
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 TRANSACTIONS

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	Perennial International Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the S&P Agreement
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Vessel
“Financier”	Hang Seng Finance Limited, a wholly-owned subsidiary of Hang Seng Bank whose shares are listed on the main board of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HP Agreement”	the hire purchase agreement dated 7 July 2004 entered into between the Vendor and the Financier
“Latest Practicable Date”	9 September 2005, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Purchaser”	Mr. Sergey N. Shestopal
“S&P Agreement”	the purchase and sale agreement dated 17 August 2005 entered into between the Vendor and the Purchaser in relation to the sale and purchase of the Vessel
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company

DEFINITIONS

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Termination”	the termination of the HP Agreement and the purchase of the Vessel from the Financier
“Vendor”	Perennial Cable Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Vessel”	a motor yacht of approximately 69 feet with full capacity of 800 gallons
“GBP”	Sterling pounds, the lawful currency of the United Kingdom
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

For the purpose of illustration only, amounts denominated in GBP have been translated into HK\$ at the rate of GBP1.00 = HK\$14.02. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate 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 (*Chief Executive Officer*)

Koo Di An, Louise (*Chairman*)

Siu Yuk Shing, Marco

Li Ho Cheong

Li Man Wai

Mon Tiffany

Lau Chun Kay*

Cheng Kwok Kit, Edwin*

Liao Zhixiong*

* *Independent non-executive Directors*

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

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

12 September 2005

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTIONS

1. INTRODUCTION

The Board announced on 19 August 2005 that the HP Agreement relating to the Vessel was terminated on 15 August 2005 and the Vessel sold to the Purchaser on 17 August 2005 for a cash consideration of GBP780,000 (equivalent to approximately HK\$10,935,600).

Both the Termination and the Disposal constitute discloseable transactions for the Company under Rule 14.06 of the Listing Rules. The main purpose of this circular is to provide you with further particulars of the Termination and the Disposal.

2. THE VESSEL AND THE HP AGREEMENT

The Vessel, being a motor yacht of approximately 69 feet with full capacity of 800 gallons, was acquired by the Vendor, a wholly-owned subsidiary of the Company, in March 2004 at a consideration of GBP750,612 (equivalent to approximately HK\$10,456,025 at that time). Subsequently in July 2004, the Vendor entered into a hire purchase agreement with the Financier, a third party independent of the Company and connected persons of the Company, pursuant to which a sum of HK\$8,000,000 was advanced by the Financier to the Vendor and the title to the Vessel was transferred from the Vendor to the Financier.

LETTER FROM THE BOARD

In accordance with the terms of the HP Agreement, the Financier leased back the Vessel to the Vendor at a rent of HK\$8,631,619.20 (calculated on the basis of the sum of HK\$8,000,000 advanced by the Financier to the Vendor together with interest accruing thereon at 5% per annum) payable by the Vendor to the Financier by 36 equal monthly instalments of HK\$239,767.20 each. Upon full payment of the rental, the Vendor shall be entitled to purchase the Vessel from the Financier at the sum of HK\$100. For the purpose of preparing the accounts of the Group, the Group had capitalised the Vessel as a fixed asset of the Group and the principal sum payable by the Vendor to the Financier under the HP Agreement was treated as an obligation under finance lease in accordance with Hong Kong Accounting Standard 17.

Shareholders may refer to the announcement and the circular issued by the Company on 20 July 2004 and 10 August 2004 respectively for further particulars of the HP Agreement.

3. TERMINATION OF THE HP AGREEMENT

In contemplation of the sale of the Vessel to the Purchaser, which is more particularly described below, the Vendor made a payment of HK\$5,283,358 to the Financier for termination of the HP Agreement and purchase of the Vessel, details of which are summarised below:

Date:

15 August 2005

Parties:

1. Perennial Cable Limited, a wholly-owned subsidiary of the Company, as the hirer.
2. Hang Seng Finance Limited, a company incorporated in Hong Kong with limited liability, as the financier. The Financier is a wholly-owned subsidiary of Hang Seng Bank whose shares are listed on the main board of the Stock Exchange, and is principally engaged in deposit-taking and lending business in Hong Kong. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Financier and its controlling shareholder(s) are third parties independent of the Company and connected persons of the Company.

Asset involved:

The Vessel, which title was transferred back from the Financier to the Vendor on 15 August 2005.

Consideration:

The consideration paid by the Vendor to the Financier for the termination of the HP Agreement and purchase of the Vessel was HK\$5,283,358 (being the outstanding principal and interest due to the Financier under the HP Agreement as of 15 August 2005). The said amount was determined in accordance with the terms of the HP Agreement, which were arrived at after arm's length negotiation between the parties and were on normal commercial terms.

LETTER FROM THE BOARD

4. THE S&P AGREEMENT

Date:

17 August 2005

Parties:

1. Perennial Cable Limited, a wholly-owned subsidiary of the Company, as the vendor.
2. Mr. Sergey N. Shestopal, as the purchaser. To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Purchaser is a third party independent of the Company and connected persons of the Company.

Asset disposed:

The Vessel, which was delivered to the Purchaser on 17 August 2005.

