Six months ended 30th June 2004				
	Manufacturing of cable and wire products HK\$'000	Trading of cable and wire products HK\$'000	Investment holdings HK\$'000		Group HK\$'000
Turnover	78,678	67,272	–		145,950
Segment results	16,451	13,551	–		30,002
Unallocated costs					(23,445)
Operating profit					6,557
Finance costs					(843)
Profit before taxation					5,714
Taxation					2,565
Profit attributable to shareholders					8,279
Depreciation and amortisation	2,411	1,041	589		4,041

3 Turnover, revenue and segment information (Continued)

Business segment (Continued)

The segment assets and liabilities at 31st December 2004:

	Manufacturing of cable and wire products HK\$'000	Trading of cable and wire products HK\$'000	Investment holdings HK\$'000	Unallocated HK\$'000	Group HK\$'000
Assets	107,083	104,551	37,092	–	248,726
Liabilities	38,364	11,395	1,289	54,589	105,637
Capital expenditure for the six months ended 30th June 2004	1,036	11,554	–	–	12,590

Geographical segment

	Unaudited Six months ended 30th June			
	Turnover 2005 HK\$'000	Segment results 2005 HK\$'000	Capital expenditure 2005 HK\$'000	Total assets 2005 HK\$'000
Hong Kong	97,702	16,510	12	102,455
Mainland China	13,145	2,212	3,600	124,293
Other Asian countries	11,668	2,943	–	8,603
America	60,994	15,829	–	34,547
Europe	2,096	497	–	652
South Africa	1,325	344	–	–
	186,930	38,335	3,612	270,550

3 Turnover, revenue and segment information (Continued)

Geographical segment (Continued)

	Unaudited		As restated	
	Six months ended 30th June		Audited	
	Turnover 2004 HK\$'000	Segment results 2004 HK\$'000	Capital expenditure 2004 HK\$'000	Total assets 2004 HK\$'000
Hong Kong	83,295	16,128	11,554	95,185
Mainland China	12,165	2,367	1,036	119,414
Other Asian countries	18,405	4,144	–	6,828
America	28,340	6,481	–	26,484
Europe	1,113	280	–	815
South Africa	2,632	602	–	–
	<u>145,950</u>	<u>30,002</u>	<u>12,590</u>	<u>248,726</u>

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

4 Operating profit

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

	Unaudited	
	Six months ended 30th June	
	2005 HK\$'000	As restated 2004 HK\$'000
Amortisation and depreciation:		
Amortisation of leasehold land	393	393
Owned fixed assets other than hire purchase contracts	3,317	3,482
Fixed assets held under hire purchase contracts	750	166
Auditors' remuneration	570	60
Cost of inventories sold	124,200	96,082
Net exchange (gain)/loss	(17)	813
Operating lease rentals in respect of land and buildings	183	149
Transportation	2,305	1,725
Provision/(reversal of provision) for bad and doubtful debts	87	(44)
Employee benefit expense (Note 5)	<u>23,816</u>	<u>19,475</u>

5 Employee benefit expense

	Unaudited	
	Six months ended 2005	30th June 2004
	HK\$'000	HK\$'000
Wages and salaries	22,780	18,651
Termination benefits	125	–
Social security costs	545	527
Pension costs – contribution to MPF scheme	213	213
Other benefits	153	84
	<u>23,816</u>	<u>19,475</u>

Included in the employee benefit expenses are remunerations paid to the directors and other key management as set out below:

	Unaudited	
	Six months ended 2005	30th June 2004
	HK\$'000	HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	5,104	4,660
Discretionary bonuses	681	1,443
Pension costs – contributions to MPF scheme	37	37
	<u>5,822</u>	<u>6,140</u>

6 Finance costs

	Unaudited	
	Six months ended 2005	30th June 2004
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts		
Wholly repayable within five years	1,076	671
Not wholly repayable within five years	124	138
Interest element of hire purchase contracts	234	34
	<u>1,434</u>	<u>843</u>

7 Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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	
	2005	2004
	HK\$'000	HK\$'000
Hong Kong profits tax	215	130
Overseas taxation	262	207
Over provision in prior years	(214)	(1,030)
Deferred taxation	946	(1,872)
	<u>1,209</u>	<u>(2,565)</u>

8 Dividend

	Unaudited	
	Six months ended 30th June	
	2005	2004
	HK\$'000	HK\$'000
Interim, proposed, of HK\$0.01 (2004: HK\$0.01) per ordinary share	<u>1,990</u>	<u>1,990</u>

At a meeting held on 1st September 2005, the directors declared an interim dividend of HK\$0.01 per share for the year ending 31st December 2005. This proposed dividend is not reflected as a dividend payable in this unaudited condensed financial information, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2005.

