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恒都集團有限公司 *
PERENNIAL INTERNATIONAL LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 725)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH JUNE 2007

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 (collectively the “Group”) for the six months ended 30th June 2007 together with comparative figures as follows:

CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

for the six months ended 30th June 2007

		Six months ended 30th June	
		2007	2006
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	4	224,156	174,494
Cost of sales		(181,212)	(140,446)
Gross profit		42,944	34,048
Other gains	5	2,639	190
Distribution expenses		(4,909)	(4,718)
Administrative expenses		(24,152)	(20,222)
Other operating expenses		(1,715)	(1,029)
Operating profit	6	14,807	8,269
Finance costs	8	(3,066)	(2,110)
Profit before taxation		11,741	6,159
Taxation	9	(1,023)	243
Profit attributable to shareholders		10,718	6,402
Dividend	10	3,980	1,990
Basic earnings per share (cents)	11	5.4	3.2
Fully diluted earnings per share (cents)	11	5.4	3.2

CONDENSED CONSOLIDATED BALANCE SHEET

as at 30th June 2007

		Unaudited 30th June 2007 HK\$'000	Audited 31st December 2006 HK\$'000
	Note		
ASSETS			
Non-current assets			
Leasehold land and land use rights	14	29,956	30,349
Property, plant and equipment	12	91,483	89,266
Investment property	13	7,110	4,700
Deposit paid for additions of land use rights and machinery		8,059	7,133
Deferred tax assets		2,670	2,670
		<u>139,278</u>	<u>134,118</u>
Current assets			
Inventories	15	61,743	73,492
Trade receivables	16	120,989	109,375
Other receivables, deposits and prepayments		7,740	5,979
Bank balances and cash		17,666	14,049
		<u>208,138</u>	<u>202,895</u>
Total assets		<u><u>347,416</u></u>	<u><u>337,013</u></u>
EQUITY			
Share capital	17	19,896	19,896
Other reserves	18	18,986	18,974
Retained earnings			
Others		149,240	142,502
Proposed dividend		3,980	5,970
Total equity		<u>192,102</u>	<u>187,342</u>

		Unaudited	Audited
		30th June	31st December
		2007	2006
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Long-term bank loans	20	2,467	3,158
Obligations under hire purchase contracts	20	7,805	9,015
Deferred tax liabilities		3,429	3,662
		<u>13,701</u>	<u>15,835</u>
Current liabilities			
Trade payables	19	38,265	43,550
Other payables and accruals		17,017	15,935
Taxation		1,207	725
Current portion of obligations under hire purchase contracts	20	2,593	2,879
Current portion of long-term bank loans	20	1,362	2,224
Short-term bank loans	20	6,000	6,000
Trust receipt loans	20	75,169	62,523
		<u>141,613</u>	<u>133,836</u>
Total liabilities		<u>155,314</u>	<u>149,671</u>
Total equity and liabilities		<u>347,416</u>	<u>337,013</u>
Net current assets		<u>66,525</u>	<u>69,059</u>
Total assets less current liabilities		<u>205,803</u>	<u>203,177</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the six months ended 30th June 2007

	Share capital <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 2007	19,896	18,974	148,472	187,342
Profit attributable to shareholders	—	—	10,718	10,718
Exchange difference arising from translation of accounts of subsidiaries	—	12	—	12
Final dividend paid for 2006	—	—	(5,970)	(5,970)
	<u>19,896</u>	<u>18,986</u>	<u>153,220</u>	<u>192,102</u>
At 30th June 2007	<u>19,896</u>	<u>18,986</u>	<u>153,220</u>	<u>192,102</u>
Represented by:				
Interim dividend proposed for 2007			3,980	
Others			149,240	
			<u>153,220</u>	
Retained earnings as at 30th June 2007			<u>153,220</u>	
	Share capital <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 2006	19,896	18,343	126,972	165,211
Profit attributable to shareholders	—	—	6,402	6,402
Final dividend paid for 2005	—	—	(5,970)	(5,970)
	<u>19,896</u>	<u>18,343</u>	<u>127,404</u>	<u>165,643</u>
At 30th June 2006	<u>19,896</u>	<u>18,343</u>	<u>127,404</u>	<u>165,643</u>
Represented by:				
Interim dividend proposed for 2006			1,990	
Others			125,414	
			<u>127,404</u>	
Retained earnings as at 30th June 2006			<u>127,404</u>	

