

It is my pleasure to present the annual report of Perennial International Limited (the "Company") and its subsidiaries (the "Group") on behalf of the Board of Directors (the "Board") for the year ended December 31, 2000.

RESULTS

For the year ended December 31, 2000, the Group achieved a 13% increase in turnover to HK\$241,130,000 as compared to that of last year under a difficult market environment. Net profit after tax was HK\$4,710,000, representing a decline of 80% from that of last year. Earnings per share was HK2.4 cents.

The increase in turnover was attributed to a broadened customer base and an increased number of sales orders from established customers. The decrease in net profit after tax was due to lower selling price and increased costs particularly the material costs, fuel cost, and interest expense. Net profits after tax in 1999 also included net exceptional gains of HK\$8,860,000.

DIVIDENDS

No interim dividend was paid during the year (1999: HK2 cents per share). The Directors recommend a final dividend of HK1 cent per share for the year ended December 31, 2000. (1999: HK2 cents per share)

BUSINESS AND OPERATION REVIEW

During the year, the sale of AC power supply cords was about 70% of the Group's turnover. Sales of wire harness and cable wires were about 15% and 14% of the turnover respectively and 1% was contributed by the Group's trading operation.

The market remained highly competitive. Keen competition had put strong pressure on product pricing which eroded the profit margin of the Group. Coupled with the increase in operating costs, the Group has reported a much lower net profit for the year.

Despite the tough operating environment, the Group has managed to broaden its customer base, launched new products and developed new markets. During the year, new markets were opened in South Africa, Northern China and South America. The Group has also successfully secured renowned multi-national customers in Japan and in the US. These achievements positively contributed to the Group's turnover in 2000.

The Group relied on product innovation to enhance its competitiveness in the industry. It developed and launched new products such as high temperature PVC flexible cord and environment-friendly products like Lead free power cords. These products were well received by customers. They have not only augmented the sales and profitability but also effectively expanded our product range to meet the increasing demand of customers in the coming years.

The Group has demonstrated its ability to cope with the changes brought by the advancement of information technology. It has successfully tendered for orders via the Internet and used the EDI program to confirm sales orders with major customers.

FUTURE AND PROSPECTS

To stay afloat in the competitive wire industry, the Group will continue to explore and develop new markets and to widen our customer base. At the same time, we will continue to focus on providing the best product quality and services as well as timely delivery of products to our customers to further strengthen the bond with them.

The Group will endeavor to make use of Internet technology to enhance its operational efficiency. We will continue to invest in our manufacturing facilities, upgrade our existing plant and machinery, and to conduct more in-house training for our workers to boost productivity. With the successful implementation of a semi-automation manufacturing process in the factory, the Group believes that production efficiency will be improved. Production wastage can be curtailed, cost will be greatly improved and the Group's profitability is expected to increase in the years ahead.

ACKNOWLEDGEMENT

I would like to express my appreciation to our shareholders and business clients for their continuous support and to our employees for their endeavors and dedication.

Chairman

MON CHUNG HUNG

Hong Kong, 23rd April 2001