9 Earnings per share

The calculation of basic earnings per share is based on the Group's profit attributable to shareholders for the six months ended 30th June 2005 of HK\$5,017,000 (30th June 2004: HK\$8,279,000) and the number of 198,958,000 (30th June 2004: 198,958,000) ordinary shares in issue during the period.

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

10 Fixed assets

(a) Property, plant and equipment

	Leasehold building Inside H K HK\$'000	Outside HK HK\$'000	Leasehold Improve- ments HK\$'000	Plant and Machinery HK\$'000	Furniture and Fixtures HK\$'000	Office Equipment HK\$'000	Motor Vehicles HK\$'000	Motor Boat HK\$'000	Total HK\$'000
Net Book Value 1 Jan 2004									
– as previously reported	36,000	45,852	1,043	21,316	1,718	2,155	2,173	–	110,257
– effect of adoption HKAS 17	(25,865)	(13,623)	–	–	–	–	–	–	(39,488)
– as restated	10,135	32,229	1,043	21,316	1,718	2,155	2,173	–	70,769
Additions	–	–	1,151	3,775	49	1,843	1,558	10,748	19,124
Disposals	–	–	–	–	(3)	(30)	(310)	–	(343)
Depreciation	(437)	(755)	(212)	(4,417)	(347)	(407)	(530)	(693)	(7,798)
Exchange Adjustment	–	–	2	167	20	15	13	–	217
Reclassification	–	(1,852)	–	–	–	–	–	–	(1,852)
Revaluation	–	755	–	–	–	–	–	–	755
Net Book Value at 31 Dec 2004	<u>9,698</u>	<u>30,377</u>	<u>1,984</u>	<u>20,841</u>	<u>1,437</u>	<u>3,576</u>	<u>2,904</u>	<u>10,055</u>	<u>80,872</u>
At 31 Dec 2004									
At Cost	–	–	3,205	65,392	5,053	6,777	5,493	10,748	96,668
At Valuation	9,698	30,377	–	–	–	–	–	–	40,075
Accumulated Depreciation	–	–	(1,221)	(44,551)	(3,616)	(3,201)	(2,589)	(693)	(55,871)
Net Book value	<u>9,698</u>	<u>30,377</u>	<u>1,984</u>	<u>20,841</u>	<u>1,437</u>	<u>3,576</u>	<u>2,904</u>	<u>10,055</u>	<u>80,872</u>
	Leasehold building Inside H K HK\$'000	Outside HK HK\$'000	Leasehold Improve- ments HK\$'000	Plant and Machinery HK\$'000	Furniture and Fixtures HK\$'000	Office Equipment HK\$'000	Motor Vehicles HK\$'000	Motor Boat HK\$'000	Total HK\$'000
Net Book Value 1 Jan 2005									
– as previously reported	52,500	46,000	1,984	20,841	1,437	3,576	2,904	10,055	139,297
– effect of adoption HKAS 17	(42,802)	(15,623)	–	–	–	–	–	–	(58,425)
– as restated	9,698	30,377	1,984	20,841	1,437	3,576	2,904	10,055	80,872
Additions	–	–	114	942	2	267	148	–	1,473
Disposals	–	–	–	(1)	–	(40)	(54)	–	(95)
Depreciation	(218)	(378)	(191)	(2,020)	(139)	(349)	(279)	(493)	(4,067)
Revaluation	–	401	–	–	–	–	–	–	401
Net Book Value at 30 Jun 2005	<u>9,480</u>	<u>30,400</u>	<u>1,907</u>	<u>19,762</u>	<u>1,300</u>	<u>3,454</u>	<u>2,719</u>	<u>9,562</u>	<u>78,584</u>
At 30 Jun 2005									
At Cost	–	–	3,319	66,328	5,055	6,806	5,415	10,748	97,671
At Valuation	9,480	30,400	–	–	–	–	–	–	39,880
Accumulated Depreciation	–	–	(1,412)	(46,566)	(3,755)	(3,352)	(2,696)	(1,186)	(58,967)
Net Book value	<u>9,480</u>	<u>30,400</u>	<u>1,907</u>	<u>19,762</u>	<u>1,300</u>	<u>3,454</u>	<u>2,719</u>	<u>9,562</u>	<u>78,584</u>