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

for the six months ended 30th June 2007

	Six months ended 30th June	
	2007	2006
	HK\$'000	HK\$'000
Cash flows from operating activities		
Cash generated from operations	10,907	2,262
Profits tax paid	(775)	(452)
Net cash generated from operating activities	10,132	1,810
Cash flows from investing activities		
Purchases of property, plant and equipment	(6,386)	(6,992)
Deposit paid for land use rights and machinery	(926)	(922)
Sale of property, plant and equipment	133	—
Interest received	91	71
Net cash used in investing activities	(7,088)	(7,843)
Cash flows from financing activities		
Increase in trust receipt loans	12,646	16,529
Repayment of long-term bank loans	(1,553)	(1,615)
Increase in short-term bank loans	—	3,000
Repayment of capital element of hire purchase contracts	(1,496)	(716)
Interest of hire purchase contracts	(430)	(75)
Bank loans interest	(2,636)	(2,035)
Dividend paid to the Company's shareholders	(5,970)	(5,970)
Net cash generated from financing activities	561	9,118
Net increase in cash and cash equivalents	3,605	3,085
Cash and cash equivalents at the beginning of the period	14,049	19,364
Exchange difference on cash and cash equivalents	12	—
Cash and cash equivalents at the end of the period	17,666	22,449
Analysis of balances of cash and cash equivalents:		
Bank balances and cash	17,666	22,449

1. GENERAL INFORMATION

The Perennial Group, founded in 1989, manufactures and trades quality power cords, power cord sets, cables and wire, wire harnesses and plastic resins. The Group's primary markets are America, Europe, Australia, China, Japan and Southeast Asia where it sells to prominent multi-national producers of electrical and electronic products.

2. BASIS OF PREPARATION

The unaudited condensed consolidated accounts for the six months ended 30th June 2007 are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

These unaudited condensed consolidated accounts should be read in conjunction with the annual accounts for the year ended 31st December 2006.

3. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual accounts ended 31st December 2006.

New standards, amendment and interpretations effective in 2007:

HKAS 1 (Amendment)	Amendments to Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies"
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of these new standards, amendment and interpretations does not have significant impact on the unaudited condensed consolidated accounts.

4. TURNOVER, REVENUE AND SEGMENT INFORMATION

Turnover recognised during the period are as follows:

	Unaudited	
	Six months ended 30th June	
	2007	2006
	HK\$'000	HK\$'000
Sale of goods	224,156	174,494

Analysis of the Group's turnover and contribution to operating profit by:

Business segment

	Unaudited		
	Six months ended 30th June 2007		
	Cable and wire products	Investment holdings	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	224,156	–	224,156
Segment results	39,594	2,105	41,699
Unallocated costs			(26,892)
Operating profit			14,807
Finance costs			(3,066)
Profit before taxation			11,741
Taxation			(1,023)
Profit attributable to shareholders			10,718
Depreciation and amortisation	4,300	–	4,300

Assets and liabilities by segment as at 30th June 2007 and capital expenditure for the six months ended 30th June 2007 are as follows:

	Cable and wire products	Investment holdings	Unallocated	Group
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets	308,770	38,646	–	347,416
Liabilities	144,914	10,400	–	155,314
Capital expenditure for the six months ended 30th June 2007	6,386	–	–	6,386

There are no sales or other transactions between the business segments.

