

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Perennial International Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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Perennial

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PERENNIAL INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 725)

DISCLOSEABLE TRANSACTION

10 August 2004

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of Directors
“Directors”	the directors of the Company
“Company”	Perennial International Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Stock Exchange
“Goods”	brand new Princess 65 flybridge motor yacht of approximately 69 feet with full capacity of 800 gallons
“Hirer”	Perennial Cable Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Hire Purchase Agreement”	the hire purchase agreement dated 7 July 2004 entered into between the Hirer and HS Finance
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HS Finance”	Hang Seng Finance Limited, a wholly-owned subsidiary of Hang Seng Bank and the shares of which are listed on the Stock Exchange
“Independent Third Party”	an independent third party not connected with the Company, the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates as defined in the Listing Rules
“Latest Practicable Date”	6 August 2004 being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	a short term loan in the sum of GBP599,224.00 (equivalent to HK\$8,347,190.32) advanced by the lender, a licensed bank in Hong Kong, to the Hirer on 8 April 2004
“Seller”	the official distributor of Princess Yachts in Hong Kong and an Independent Third Party

DEFINITIONS

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“GBP”	Sterling pounds, the lawful currency of the United Kingdom
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

In this circular, the Hong Kong dollar amounts have been translated from GBP at the rate of GBP1.00 to HK\$13.93. Such translation is for illustration purpose only. No representation is made that amounts in HK\$ or GBP could have been or could be converted at such rates or at any other rates or at all.

LETTER FROM THE BOARD

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Perennial

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PERENNIAL INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 725)

Directors:

Mon Chung Hung (*Chairman*)
Koo Di An, Louise (*Deputy Chairman*)
Siu Yuk Shing, Marco
Li Man Wai
Mon Tiffany
Lau Chun Kay*
Cheng Kwok Kit, Edwin*

* *Independent non-executive Directors*

Registered office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business

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

10 August 2004

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION

INTRODUCTION

On 20 July 2004, the Board announced that the Hirer, a wholly-owned subsidiary of the Company, has entered into the Hire Purchase Agreement with HS Finance pursuant to which HS Finance had agreed to lease to the Hirer the Goods at a rent of HK\$8,631,619.20 subject to the terms as set out in the Hire Purchase Agreement.

The entering into the Hire Purchase Agreement constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules. The purpose of this circular is to provide you with further information concerning the Hire Purchase Agreement.

LETTER FROM THE BOARD

THE HIRE PURCHASE AGREEMENT

Date

7 July 2004

Parties

Hirer : Perennial Cable Limited, a wholly-owned subsidiary of the Company

HS Finance : Hang Seng Finance Limited

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, HS Finance and its ultimate beneficial owners are Independent Third Parties.

Major terms of the Hire Purchase Agreement

Goods : Princess 65 flybridge motor yacht

Rental : HK\$8,631,619.20 (calculated on the basis of the sum of HK\$8,000,000.00 advanced by HS Finance to the Hirer as specified in the Hire Purchase Agreement together with interest on the rental or the balance thereof from time to time outstanding at the rate of 5% per annum).

Terms : The rental in the sum of HK\$8,631,619.20 shall be payable by the Hirer to HS Finance by 36 monthly instalments of HK\$239,767.20 each and payable on the 7th day of each succeeding month commencing on 7 August 2004.

Option : Subject to the due performance and observance of the Hire Purchase Agreement by the Hirer and upon full payment of the rental and interest thereto, the Hirer is entitled to purchase the Goods from HS Finance at the sum of HK\$100.00.

The payment of the rental will be funded by the internal resources of the Company.

THE PRINCIPAL ACTIVITY OF THE GROUP

The Group is principally engaged in manufactures and trades high quality power cord, power cord sets, cables and wire, wire harnesses and plastic resins.

LETTER FROM THE BOARD

THE PRINCIPAL ACTIVITY OF HS FINANCE

HS Finance, a company incorporated in Hong Kong with limited liability, is a wholly-owned subsidiary of Hang Seng Bank Limited and the shares of which are listed on the Stock Exchange. HS Finance is principally engaged in deposit-taking and lending business in Hong Kong.

REASONS FOR THE HIRE PURCHASE

Pursuant to an agreement for sale and purchase dated 10 March 2004 ("Agreement") entered into between the Hirer as buyer and the Seller, the Seller agreed to sell and the Hirer agreed to buy a brand new motor yacht of approximately 69 feet with full capacity of 800 gallons (detailed of the specifications, equipments, installments and accessories are more particularly described in the schedule attached to the Agreement) for a consideration of GBP750,612.00 (equivalent to HK\$10,456,025.16). A deposit of GBP151,388.00 (equivalent to HK\$2,108,834.84) has been paid by the Hirer prior to the signing of the Agreement and the balance of the purchase price of GBP599,224.00 (equivalent to HK\$8,347,190.32) has been paid through the Loan (which together with the interest calculated at the rate of 6.69% per annum were due and payable by the Hirer to the lender on or before 7 July 2004). The consideration for the acquisition of the Goods was arrived at after arm's length negotiation between the parties to the Agreement and on normal commercial terms with reference to the market price of vessel similar to the Goods.