10 Fixed assets (Continued)

(b) Investment property

	Unaudited 30th June 2005 HK\$'000	Audited 31st December 2004 HK\$'000
At beginning of the period/year	2,700	2,100
Revaluation surplus credited to condensed consolidated income statement	400	–
Revaluation surplus credited to revaluation reserve	–	600
	<u>3,100</u>	<u>2,700</u>
At end of the period/year	<u>3,100</u>	<u>2,700</u>

11 Leasehold land and land use rights

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

	Unaudited 30th June 2005 HK\$'000	As restated Audited 31st December 2004 HK\$'000
In Hong Kong held on:		
–Leases of between 10 to 50 years	22,779	23,056
Outside Hong Kong held on:		
–Leases of between 10 to 50 years	8,751	8,867
	<u>31,530</u>	<u>31,923</u>
	<u>31,530</u>	<u>31,923</u>

12 Trade receivables

	Unaudited 30th June 2005 HK\$'000	Audited 31st December 2004 HK\$'000
Trade receivables	77,483	68,940
Less: Provision for impairment of receivables	(1,504)	(1,417)
	<u>75,979</u>	<u>67,523</u>
	<u>75,979</u>	<u>67,523</u>

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

12 Trade receivables (Continued)

At 30th June 2005, the ageing analysis of trade receivables was as follows:

	Unaudited 30th June 2005 HK\$'000	Audited 31st December 2004 HK\$'000
Current – 3 months	71,592	65,088
4 – 6 months	5,259	3,450
Over 6 months	632	402
	<u>77,483</u>	<u>68,940</u>
Provision	<u>(1,504)</u>	<u>(1,417)</u>
	<u><u>75,979</u></u>	<u><u>67,523</u></u>

Payment terms with customers are largely on credit with the exception of new customers, which are on cash on delivery basis. Invoices are normally payable within 60 to 90 days of issuance. Longer payment terms might be granted to those customers that have good payment history and have long-term business relationship with the Group.

13 Share capital

	Unaudited 30th June 2005 HK\$'000	Audited 31st December 2004 HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.10 each	<u>19,896</u>	<u>19,896</u>

14 Trade payables

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

At 30th June 2005, the ageing analysis of trade payables was as follows:

	Unaudited 30th June 2005 HK\$'000	Audited 31st December 2004 HK\$'000
Current – 3 months	35,456	34,326
4 – 6 months	3,551	1,400
Over 6 months	4	133
	<u>39,011</u>	<u>35,859</u>

15 Long-term liabilities

	Unaudited 30th June 2005 HK\$'000	Audited 31st December 2004 HK\$'000
Bank loans – secured	20,258	12,871
Obligations under hire purchase contracts	8,776	9,134
	29,034	22,005
Current portion of long-term liabilities	(17,332)	(7,746)
	11,702	14,259

The analysis of the above is as follows:

	Unaudited 30th June 2005 HK\$'000	Audited 31st December 2004 HK\$'000
Bank loans – secured		
Wholly repayable within five years	20,258	12,627
Not wholly repayable within five years	–	244
	20,258	12,871
Obligations under hire purchase contracts		
Wholly repayable within five years	8,776	9,134
	29,034	22,005
Current portion of long-term liabilities		
– bank loans	(13,256)	(4,235)
– hire purchase	(4,076)	(3,511)
	11,702	14,259

Bank loans are repayable in the following periods:

– Within one year	13,256	4,235
– In the second year	3,237	3,349
– In the third to fifth year	3,765	5,043
– After the fifth year	–	244
	20,258	12,871

15 Long-term liabilities (Continued)

Obligations under hire purchase contracts are repayable in the following periods:

	Unaudited 30th June 2005 HK\$'000	Audited 31st December 2004 HK\$'000
Within one year	4,442	3,897
In the second year	4,197	3,897
In the third to fifth year	659	1,959
	<u>9,298</u>	<u>9,753</u>
Future finance charges on hire purchase	(522)	(619)
Present value of hire purchase liabilities	<u>8,776</u>	<u>9,134</u>
The present value of hire purchase contracts liabilities is as follows:		
Within one year	4,076	3,511
In the second year	4,051	3,695
In the third to fifth year	649	1,928
	<u>8,776</u>	<u>9,134</u>

16 Pledge of assets

At 30th June 2005, the Group's banking facilities amounting to approximately HK\$90,200,000 (31st December 2004: HK\$71,800,000) were secured by the following:

- (a) legal charges over certain land and buildings of the Group with a total net book value of HK\$32,259,000 (31st December 2004: HK\$32,754,000);
- (b) corporate guarantees given by the Company; and
- (c) a deed of guarantee executed by the Company amounting to HK\$71,000,000 (31st December 2004: HK\$39,000,000).