Unaudited Six months ended 30th June 2006			
	Cable and wire products <i>HK\$'000</i>	Investment holdings <i>HK\$'000</i>	Group <i>HK\$'000</i>
Turnover	174,494	—	174,494
Segment results	34,048	—	34,048
Unallocated costs			(25,779)
Operating profit			8,269
Finance costs			(2,110)
Profit before taxation			6,159
Taxation			243
Profit attributable to shareholders			6,402
Depreciation and amortisation	3,551	—	3,551

Assets and liabilities by segment as at 31st December 2006 and capital expenditure for the six months ended 30th June 2006 are as follows:

	Cable and wire products <i>HK\$'000</i>	Investment holdings <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Assets	300,297	36,716	—	337,013
Liabilities	138,832	4,519	6,320	149,671
Capital expenditure for the six months ended 30th June 2006	6,992	—	—	6,992

There are no sales or other transactions between the business segments.

Geographical segment

	Unaudited			
	Six months ended 30th June 2007			
	Turnover	Segment	Capital	Total
	HK\$'000	results	expenditure	assets
		HK\$'000	HK\$'000	HK\$'000
Hong Kong	112,709	20,088	549	138,769
Mainland China	40,462	5,542	5,837	161,381
Other Asian Countries	16,439	3,543	—	7,655
America	49,940	11,438	—	37,424
Europe	4,467	1,047	—	2,187
South Africa	139	41	—	—
	<u>224,156</u>	<u>41,699</u>	<u>6,386</u>	<u>347,416</u>

There are no sales between the geographical segments.

	Unaudited			Audited
	Six months ended 30th June 2006			31st December 2006
	Turnover	Segment	Capital	Total
	HK\$'000	results	expenditure	assets
		HK\$'000	HK\$'000	HK\$'000
Hong Kong	79,970	11,464	81	137,684
Mainland China	23,921	3,800	6,911	160,542
Other Asian Countries	12,991	3,043	—	6,425
America	52,156	14,507	—	30,772
Europe	3,006	550	—	1,590
South Africa	2,450	684	—	—
	<u>174,494</u>	<u>34,048</u>	<u>6,992</u>	<u>337,013</u>

There are no sales between the geographical segments.

5 OTHER GAINS

	Unaudited	
	Six months ended 30th June	
	2007	2006
	HK\$'000	HK\$'000
Revaluation surplus on investment property	2,410	—
Gross rental income from investment property	138	119
Interest income	91	71
	<u>2,639</u>	<u>190</u>

6 OPERATING PROFIT

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

	Unaudited	
	Six months ended 30th June	
	2007	2006
	HK\$'000	HK\$'000
Amortisation and depreciation:		
Amortisation of leasehold land and land use rights	393	393
Depreciation of owned property, plant and equipment	2,807	2,810
Depreciation of property, plant and equipment held under hire purchase contracts	1,100	348
Auditor's remuneration	645	605
Cost of inventories sold	151,690	116,320
Net exchange loss/(gain)	809	(396)
Operating lease rentals in respect of land and buildings	222	229
(Written-back)/provision for slow-moving inventories	(163)	944
Impairment of trade receivables	2,065	327
Staff costs (including directors' emoluments) (<i>Note 7</i>)	24,475	21,013
	<u>24,475</u>	<u>21,013</u>

7 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Unaudited	
	Six months ended 30th June	
	2007	2006
	HK\$'000	HK\$'000
Wages and salaries	23,217	19,553
Termination benefits	35	2
Social security costs	928	1,147
Pension costs – contribution to MPF scheme	225	218
Other benefits	70	93
	<u>24,475</u>	<u>21,013</u>

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

Directors' emoluments

	Unaudited	
	Six months ended 30th June	
	2007	2006
	HK\$'000	HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	4,782	4,962
Discretionary bonuses	117	239
Pension costs – contributions to MPF scheme	36	39
	4,935	5,240

8 FINANCE COSTS

	Unaudited	
	Six months ended 30th June	
	2007	2006
	HK\$'000	HK\$'000
Interest on bank loans		
Wholly repayable within five years	2,636	1,862
Repayable over five years	–	173
Interest of hire purchase contracts	430	75
	3,066	2,110

9 TAXATION

Hong Kong profits tax has been provided at the rate 17.5% (2006: 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.