The terms and the rental payable under the Hire Purchase Agreement have been arrived at after arm's length negotiation between the parties thereto and are on normal commercial terms. The actual sum of HK\$8,000,000.00 advanced by HS Finance under the Hire Purchase Agreement was used to pay off part of the Loan. The balance of the Loan together with the interest payable on the Loan has been paid by the Hirer to the lender. The interest rate charged by HS Finance under the Hire Purchase Agreement was arrived at with reference to the current interest rate charged by HS Finance to independent third parties of vessel similar to the Goods. Prior to the negotiation with HS Finance, the Hirer and the Company had not explored other alternative method of finance and no valuation of the Goods has been obtained by the Company. The Directors are of the view that the entering of the Hire Purchase Agreement will improve the cashflow position of the Company. The Directors believe that the terms of the Hire Purchase Agreement are fair and reasonable and the Hire Purchase Agreement is in the interest of the Company and its shareholders as a whole.

The Goods has been capitalised as fixed assets in the books of the Group in April 2004 and the rent and interest payable by the Hirer to HS Finance under the Hire Purchase Agreement will be treated as a liability in the books of the Group.

At present, the Group's primary markets are America, Europe, Australia and Japan. In order to enhance the Group's image and to promote the products of the Group, the Directors intended to use the Goods for organizing business gathering and functions so as to assist the business development of the Group and to maintain and/or develop a better relationship with its existing and potential customers and/or business partners overseas.

LETTER FROM THE BOARD

GENERAL

The Hire Purchase Agreement constitutes a discloseable transaction of the Company pursuant to Rule 14.06(2) of the Listing Rules.

As at the date of this circular, the Board comprises five executive Directors, namely: Mon Chung Hung, Koo Di An, Louise, Siu Yuk Shing, Marco, Li Man Wai and Mon Tiffany and two independent non-executive Directors, namely: Lau Chun Kay and Cheng Kwok Kit, Edwin.

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,
By order of the Board
Mon Chung Hung
Chairman

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

DISCLOSURE OF INTERESTS**(a) Directors and chief executive**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

Name of Director	Nature of interest	Number of Shares		Approximate percentage of existing issued share capital of the Company
		Long position	Short position	
Mon Chung Hung (Note)	Corporate	140,760,000	–	70.75%
Mon Chung Hung	Personal	2,000,000	–	1.00%
Siu Yuk Shing, Marco	Personal	300,000	–	0.15%
Lau Chun Kay	Personal	138,000	–	0.07%
Li Man Wai	Personal	1,150,000	–	0.58%

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

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company hold any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the

register referred to therein or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies of the Listing Rules, to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders

As at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO and so far as was known to the Directors and chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including any options in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Group:

(i) Interests and short positions in Shares:

Name of Shareholder	Capacity in which such interests were held	Number of Shares	Approximate percentage of the existing issued share capital of the Company
Spector Holdings Limited	Beneficial Owner	140,760,000	70.75%

Note: 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.

(ii) *Interests in other members of the Group:*

Name of Subsidiaries of the Company	Name of substantial shareholder	Number of shares	Approximate percentage of the existing issued share capital of the subsidiaries of the Company
Perennial Limited	Perennial International Limited	1,200	100%
Ever Peak Development Limited	Perennial Limited	3	100%
Glitter Wire & Cable Company, Limited	Perennial Limited	200,050	100%
New Technology Cable Limited	Perennial Limited	1,000,100	100%
Perennial Cable Harness Limited	Perennial Limited	10,000	100%
Perennial Cable (H.K.) Limited	Perennial Limited	1,000	100%
Perennial Cable Limited	Perennial Limited	1	100%
Perennial Cable (Shenzhen) Co., Limited	Perennial Cable Limited	–	100%
Perennial Plastics (H.K.) Limited	Perennial Limited	2	100%
Perennial Plastics Limited	Perennial Limited	50,000	100%
Perennial Investments (H.K.) Limited	Perennial Limited	10,000	100%
Perennial Cable (Macao) Limited	Perennial Limited	2	100%
New Technology Cable (UK) Limited	New Technology Cable Limited	1	100%
New Technology Cable Pte. Limited	New Technology Cable Limited	2	100%
Shinka K.K.	Perennial Plastics Limited	200	100%

According to the register of interests kept by the Company under section 336 of the SFO and so far as was known to the Directors and chief executive of the Company, save as disclosed above, there were no other persons (other than the Directors or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company or in any options in respect of such capital.

COMPETING INTEREST

None of the Directors or their respective associates have any interests in a business, which competes or may compete, either directly or indirectly with the business of the Group pursuant to the Listing Rules.

LITIGATION

So far as the Directors are aware, as at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or claims of material importance and no litigation or claims of material importance was pending or threatened by or against the Company or any of its subsidiaries.

SERVICE CONTRACTS

None of the Directors has any existing or proposed service contracts with the Company or any of its subsidiaries other than contracts expiring or determinable by the Group within one (1) year without payment of compensation (other than statutory compensation).

MISCELLANEOUS

- (a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11 Bermuda.
- (b) The Company's principal place of business in Hong Kong is at Units 2002-2006, 20th Floor, Greenfield Tower, Concordia Plaza, 1 Science Museum Road, Tsimshatsui, Kowloon, Hong Kong.
- (c) The secretary and the qualified accountant of the Company is Mr. Tang Chi Wai. He holds a bachelor degree in Accountancy from RMIT University in Australia, CPA(Aust.) of CPA Australia and Associate Member of the Hong Kong Society of Accountants.
- (d) The branch share registrar and transfer office of the Company in Hong Kong is Hong Kong Registrars Limited of Rooms 1901-1905, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text.