17 Commitments**(a) Capital commitment**

As 30th June 2005, the Group had the following capital commitment:

	Unaudited 30th June 2005 HK\$'000	Audited 31st December 2004 HK\$'000
Contracted but not provided for	<u>—</u>	<u>1,535</u>

(b) Commitments under operating leases

At 30th June 2005, the Group had future aggregate minimum lease payments under non-cancelable operating leases as follows:

	Unaudited 30th June 2005 HK\$'000	Audited 31st December 2004 HK\$'000
Not later than one year	118	87
Later than one year and not later than five years	<u>51</u>	<u>14</u>
	<u>169</u>	<u>101</u>

18 Subsequence event

On 17th August 2005, a subsidiary of the Company entered into a Purchase and Sales Agreement with a third party to dispose of a pleasure boat of the Group with a consideration of GBP780,000 (approximately HK\$10,935,600). As at the date of this report, the transaction has not yet completed.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the production and sale of high quality electric cable and wire products, namely AC power supply cords and wire harnesses, which are widely used as integral components in most electric and electronic products.

FINANCIAL REVIEW

Results

The operating environment during the first half of 2005 remained challenging due to the soaring cost of raw materials and oil. Despite the difficult environment, the Company attained positive performance as a result of prudent business strategy and sound financial management.

Turnover for the Group increased from 28.1% to HK\$186,930,000 during the period under review (2004 equivalent: HK\$145,950,000). Unaudited consolidated profit attributed to shareholders was HK\$5,017,000 down 39.4%. Earnings per share were 2.5 cents, a decrease of 40.5% relative to the corresponding period of 2004.

The directors declared an interim dividend of HK\$1 cent per share (2004: HK\$1 cent) to members of the Company whose names appear on the register of members of the Company on 7th October 2005. The register of members of the Company will be closed from 6th October 2005 to 7th October 2005, both days inclusive, during which period no transfer of shares will be affected. In order to qualify for the interim dividend, all transfers accompanied by relevant share certificates must be deposited at the office of the Company's Hong Kong branch registrars, Hong Kong Registrars Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:00 p.m. on 5th October 2005. The Board expects the interim dividend declared to be paid on or about 21st October 2005.

Liquidity and Financial Resources

As at 30th June 2005, the Group's total amount of bank deposits and cash was HK\$14,252,000. Consolidated indebtedness of the Group, including short-term debts of HK\$51,532,000, was HK\$63,234,000. All borrowings are denominated in Hong Kong dollars and bear interest at floating rates.

The amount of the Group's working capital was HK\$37,564,000 (31st December 2004: HK\$37,595,000). The current ratio was 1.34. The Group's trade receivables were HK\$75,979,000, representing 40.65% of the turnover of HK\$186,930,000.

Capital Structure

Shareholders' equity of the Group was HK\$144,457,000, an increase of 1% over that of the last corresponding period. The gearing ratio, calculated by dividing total liabilities by shareholders' equity, was 87.29%.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL REVIEW (Continued)

Pledge of Assets

As at 30th June 2005, the Group's banking facilities amounting to approximately HK\$90,200,000 (31st December 2004: HK\$71,800,000) were secured by legal charges over certain land and buildings of the Group with a total net book value of HK\$32,259,000 (31st December 2004: HK\$32,754,000), and corporate guarantee given by the Company.

Exchange Rate Contracts

The Group adopted a hedging policy to minimize the risk of exchange rate fluctuations. As at 30th June 2005, the Group had no outstanding foreign currency contract.

BUSINESS REVIEW

The Group attained strong sales in a majority of the business lines during the reporting period. Sales of AC power supply cords, wire harnesses and cable wires increased 19.8%, 12.6% and 186.8%, accounting for 59%, 26% and 15% of the Group's total sales respectively.