On 16 March 2007, the National People's Congress of the PRC approved the Corporate Income Tax Law (the "new CIT Law"). The new CIT Law reduces or increases the corporate income tax rate for domestic enterprises or foreign invested enterprises from 33% or 24% or 15% to a fixed rate of 25% with effect from 1 January 2008. The new CIT Law provides that further detailed measures and regulations on the determination of taxable profit, tax incentives and grandfathering provisions will be issued by the State Council in due course. As and when the State Council announces the additional regulations, the Group will assess their impact, if any, and this change in accounting estimate will be accounted for prospectively.

Unaudited
Six months ended 30th June
2007 2006
HK\$'000 **HK\$'000**

Hong Kong profits tax	300	153
Overseas taxation	723	396
Under-provision in prior years	–	13
Deferred taxation	–	(805)
	1,023	(243)

10 DIVIDEND

Unaudited
Six months ended 30th June
2007 2006
HK\$'000 **HK\$'000**

Interim, proposed, of HK\$0.02 (2006: HK\$0.01) per ordinary share	3,980	1,990

At a meeting held on 3rd September 2007, the Directors declared an interim dividend of HK\$0.02 per ordinary share for the six months ended 30th June 2007. This proposed dividend is not reflected as a dividend payable in these unaudited condensed consolidated accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2007.

11 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 2007 of HK\$10,718,000 (Six months ended 30th June 2006: HK\$6,402,000) and the number of 198,958,000 (30th June 2006: 198,958,000) ordinary shares in issue during the period.

Diluted earnings per share equals basic earnings per share as there is no potential dilutive ordinary share during the period.

12 PROPERTY, PLANT AND EQUIPMENT

	Unaudited									Total HK\$'000
	Buildings			Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Pleasure boat HK\$'000	Construction in progress HK\$'000	
	Inside HK HK\$'000	Outside HK HK\$'000	Leasehold improvements HK\$'000							
Net book value at 1st January 2007	9,223	33,213	1,720	16,710	1,063	4,201	3,657	14,324	5,155	89,266
Additions	–	66	35	917	12	309	567	102	4,378	6,386
Disposals	–	–	(14)	(41)	(32)	(45)	(130)	–	–	(262)
Depreciation	(114)	(413)	(167)	(1,634)	(106)	(405)	(364)	(704)	–	(3,907)
Net book value at 30th June 2007	<u>9,109</u>	<u>32,866</u>	<u>1,574</u>	<u>15,952</u>	<u>937</u>	<u>4,060</u>	<u>3,730</u>	<u>13,722</u>	<u>9,533</u>	<u>91,483</u>
At 30th June 2007										
At cost	–	66	3,498	69,027	4,881	8,421	6,963	14,667	9,533	117,056
At valuation	9,340	33,560	–	–	–	–	–	–	–	42,900
Accumulated depreciation	(231)	(760)	(1,924)	(53,075)	(3,944)	(4,361)	(3,233)	(945)	–	(68,473)
Net book value	<u>9,109</u>	<u>32,866</u>	<u>1,574</u>	<u>15,952</u>	<u>937</u>	<u>4,060</u>	<u>3,730</u>	<u>13,722</u>	<u>9,533</u>	<u>91,483</u>
	Audited									Total HK\$'000
	Buildings			Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Pleasure boat HK\$'000	Construction in progress HK\$'000	
	Inside HK HK\$'000	Outside HK HK\$'000	Leasehold improvements HK\$'000							
Net book value at 1st January 2006	9,362	30,022	1,758	18,380	1,225	4,154	2,812	68	–	67,781
Additions	–	6,230	238	995	–	894	1,618	14,565	5,155	29,695
Disposals	–	–	–	(106)	(29)	(195)	(264)	(62)	–	(656)
Depreciation	(233)	(811)	(316)	(3,321)	(216)	(784)	(553)	(247)	–	(6,481)
Revaluation	94	(2,228)	–	–	–	–	–	–	–	(2,134)
Exchange differences	–	–	40	762	83	132	44	–	–	1,061
Net book value at 31st December 2006	<u>9,223</u>	<u>33,213</u>	<u>1,720</u>	<u>16,710</u>	<u>1,063</u>	<u>4,201</u>	<u>3,657</u>	<u>14,324</u>	<u>5,155</u>	<u>89,266</u>
At 31st December 2006										
At cost	–	–	3,561	68,212	5,064	8,242	6,946	14,565	5,155	111,745
At valuation	9,340	33,560	–	–	–	–	–	–	–	42,900
Accumulated depreciation	(117)	(347)	(1,841)	(51,502)	(4,001)	(4,041)	(3,289)	(241)	–	(65,379)
Net book value	<u>9,223</u>	<u>33,213</u>	<u>1,720</u>	<u>16,710</u>	<u>1,063</u>	<u>4,201</u>	<u>3,657</u>	<u>14,324</u>	<u>5,155</u>	<u>89,266</u>