Consideration:

The consideration paid by the Purchaser to the Vendor for the acquisition of the Vessel is GBP780,000 (equivalent to approximately HK\$10,935,600). A deposit of GBP600,000 (equivalent to approximately HK\$8,412,000) had been paid by the Purchaser to the Vendor prior to the signing of the S&P Agreement and the remaining balance of GBP180,000 (equivalent to approximately HK\$2,523,600) was paid by the Purchaser to the Vendor upon Completion. The net proceeds arising from the Disposal is approximately HK\$10,700,000. Part of the net proceeds, in an amount of HK\$5,283,358, has been applied by the Vendor for the purchase of the Vessel under the HP Agreement and the remaining balance will be used as the Group's general working capital.

The consideration has been arrived at after arm's length negotiations between the Purchaser and the Vendor with reference to the prevailing market price of similar vessels. The Vendor had made enquiries with some pleasure boat brokers who, to the best of the knowledge, information and belief of the Directors, are independent of and not connected with the Company and/or the Purchaser, and considered that the consideration reflected the prevailing market price of the Vessel.

5. REASONS FOR AND BENEFITS OF THE TERMINATION AND THE DISPOSAL

The Group is principally engaged in the manufacturing and trading of high quality power cord, power cord sets, cables and wire, wire harnesses and plastic resins.

The Vessel was acquired by the Vendor in March 2004 at a consideration of GBP750,612 (equivalent to approximately HK\$10,456,025 at that time) and carried a book value of approximately HK\$9,491,570 as at 30 June 2005. The Vessel was mainly acquired for the purpose of business development. The Company has used the Vessel for organising business gatherings and functions so as to maintain and/or develop a better relationship with its existing and potential customers and/or business partners. Since the Vessel was mainly for self-use, no direct profit was attributable to the Vessel. The Group had incurred approximately HK\$457,000

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and HK\$401,000 for the maintenance of the Vessel for each of the two financial years ending 31 December 2005 (approximately HK\$306,000 and HK\$247,000 for finance charge and approximately HK\$151,000 and HK\$154,000 for other expenses (including but not limited to berth rental and repair and maintenance charges)). In addition, the depreciation expense amounted to approximately HK\$691,000 and HK\$646,000 for each of the two financial years ending 31 December 2005.

As a result of the Disposal, the Group is expected to record an unaudited surplus of approximately HK\$1,444,030, being the difference between the consideration and the carrying value of the Vessel as at 30 June 2005. The Directors consider that the Disposal represents a good opportunity for the Company to realise 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 on the one hand, they enable the Group to realise its asset at a profit and on the other hand, they reduce the finance costs to the Group. The Directors consider the terms of the Termination and the Disposal to be fair and reasonable.

6. FINANCIAL EFFECTS OF THE TERMINATION AND THE DISPOSAL

As a result of the Termination, both the assets and liabilities of the Group had been reduced since cash had been applied for termination of the HP Agreement and liabilities of the Vendor under the HP Agreement were discharged as a result thereof. In addition, the Group will be able to reduce its finance costs which would otherwise be payable to the Financier if the HP Agreement were to continue. The Disposal, on the other hand, increased the current assets of the Group since the consideration received by the Vendor exceeded the carrying value of the Vessel as recorded in the accounts of the Group. Since the Vessel was mainly for self-use and no profit could be said to be directly attributable to the Vessel, the Directors expect that there will not be any material impact on the earnings of the Group save that the Group is expected to record an unaudited surplus of approximately HK\$1,444,030 as a result of the Disposal, being the difference between the consideration and the carrying value of the Vessel as at 30 June 2005.

7. ADDITIONAL INFORMATION

Your attention is drawn to the general information set out in the Appendix to this circular.

Yours faithfully,
By order of the Board
Mon Chung Hung
Chief Executive Officer

1. 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.

2. 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 corporation(s) (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 were 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 (long position)	Approximate percentage of existing issued share capital of the Company
Mon Chung Hung	Corporate	141,170,000 ¹	70.95%
	Personal	2,000,000	1.01%
Koo Di An, Louise	Family	143,170,000 ²	71.96%
Siu Yuk Shing, Marco	Personal	300,000	0.15%
Li Man Wai	Personal	1,150,000	0.58%
Lau Chun Kay	Personal	138,000	0.07%

Notes:

- 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 his wife, Ms. Koo Di An, Louise. Mr. Mon Chung Hung and Ms. Koo Di An, Louise are also directors of Spector Holdings Limited.
- The family interest of Ms. Koo Di An, Louise represents the interest in 141,170,000 Shares held by Spector Holdings Limited and 2,000,000 Shares held by Mr. Mon Chung Hung.

Save as disclosed above, as at the Latest Practicable Date:

- (i) none of the Directors or chief executive of the Company held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation(s) (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 were 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; and
- (ii) none of the Directors or chief executive of the Company was a director or employee of a company which had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(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 option in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of Shareholder	Nature of interest	Number of Shares (long position)	Approximate percentage of existing issued share capital of the Company
Spector Holdings Limited	Beneficial owner	141,170,000	70.95%

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 a Director 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 Group or in any option in respect of such capital.

3. LITIGATION

No member of the Group is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

4. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had 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 year without payment of compensation (other than statutory compensation).

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

6. MISCELLANEOUS

- (a) The secretary and the qualified accountant of the Company is Ms. Li Man Wai, who is a Fellow of the Association of Chartered Certified Accountant of the United Kingdom and a Fellow of the Hong Kong Institute of Certified Public Accountants.
- (b) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at Units 2002-2006, 20th Floor, Greenfield Tower, Concordia Plaza, 1 Science Museum Road, Tsimshatsui, Kowloon, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Hong Kong Registrars Limited of 46th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in case of inconsistency.