In addition to consolidating existing businesses, the Group has been actively developing high value-added products one of which is the "green power cord", a product of enormous market potential. The Company has long earned plaudits for its green manufacturing practices from international clients including Sony and Ricoh. The Group expects to receive the Japan Industrial Standard Certificate issued by the Japanese Standards Association in 2006.

During the period under review, the Group continues to uphold the strategy of emphasizing "premier standards, systems and efficiency" to reduce operating costs and enhance cost-effectiveness:

- Effective logistics management has been introduced to improve cost efficiency;
- Shipment of products has been centralized through Yantian Port;
- The Group plans to launch the EDI computer networking system in compliance with the requirements of the China Customs Department in 2006.

A provision of HK\$5,000,000 has been made for a conciliation settlement during the period under review. As a result, the Group has taken appropriate steps to ensure stringent internal documentation control and prevent similar incidents from happening again.

The Group realizes the importance of providing training and development for its staff. We hired a veteran instructor to conduct a training course on customs and trade regulations for 20 senior employees in March this year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

BUSINESS REVIEW (Continued)

We believe that through corporate governance, the Group can develop more structured operations and strengthen shareholders confidence. The Group pledges to increase transparency and maintain high standards of corporate governance.

FUTURE PROSPECTS

The Company expects energy prices will remain high for the second half of the year and the business environment will continue to be demanding. In spite of these challenges, the Group will continue to deploy its prudent strategies to overcome the hurdles.

The United States, Japan and Southeast Asia remain as the Group's primary markets while we continue to expand our business in Europe and Australia.

The massive growth of China's economy has enabled the automobile market to expand rapidly. The demand for high quality auto parts is expected to increase gradually. The Group has already put into motion a plan to invest in the development of wire harnesses for automobiles and to expand automated production facilities. The Company intends to secure the international certification TS-16949 for automobiles in 2006.

The Group's Vessel HP Agreement was terminated on 15th August 2005 and the Vessel sold to the Purchaser on 17th August 2005 for a cash consideration of GBP780,000 (equivalent to approximately HK\$10,935,600). We consider that the disposal represents a good opportunity for the Company to realize the Vessel at a reasonable price and believe that the termination and the disposal are in the interests of the Company and its shareholders as a whole because they reduce the finance costs to the Group. We consider the terms of the termination and the disposal to be fair and reasonable.

Looking ahead, the Group will continue its sound development strategy, leverage available opportunities and overcome challenges with confidence.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June 2005, the Group employed approximately 1,800 full time management, administrative and production staff in Hong Kong and the PRC. 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, besides providing on the job training for workers, the Group reimburses the staff for fees paid to attend pre-approved external business courses or seminars.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As 30th June 2005 the interests of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as notified to the Company were as follows:–

(a) Ordinary shares of HK\$0.10 each in the Company ("Shares")

Name	Number of Shares				Total interests	Total interests as % of the relevant issued share capital
	Personal interests	Family interests	Corporate interests	Other interests		
MON Chung Hung	2,000,000	–	141,170,000	–	143,170,000	71.96%
SIU Yuk Shing, Marco	300,000	–	–	–	300,000	0.15%
LAU Chun Kay	138,000	–	–	–	138,000	0.07%
LI Ho Cheong	–	–	–	–	–	0.00%
LI Man Wai	1,150,000	–	–	–	1,150,000	0.58%

The corporate interest of Mr MON Chung Hung is beneficially owned by Spector Holdings Limited, of which the entire issued share capital is owned as to 99.9% by Mr MON Chung Hung and as to the remaining 0.1% by Ms KOO Di An, Louise.

(b) Share options

On 23rd April 2003, ordinary resolutions were passed by the shareholders of the Company to adopt the new share option scheme ("New Scheme") and to terminate the share option scheme adopted in 1996 ("1996 Scheme").

No option has been granted under the New Scheme nor the 1996 Scheme since the respective establishment thereof.

All the interests stated above represent long positions. As at 30th June 2005, no short positions were recorded in the Register of Directors' and Chief Executives' Interests and Short Positions required to be kept under section 352 of the SFO.