13 INVESTMENT PROPERTY

	Unaudited 30th June 2007 HK\$'000	Audited 31st December 2006 HK\$'000
At the beginning of the period/year	4,700	3,100
Revaluation surplus credited to the condensed consolidated profit and loss account	2,410	1,600
At the end of the period/year	7,110	4,700

14 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 values are analysed as follows:

	Unaudited 30th June 2007 HK\$'000	Audited 31st December 2006 HK\$'000
In Hong Kong held on:		
– Leases of between 10 to 50 years	21,670	21,947
Outside Hong Kong held on:		
– Leases of between 10 to 50 years	8,286	8,402
	29,956	30,349

15 INVENTORIES

	Unaudited 30th June 2007 HK\$'000	Audited 31st December 2006 HK\$'000
Raw materials	31,203	33,111
Work in progress	12,206	14,788
Finished goods	20,585	28,007
	63,994	75,906
Provision for slow moving inventories	(2,251)	(2,414)
	61,743	73,492

16 TRADE RECEIVABLES

	Unaudited 30th June 2007 HK\$'000	Audited 31st December 2006 HK\$'000
Trade receivables	124,442	111,581
Less: Provision for bad and doubtful debts	(3,453)	(2,206)
	<u>120,989</u>	<u>109,375</u>

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

At 30th June 2007, the ageing analysis of trade receivables is as follows:

	Unaudited 30th June 2007 HK\$'000	Audited 31st December 2006 HK\$'000
Current – 3 months	106,859	99,586
4 – 6 months	15,712	10,834
Over 6 months	1,871	1,161
	<u>124,442</u>	<u>111,581</u>
Provision for bad and doubtful debts	(3,453)	(2,206)
	<u>120,989</u>	<u>109,375</u>

The average credit allowed to customers is 60 to 90 days after invoice date. New customers are charged in cash on delivery.

17 SHARE CAPITAL

	Unaudited 30th June 2007 HK\$'000	Audited 31st December 2006 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>

18 RESERVES

	Share premium <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Unaudited Building revaluation reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Total other reserves <i>HK\$'000</i>
At 1st January 2007	15,885	2,891	94	104	18,974
Exchange differences arising from translation of accounts of subsidiaries	—	12	—	—	12
At 30th June 2007	<u>15,885</u>	<u>2,903</u>	<u>94</u>	<u>104</u>	<u>18,986</u>

19 TRADE PAYABLES

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

At 30th June 2007, the ageing analysis of trade payables is as follow:

	Unaudited 30th June 2007 <i>HK\$'000</i>	Audited 31st December 2006 <i>HK\$'000</i>
Current – 3 months	35,040	39,753
4 – 6 months	3,117	3,241
Over 6 months	108	556
	<u>38,265</u>	<u>43,550</u>

20 BORROWINGS

	Unaudited 30th June 2007 <i>HK\$'000</i>	Audited 31st December 2006 <i>HK\$'000</i>
Non-current		
Long-term bank loans	2,467	3,158
Obligations under hire purchase contracts	7,805	9,015
	<u>10,272</u>	<u>12,173</u>
Current		
Current portion of long-term bank loans	1,362	2,224
Current portion of obligations under hire purchase contracts	2,593	2,879
Short-term bank loans	6,000	6,000
Trust receipt loans	75,169	62,523
	<u>85,124</u>	<u>73,626</u>
Total borrowings	<u>95,396</u>	<u>85,799</u>

Total borrowings include secured liabilities of HK\$73,169,000 (31st December 2006: HK\$59,856,000), which are secured by leasehold land, land use rights, buildings and investment property of the Group.

The maturity of borrowings is as follows:

	Long term		Short-term		Trust		Obligations under	
	bank loans		bank loans		receipt loans		hire purchase	
	30th	31st	30th	31st	30th	31st	30th	31st
	June	December	June	December	June	December	June	December
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
	2007	2006	2007	2006	2007	2006	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year	1,362	2,224	6,000	6,000	75,169	62,523	2,593	2,879
Between 1 and 2 years	1,450	1,405	–	–	–	–	2,343	2,377
Between 2 and 5 years	1,017	1,753	–	–	–	–	5,462	6,638
Wholly repayable within 5 years	3,829	5,382	6,000	6,000	75,169	62,523	10,398	11,894
Over 5 years	–	–	–	–	–	–	–	–
Total borrowings	3,829	5,382	6,000	6,000	75,169	62,523	10,398	11,894

21 BANKING FACILITIES

At 30th June 2007, the Group's banking facilities amounting to approximately HK\$108,830,000 (31st December 2006: HK\$120,384,000) were secured by the following:

- legal charges over certain leasehold land, land use rights, buildings and investment property of the Group with a total net book value of HK\$37,889,000 (31st December 2006: HK\$35,870,000);
- a deed of guarantee executed by the Company amounting to HK\$66,000,000 (31st December 2006: HK\$81,000,000).

22 RELATED PARTY TRANSACTIONS

(a) Transactions with the related party

- Name and relationship with the related party

常州市恒軒進出口有限公司("PIEL") is wholly-owned by Mr. Zhou Jing Zhuan, a member of senior management of the Group. PIEL is thus a related party of the Group.

(ii) Details of the transactions

During the period, the Group entered into the following significant transactions in the ordinary course of business with PIEL:

	Unaudited	
	Six months ended 30th June	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of goods	3,004	–

These transactions were entered into on normal commercial terms or, if there are no sufficient comparable transactions, on terms no less favourable to the Group than terms available to or from independent third parties.

(b) Compensation of key management personnel

	Unaudited	
	Six months ended 30th June	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic salaries, housing allowances, other allowances and benefits in kind	6,169	6,149
Discretionary bonuses	128	343
Pension costs – contributions to MPF scheme	48	58
	6,345	6,550

23 COMMITMENTS

(a) Capital commitments

As 30th June 2007, the Group had the following capital commitment for construction project:

	Unaudited	Audited
	30th June	31st December
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contracted but not provided for	4,065	5,213

(b) Commitments under operating leases

At 30th June 2007, the Group had future aggregate minimum lease payments under non-cancelable operating leases as follows:

	Unaudited 30th June 2007 <i>HK\$'000</i>	Audited 31st December 2006 <i>HK\$'000</i>
Not later than one year	50	17

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results

The Group's turnover for the six months ended 30th June 2007 was HK\$224,156,000 (2006: HK\$174,494,000). Unaudited consolidated profit attributable to shareholders was HK\$10,718,000 (2006: HK\$6,402,000) up 67.4%. Earnings per share were HK\$0.054 (2006: HK\$0.032)

INTERIM DIVIDEND

The Board of Directors of the Company declared an interim dividend of HK\$0.02 per share (2006: HK\$0.01 per share). The register of members of the Company will be closed from 2nd October 2007 to 5th October 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, payable on or before 15th October 2007, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars, Hong Kong Registrars Limited at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 28th September 2007.

Liquidity and Financial Resources

As at 30th June 2007, the Group's bank balances and cash was HK\$17,666,000. The consolidated indebtedness of the Group, including short-term borrowings of HK\$85,124,000, was HK\$95,396,000. The borrowings are denominated in Hong Kong dollars and Renminbi and bear interest at floating rates.

The amount of the Group's current working capital was HK\$66,525,000 (31st December 2006: HK\$69,059,000). The current ratio was 1.47. The Group's trade receivables were HK\$120,989,000, representing 53.98% of the period's turnover of HK\$224,156,000.

Capital structure

The equity of the Group was HK\$192,102,000, an increase of 16.0% over that of the last corresponding period. The gearing ratio, calculated by dividing total liabilities by shareholders' equity, was approximately 80.85%.

Pledge of Assets

As at 30th June 2007, the Group's banking facilities amounting to approximately HK\$108,830,000 (31st December 2006: HK\$120,384,000) 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\$37,889,000 (31st December 2006: HK\$35,870,000), and corporate guarantee given by the Company.

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 period under review, our sales in power cord and power cord sets, cables and wires, wire harnesses and plastic resins accounted for 70%, 17%, 12% and 1% of the Group's total turnover, respectively.

On marketing strategy front, we focus on development of sound returns and high growth products. As such, we have progressively increased the manufacturing of wire harness, environmentally proof halogen-free products during the period under review.

An experienced local sales executive was hired in Japan for expansion of our market there.

Future Prospects

Statutory inspection of our newly constructed facilities is in progress. We plan to move in and commence production by early next year as soon as we obtain the statutory licenses in China.

The Group is strongly committed to providing a safe working environment. The employees are provided with continuous on job training, fair pay and fringe benefits.

We aim to maintain our cost efficiency by prudent financial management and by regular optimizing, standardizing and rationalizing our production. We will increase our production efficiency of our plastic manufacturing by reinforcing semi-automation.

We continue to invest our resources in research and developing environmentally-sound products.

We shall promote the sales of our green products with a primary focus of expansion in the wire harness business. China, the United States of America and Europe are still our primary sales markets.

The outlook of appreciation of Renminbi is positive as per the financial market. We plan to offload some of the burden through continuous hedging of certain needs.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June 2007, the Group employed approximately 1,900 full time management, administrative and production staff in Hong Kong and the mainland china. The Group follows market practice on remuneration packages. Employees' 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 encourages employees to further their study in extramural courses.

THE 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 2007 with the Directors.

CORPORATE GOVERNANCE

The Group is committed to safeguarding shareholders' rights and enhancing corporate governance standard. As a result, we establish the Compliance Committee, Audit Committee, Remuneration Committee and Nomination Committee to adhere to the best practice.

SOCIAL RESPONSIBILITY

Being a responsible corporate citizen is the Group's strong belief. We will continue to participate in and support community activities in both Hong Kong and the mainland china.

COMPLIANCE WITH 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, for six months ended 30th June 2007, the Company has fully complied with the code provision in the 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 2007 to 30th June 2007 (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 2007. Neither the Company nor its subsidiaries has purchased, redeemed or sold any of the Company's shares during the six months ended 30th June 2007.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANY

The information required by paragraphs 46(1) to 46(9) of Appendix 16 to the Listing Rules has been published on the website <http://www.hkex.com.hk> of The Stock Exchange of Hong Kong Limited and the Company's website <http://www.equitynet.com.hk/0725> in due course.

VOTE OF THANKS

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, 3rd September 2007

As at the date of this report, 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. Liao Zhixiong and Mr. Ma Chun Hon, Richard.

* *For identification purpose only*