Other than those disclosed above, at no time during the six months ended 30th June 2005 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or chief executives of the Company or any of their associates to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

Other than the interests of the Directors and chief executives of the Company as disclosed above, as at 30th June 2005, the register maintained by the Company pursuant to section 336 of the SFO recorded interests (as defined in the SFO) in the Company of the following corporation:-

Name	Number of Shares					Total interests as % of the relevant issued share capital
	Personal interests	Family interests	Corporate interests	Other interests	Total interests	
Spector Holdings Limited	141,170,000	-	-	-	141,170,000	70.95%

The share capital of Spector Holdings Limited is owned as to 99.9% by Mr MON Chung Hung and as to the remaining 0.1% by Ms KOO Di An, Louise.

All the interests stated above represent long positions. As at 30th June 2005, no short positions were recorded in the Register of Interests in Shares and Short Positions of substantial shareholders required to be kept under section 336 of the SFO.

Save as disclosed above, so far as the Directors of the Company are aware, there was no person who, as at 30th June 2005, directly or indirectly held or was beneficially interested in shares representing 5% or more of the issued share capital of the Company or any of its subsidiaries.

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 2005 with the Directors.

CORPORATE GOVERNANCE AND CORPORATE CITIZENSHIP

Perennial knows excellent corporate governance is critical to safeguarding our stakeholders' rights. We are proud to be ahead of the curve in this regard, having added a third independent non-executive director to our Board on 1st April 2003 even before it was required by the Hong Kong Stock Exchange.

Ongoing efforts to enhance corporate governance have earned plaudits from a number of organizations. Recently, Perennial Cable Limited, a Perennial subsidiary, was named first runner-up for the Hong Kong SME Accounting Management Excellence Award, bestowed by the Association of Chartered Certified Accountants.

CORPORATE GOVERNANCE AND CORPORATE CITIZENSHIP (Continued)

Corporate citizenship is another area we take seriously, providing regular support to various charitable organizations. This includes the donation of two ambulances to hospitals in Shenzhen and Hunan Province, and regular contributions to a Hong Kong charity, Po Leung Kuk.

Being a good corporate citizen also means treating employees well. We provide regular training and development for promising employees. Last year, we began offering medical and 24-hour personal accident insurance to employees.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Code on corporate governance practices (“CG Code”) (Appendix 14 of the Listing Rules) has been complied with by the Company throughout the period except that the Independent Non-Executive Directors are not appointed for a specific term as recommended in the CG Code. According to the Bye-laws of the Company, Independent Non-Executive Directors of the Company will retire by rotation and their appointments will be reviewed when they are due for re-election. In the opinion of the Directors, this meets the same objectives as the CG Code.

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 2005 to 30th June 2005 (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 2005. Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company’s shares during the six months ended 30th June 2005.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website (www.hkex.com.hk) of The Stock Exchange of Hong Kong Limited on or before 15th September 2005.

VOTE OF THANKS

On behalf of the Board of Directors, my sincere thanks to our shareholders and customers for their continued support and to our employees for their hard work and dedication.

By order of the Board
MON Chung Hung
Chairman

Hong Kong, 1st September 2005

As at the date of this announcement, the Executive Directors of the Company are Mr. Mon Chung Hung, Ms. Koo Di An, Louise, Ms. Li Man Wai, Ms. Mon Tiffany, Mr. Siu Yuk Shing, Marco and Mr. Li Ho Cheong and the Independent Non-Executive Directors of the Company are Mr. Lau Chun Kay, Mr. Cheng Kwok Kit, Edwin and Mr. Liao Zhixiong.

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mon Chung Hung (Chairman)
Koo Di An, Louise (Deputy Chairman)
Siu Yuk Shing, Marco
Li Man Wai
Mon Tiffany
Li Ho Cheong

NON-EXECUTIVE DIRECTORS

Lau Chun Kay
Cheng Kwok Kit, Edwin
Liao Zhixiong

COMPANY SECRETARY

Li Man Wai

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL PLACE OF BUSINESS

Units 2002-2006, 20/F
Greenfield Tower
Concordia Plaza
1 Science Museum Road
Tsimshatsui, Kowloon
Hong Kong

STOCK CODE

Stock Code on the Stock Exchange of
Hong Kong Limited: 725

SOLICITOR

IU, LAI & LI
20/F
Gloucester Tower
The Landmark
Central, Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank
83 Des Voeux Road Central,
Hong Kong

AUDITORS

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

PRINCIPAL REGISTRARS AND TRANSFER OFFICE

The Bank of Bermuda Limited
6 Front Street
Hamilton HM11
Bermuda

BRANCH REGISTRARS

Hong Kong Registrars Limited
46th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong