恒 Perennial 都

恒都集團有限公司*
PERENNIAL INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 00725)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH JUNE 2013

INTERIM RESULTS

The Board of Directors (the "Board") of Perennial International Limited (the "Company") is pleased to present the interim report and the unaudited condensed consolidated financial information of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June 2013 together with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)
for the six months ended 30th June 2013

		Six months ended 30th June	
		2013	2012
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**230,599**	217,001
Cost of sales		**(187,731)**	(180,943)
Gross profit		**42,868**	36,058
Other income	*5*	**890**	2,585
Distribution expenses		**(4,239)**	(3,760)
Administrative expenses		**(23,271)**	(24,120)
Other operating expenses, net		**(3,256)**	(1,028)
Operating profit	*6*	**12,992**	9,735
Finance costs	*8*	**(1,266)**	(1,286)
Profit before taxation		**11,726**	8,449
Taxation	*9*	**(3,255)**	(1,853)
Profit for the period		**8,471**	6,596
Basic and diluted earnings per share (cents)	*11*	**4.3**	3.3

Details of interim dividend payable to shareholders of the Company are set out in note 10.

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

for the six months ended 30th June 2013

	Six months ended 30th June	
	2013	2012
	HK$'000	*HK$'000*
Profit for the period	**8,471**	6,596
Other comprehensive expenses:		
Exchange difference arising from translation of financial statements of subsidiaries	**–**	(55)
Other comprehensive expenses for the period, net of tax	**–**	(55)
Total comprehensive income attributable to shareholders of the Company	**8,471**	6,541

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
as at 30th June 2013

	Note	30th June 2013 HK$'000	31st December 2012 HK$'000
ASSETS			
Non-current assets			
Land use rights	14	**12,853**	13,043
Property, plant and equipment	12	**289,240**	295,266
Investment property	13	**25,180**	25,180
Non-current deposits		**600**	718
Deferred tax assets		**4,812**	4,193
		332,685	338,400
Current assets			
Inventories	15	**103,244**	89,651
Trade receivables	16	**112,717**	100,141
Other receivables, deposits and prepayments		**10,561**	7,474
Derivative financial instruments	20	**93**	172
Short-term fixed deposit		**21,889**	42,633
Cash and cash equivalents		**73,624**	50,945
		322,128	291,016
Total assets		**654,813**	629,416
EQUITY			
Share capital	17	**19,896**	19,896
Other reserves	18	**193,163**	193,163
Retained earnings			
Others		**240,613**	234,132
Proposed dividend		**1,990**	3,980
Total equity		**455,662**	451,171

	Note	30th June 2013 HK$'000	31st December 2012 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**30,925**	31,287
		30,925	31,287
Current liabilities			
Trade and bills payables	*19*	**31,150**	32,657
Other payables and accruals	*19*	**25,725**	23,209
Taxation payable		**4,197**	3,495
Short-term bank loans	*21*	**58,000**	48,000
Trust receipt loans	*21*	**49,154**	39,597
		168,226	146,958
Total liabilities		**199,151**	178,245
Total equity and liabilities		**654,813**	629,416
Net current assets		**153,902**	144,058
Total assets less current liabilities		**486,587**	482,458

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
for the six months ended 30th June 2013

	Share capital *HK$'000*	**Other reserves** *HK$'000*	**Retained earnings** *HK$'000*	**Total** *HK$'000*
At 1st January 2013	**19,896**	**193,163**	**238,112**	**451,171**
Profit for the period	**–**	**–**	**8,471**	**8,471**
Total comprehensive income for the period	**–**	**–**	**8,471**	**8,471**
Final dividend paid for 2012	**–**	**–**	**(3,980)**	**(3,980)**
At 30th June 2013	**19,896**	**193,163**	**242,603**	**455,662**
Represented by:				
Interim dividend for 2013			**1,990**	
Others			**240,613**	
Retained earnings as at 30th June 2013			**242,603**	

	Share capital *HK$'000*	Other reserves *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
At 1st January 2012	19,896	139,003	224,128	383,027
Profit for the period	–	–	6,596	6,596
Exchange difference arising from translation of financial statements of subsidiaries	–	(55)	–	(55)
Total comprehensive income for the period	–	(55)	6,596	6,541
Final dividend paid for 2011	–	–	(3,980)	(3,980)
At 30th June 2012	19,896	138,948	226,744	385,588
Represented by:				
Interim dividend for 2012			1,990	
Others			224,754	
Retained earnings as at 30th June 2012			226,744	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the six months ended 30th June 2013

	Six months ended 30 June	
	2013	2012
	HK$'000	*HK$'000*
Cash flows from operating activities		
Net cash used in operations	**(8,368)**	(2,073)
Hong Kong profits and overseas tax paid	**(3,535)**	(653)
Bank loan interest	**(1,266)**	(1,286)
Net cash used in operating activities	**(13,169)**	(4,012)
Cash flows from investing activities		
Purchases of property, plant and equipment	**(1,325)**	(3,847)
Deposit paid for additions of machinery	**118**	2,438
Sale of property, plant and equipment	**90**	15
Interest received	**644**	355
Decrease in short-term fixed deposit	**20,744**	–
Net cash generated from/(used in) investing activities	**20,271**	(1,039)
Cash flows from financing activities		
Increase/(decrease) in trust receipt loans	**9,557**	(3,004)
Increase in short-term bank loans	**18,000**	–
Decrease in short-term bank loans	**(8,000)**	–
Dividend paid to the Company's shareholders	**(3,980)**	(3,980)
Net cash generated from/(used in) financing activities	**15,577**	(6,984)
Net increase/(decrease) in cash and cash equivalents	**22,679**	(12,035)
Cash and cash equivalents at the beginning of the period	**50,945**	108,142
Exchange difference on cash and cash equivalents	**–**	(56)
Cash and cash equivalents at the end of the period	**73,624**	96,051

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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, Mainland China, Japan and Southeast Asia where it sells to prominent multi-national producers of electrical and electronic products.

These unaudited condensed consolidated interim financial statements are presented in thousands of Hong Kong dollars ("HK$000") unless otherwise stated.

2 BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30th June 2013 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 financial statements should be read in conjunction with the annual financial statements for the year ended 31st December 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

3 ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the consolidated financial statements for the year ended 31st December 2012, except as mentioned below.

The Group has adopted new and amended standards and interpretations of Hong Kong Financial Reporting Standards that are effective for accounting periods beginning on or after 1st January 2013.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group:

There are no new and amended standards to existing Hong Kong Financial Reporting Standards ("HKFRS") that are effective for the Group's accounting year commencing 1st January 2013 that could be expected to have a material impact on the Group.

(b) New and amended standards have been issued but are not effective for the financial year beginning 1st January 2013 and have not been early adopted:

HKFRS 9 'Financial instruments' addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1st January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Group's accounting for its available-for-sale financial assets, as HKFRS 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss, and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 'Financial instruments: Recognition and measurement' and have not been changed. The Group has not yet decided when to adopt HKFRS 9.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

4 REVENUE AND SEGMENT INFORMATION

Revenue recognised during the period is as follows:

	Six months ended 30th June	
	2013	2012
	HK$'000	*HK$'000*
Sale of goods	**230,599**	217,001

The Chief Executive Officer (the chief operation decision maker) has reviewed the Group's internal reporting and determines that there are five reportable segments, based on location of customers under cable and wire products business, including Hong Kong, the Mainland China, Other Asian Countries, America and Europe. These segments are managed separately as each segment is subject to risks and returns that are different from the others.

The segment information for the reportable segments for the six months period ended 30th June 2013 and 2012 are as follows:

	Six months ended 30th June 2013					
	Revenue (external sales) *HK$'000*	**Segment results** *HK$'000*	**Total segment assets** *HK$'000*	**Capital expenditure** *HK$'000*	**Depreciation** *HK$'000*	**Amortisation** *HK$'000*
Hong Kong	**89,824**	**5,556**	**265,424**	**658**	**1,900**	**–**
Mainland China	**34,115**	**1,513**	**274,318**	**667**	**4,134**	**190**
Other Asian Countries	**13,000**	**894**	**7,092**	**–**	**–**	**–**
America	**93,055**	**7,093**	**77,650**	**–**	**–**	**–**
Europe	**605**	**42**	**337**	**–**	**–**	**–**
Reportable segment	**230,599**	**15,098**	**624,821**	**1,325**	**6,034**	**190**
Unallocated costs, net of income		**(2,106)**				
Operating profit		**12,992**				

	Six months ended 30th June 2012					
	Revenue (external sales) *HK$'000*	Segment results *HK$'000*	Total segment assets *HK$'000*	Capital expenditure *HK$'000*	Depreciation *HK$'000*	Amortisation *HK$'000*
Hong Kong	97,943	5,228	246,516	12	1,806	–
Mainland China	32,676	1,770	238,108	3,835	3,512	189
Other Asian Countries	15,794	1,007	9,954	–	–	–
America	70,245	3,519	59,783	–	–	–
Europe	343	22	224	–	–	–
Reportable segment	217,001	11,546	554,585	3,847	5,318	189
Unallocated costs, net of income		(1,811)				
Operating profit		9,735				

A reconciliation of total segment assets to the Group's total assets

	As at 30th June	
	2013	2012
	HK$'000	*HK$'000*
Total segment assets	**624,821**	554,585
Investment property	**25,180**	13,800
Deferred tax assets	**4,812**	3,429
Total assets	**654,813**	571,814

There are no sales between the reportable segments.

Unallocated costs, net of income, mainly represent corporate expenses and income from investment property.

Revenue of approximately HK$98,398,000 (30th June 2012: HK$91,480,000) was derived from three major customers contributing 10% or more of the total revenue is set out as below:

	Six months ended 30th June	
	2013	2012
	HK$'000	*HK$'000*
Customer A[1]	**38,526**	40,093
Customer B[2]	**32,461**	27,252
Customer C[2]	**27,411**	N/A[4]
Customer D[3]	**N/A[4]**	24,135
	98,398	91,480

1. Revenue from the America, Mainland China and Other Asian Countries Segments.
2. Revenue from the America segment.
3. Revenue from the Hong Kong segment.
4. The corresponding revenue does not contribute over 10% of the total sales of the Group.

5 OTHER INCOME

	Six months ended 30th June	
	2013	2012
	HK$'000	*HK$'000*
Scrap sales	**189**	2,230
Interest income	**644**	355
Rental income	**57**	–
	890	2,585

6 OPERATING PROFIT

Expenses included in cost of sales, distribution expenses, administrative expenses and other operating (income)/expenses, net are analysed as follows:

	Six months ended 30th June	
	2013	2012
	HK$'000	*HK$'000*
Amortisation and depreciation:		
Amortisation of land use rights	**190**	189
Depreciation of owned property, plant and equipment	**6,034**	5,318
Auditor's remuneration	**740**	941
Cost of materials consumed	**145,613**	143,576
Net exchange loss	**426**	84
Operating lease rentals in respect of land and buildings	**167**	180
Outgoing expenses in respect of investment property	**98**	54
Net (gain)/loss on derivative financial instruments	**(184)**	102
Loss of disposal of property, plant and equipment	**1,227**	5
Written-off of trade receivables	**–**	173
Written-back of provision for slow-moving inventories	**(221)**	(235)
Provision for returns and doubtful debts	**481**	762
Staff costs (including directors' emoluments) *(Note 7)*	**48,232**	43,493

7 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Six months ended 30th June	
	2013	2012
	HK$'000	*HK$'000*
Wages and salaries	**45,941**	41,501
Social security costs	**2,073**	1,780
Pension costs – contribution to MPF scheme	**218**	210
Others	**–**	2
	48,232	43,493

Included in the staff costs are remuneration paid to the directors as set out below:

(a) Directors' emoluments

	Six months ended 30th June	
	2013	2012
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**4,035**	5,104
Discretionary bonuses	**–**	97
Pension costs – contributions to MPF scheme	**38**	38
	4,073	5,239

8 FINANCE COSTS

	Six months ended 30th June	
	2013	2012
	HK$'000	*HK$'000*
Interest on bank loans		
Wholly repayable within five years	**1,266**	1,286
	1,266	1,286

9 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 16.5%) 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.

	Six months ended 30th June	
	2013	2012
	HK$'000	*HK$'000*
Hong Kong profits tax	**1,188**	1,300
Overseas taxation	**3,152**	764
Over-provision in prior years	**(103)**	(79)
Deferred taxation	**(982)**	(132)
	3,255	1,853

10 DIVIDEND

	Six months ended 30th June	
	2013	2012
	HK$'000	*HK$'000*
Interim, proposed, of HK$0.01 (2012: HK$0.01) per ordinary share	**1,990**	1,990

At a meeting held on 8th August 2013, the directors declared an interim dividend of HK$0.01 per ordinary share for the six months ended 30th June 2013. This proposed dividend is not reflected as a dividend payable in these unaudited condensed consolidated financial information, but will be reflected as an appropriation of retained earnings for the year ending 31st December 2013.

11 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's unaudited profit for the six months ended 30th June 2013 of HK$8,471,000 (Six months ended 30th June 2012: HK$6,596,000) divided by the number of 198,958,000 (30th June 2012: 198,958,000) ordinary shares in issue during the period.

At 30th June 2013 and 30th June 2012, diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary shares as at the end of the reporting period.

12 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings								
	Inside HK	Outside HK	Leasehold improvements	Plant and machinery	Furniture and fixtures	Office equipment	Motor vehicles	Pleasure boat	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net book value at 1st January 2013	117,890	140,238	6,983	15,080	973	4,673	1,533	7,896	295,266
Additions	–	–	–	543	1	177	604	–	1,325
Disposals	–	–	–	(216)	(447)	(487)	(167)	–	(1,317)
Depreciation	(1,295)	(1,744)	(447)	(1,514)	(65)	(412)	(174)	(383)	(6,034)
Net book value at 30th June 2013	116,595	138,494	6,536	13,893	462	3,951	1,796	7,513	289,240
At 30th June 2013									
At cost	–	–	12,039	86,031	5,742	12,871	5,543	14,667	136,893
At valuation	117,890	140,238	–	–	–	–	–	–	258,128
Accumulated depreciation	(1,295)	(1,744)	(5,503)	(72,138)	(5,280)	(8,920)	(3,747)	(7,154)	(105,781)
Net book value	116,595	138,494	6,536	13,893	462	3,951	1,796	7,513	289,240

	Land and buildings Inside HK	Outside HK	Leasehold improvements	Plant and machinery	Furniture and fixtures	Office equipment	Motor vehicles	Pleasure boat	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net book value at 1st January 2012	107,100	90,365	4,555	17,193	1,173	5,171	1,866	8,730	236,153
Additions	–	–	3,457	1,482	58	336	–	–	5,333
Disposals	–	–	(74)	(436)	(10)	–	–	–	(520)
Depreciation	(2,346)	(2,233)	(994)	(3,318)	(258)	(895)	(340)	(834)	(11,218)
Revaluation	13,136	50,589	–	–	–	–	–	–	63,725
Exchange adjustment	–	1,517	39	159	10	61	7	–	1,793
Net book value at 31st December 2012	117,890	140,238	6,983	15,080	973	4,673	1,533	7,896	295,266
At 31st December 2012									
At cost	–	–	12,039	89,545	6,191	13,784	5,356	14,667	141,582
At valuation	117,890	140,238	–	–	–	–	–	–	258,128
Accumulated depreciation	–	–	(5,056)	(74,465)	(5,218)	(9,111)	(3,823)	(6,771)	(104,444)
Net book value	117,890	140,238	6,983	15,080	973	4,673	1,533	7,896	295,266

Land and buildings are held on leases of 10 to 50 years.

13 INVESTMENT PROPERTY

	30th June 2013	31st December 2012
	HK$'000	*HK$'000*
At the beginning of the period/year	**25,180**	13,800
Revaluation surplus credited to the condensed consolidated income statement	**–**	11,380
At the end of the period/year	**25,180**	25,180

14 LAND USE RIGHTS

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

	30th June 2013 *HK$'000*	31st December 2012 *HK$'000*
Outside Hong Kong held on:		
– Leases of between 10 to 50 years	**12,853**	13,043

15 INVENTORIES

	30th June 2013 *HK$'000*	31st December 2012 *HK$'000*
Raw materials	**34,924**	26,582
Work in progress	**24,375**	20,304
Finished goods	**47,082**	46,123
	106,381	93,009
Provision for slow-moving inventories	**(3,137)**	(3,358)
	103,244	89,651

16 TRADE RECEIVABLES

At 30th June 2013, the ageing analysis of trade receivables is as follows:

	30th June 2013 *HK$'000*	31st December 2012 *HK$'000*
Current – 3 months	**100,801**	88,382
4–6 months	**12,330**	11,660
Over 6 months	**8,001**	8,290
	121,132	108,332
Provision for returns and doubtful debts	**(8,415)**	(8,191)
	112,717	100,141

Payment terms with customers are mainly on credit with the exception of new customers, which are on cash on delivery basis. Invoices are normally payable within 30 to 90 days of issuance. Longer payment terms might be granted to customers have long-term business relationship with the Group and did not have default in payments in the past history.

17 SHARE CAPITAL

	Number of shares	*HK$'000*
Authorised:		
At 31st December 2012 and 30th June 2013, ordinary shares of HK$0.10 each	500,000,000	50,000
Issued and fully paid:		
At 31st December 2012 and 30th June 2013, ordinary shares of HK$0.10 each	198,958,000	19,896

18 RESERVES

	Share premium *HK$'000*	**Exchange fluctuation reserve** *HK$'000*	**Land and building revaluation reserve** *HK$'000*	**Capital redemption reserve** *HK$'000*	**Total other reserves** *HK$'000*
At 1st January 2013	**15,885**	**25,092**	**152,082**	**104**	**193,163**
Exchange differences arising from translation of financial statements of subsidiaries	**–**	**–**	**–**	**–**	**–**
At 30th June 2013	**15,885**	**25,092**	**152,082**	**104**	**193,163**

	Share premium *HK$'000*	Exchange fluctuation reserve *HK$'000*	Land and building revaluation reserve *HK$'000*	Capital redemption reserve *HK$'000*	Total other reserves *HK$'000*
At 1st January 2012	15,885	23,102	99,912	104	139,003
Exchange differences arising from translation of financial statements of subsidiaries	–	(55)	–	–	(55)
At 30th June 2012	15,885	23,047	99,912	104	138,948

19 TRADE AND BILLS PAYABLES, OTHER PAYABLES AND ACCRUALS

	30th June 2013 *HK$'000*	31st December 2012 *HK$'000*
Trade and bills payables	**31,150**	32,657
Other payables and accruals	**25,725**	23,209
Total	**56,875**	55,866

At 30th June 2013, the ageing analysis of trade and bills payables is as follows:

	30th June 2013 *HK$'000*	31st December 2012 *HK$'000*
Current – 3 months	**30,529**	30,121
4–6 months	**3**	1,627
Over 6 months	**618**	909
	31,150	32,657

20 DERIVATIVE FINANCIAL INSTRUMENTS

	30th June 2013 *HK$'000*	31st December 2012 *HK$'000*
Forward foreign exchange contracts		
– held for trading	**93**	172

The Group entered into forward foreign exchange contracts with banks to sell and buy United States dollars in exchange for Renminbi at predetermined rates for operating use. As at 30th June 2013, the notional amounts of the outstanding forward foreign exchange contracts are HK$37,440,000 (31st December 2012: HK$21,570,000).

The fair value of forward foreign exchange contracts are determined using quoted forward exchange rates at the end of the reporting period.

21 BORROWINGS

	30th June 2013 *HK$'000*	31st December 2012 *HK$'000*
Current		
Trust receipt loans	**49,154**	39,597
Short-term bank loans	**58,000**	48,000
Total borrowings	**107,154**	87,597

Total borrowings include secured liabilities of HK$107,154,000 (31st December 2012: HK$87,597,000), which are secured by land and buildings and investment property of the Group.

The maturity of borrowings is as follows:

	Trust receipt loans		Short-term bank loans	
	30th June 2013	31st December 2012	**30th June 2013**	31st December 2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within 1 year	**49,154**	39,597	**58,000**	48,000
Between 1 and 2 years	**–**	–	**–**	–
Between 2 and 5 years	**–**	–	**–**	–
Wholly repayable within 5 years	**49,154**	39,597	**58,000**	48,000
Over 5 years	**–**	–	**–**	–
Total borrowings	**49,154**	39,597	**58,000**	48,000

22 FINANCIAL GUARANTEES AND PLEDGE

At 30th June 2013, the Group's banking facilities amounting to approximately HK$268,075,000 (31st December 2012: HK$268,075,000) were secured by the following:

(a) legal charges over certain land and buildings and investment property of the Group with a total net book value of HK$141,775,000 (31st December 2012: HK$143,070,000);

(b) a deed of guarantee executed by the Company amounting to HK$145,000,000 (31st December 2012: HK$145,000,000).

23 RELATED PARTY TRANSACTIONS

Compensation of key management personnel

	Six months ended 30th June	
	2013	2012
	HK$'000	*HK$'000*
Basic salaries, housing allowances, other allowances and benefits in kind	**5,425**	5,844
Discretionary bonuses	**–**	154
Pension costs – contributions to MPF scheme	**60**	50
	5,485	6,048

24 COMMITMENTS

(a) Capital commitments

At 30th June 2013, the Group had the following capital commitment for leasehold improvement and plant and machinery:

	30th June 2013	31st December 2012
	HK$'000	*HK$'000*
Contracted but not provided for	**1,131**	1,496

(b) Commitments under operating leases

At 30th June 2013,the Group had future aggregate minimum lease payments under non-cancelable operating leases as follows:

	30th June 2013	31st December 2012
	HK$'000	*HK$'000*
Not later than one year	**789**	75

FINANCIAL REVIEW

Results

The Group's turnover for the six months ended 30th June 2013 was HK$230,599,000 (2012: HK$217,001,000). Unaudited consolidated profit attributable to shareholders was HK$8,471,000 (2012: HK$6,596,000). Earnings per share were HK$0.043 (2012: HK$0.033).

The Board of Directors of the Company declared an interim dividend of HK$0.01 per share (2012: HK$0.01 per share).

The register of members of the Company will be closed from 27th August 2013 to 29th August 2013, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, payable on 6th September 2013, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrars at Hong Kong Registrars Limited, 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 26th August 2013.

Liquidity and Financial Resources

As at 30th June 2013, the Group's bank balances and cash was HK$95,513,000. The consolidated indebtedness of the Group was HK$107,154,000 which is short-term borrowings. The borrowings are denominated in Hong Kong dollars and bear interest at floating rates.

The amount of the Group's current working capital was HK$153,902,000 (31st December 2012: HK$144,058,000). The current ratio was 1.91. The Group's trade receivables were HK$112,717,000, representing 48.9% of the period's turnover of HK$230,599,000.

Capital structure

The equity of the Group was HK$455,662,000, an increase of 18.2% over that of the last corresponding period. The gearing ratio, calculated by dividing total liabilities by shareholders' equity, was approximately 43.7%.

Pledge of Assets

As at 30th June 2013, the Group's utilised banking facilities amounting to approximately HK$107,154,000 (31st December 2012: HK$87,597,000) were secured by legal charges over certain land and buildings and investment property of the Group with a total net book value of HK$141,775,000 (31st December 2012: HK$143,070,000), and corporate guarantee given by the Company.

FOREIGN EXCHANGE EXPOSURE

All foreseeable foreign exchange risk of the Company are appropriately managed or hedged.

CONTINGENT LIABILITIES

As at 30th June 2013, the Group did not have any material contingent liabilities.

LITIGATION

The Group has won the legal case against General Protecht Group Inc. for their overdue debt. A final judgment was awarded by the PRC in July 2013.

BUSINESS REVIEW

During the period under review, sales in power cords, cables and wires, wire harnesses and plastic resins accounted for 59%, 10%, 29% and 2% of the Group's turnover respectively.

Turnover, benefited by the growth in US segment, was increased by 6.3% to HK$230.6 million in the first six months this year.

Our Group continued to remain profitable. The gross margin was slightly improved from 16.6% in the first half of 2012 to 18.6% in the first half of 2013. The decrease in the price of copper, one of the major materials used by the Group, enhanced the gross margin.

The Group's operating environment in the Mainland China is still challenging. The tightening of Chinese Labour Law and the increase in minimum level of labour wages and various labour-related insurances resulted in rising labour costs. In addition, the appreciation of Renminbi caused an overall increase in operating costs of China operation. To mitigate the effect of rising costs, the Group continues streamlining the operation process and controlling the manufacturing costs closely. Moreover, we increased the proportion of our bank balances and deposits in Renminbi and used financial instrument to hedge the currency risk.

The tax impact of conversion from toll processing to import processing is significant. Also, the income tax rate in US is high. The Group will work closely with various professionals to alleviate the tax impact.

Our China factory complied with various quality system and international standards such as ISO 9001, ISO 14001, ISO 13485 and TS 16949. We commit to provide quality products to our customers. It is not our strategy to compete by price cutting as adopted by some competitors.

FUTURE PROSPECTS

The continuing appreciation of Renminbi and rising labour costs exert pressure on our profit margin. It is a challenging task to maintain and improve the profit margin. In response, we explore the possibility of setting up a new production plant in cost competitive location and increasing the domestic sales in China. Furthermore, we diversify our customer bases and product ranges. Apart from focusing home appliance industry, we develop our customer base in the industry of medical equipment and motor vehicles.

The Group remains optimistic about its long-term prospects and has strong cash flows and adequate reserves to face any upcoming challenges and business risks. Our core strategy remains creating value for our customers. We endeavour to continue providing high quality products at competitive prices.

The US is still the Group's primary overseas market. We will expand new overseas market such as India to develop new revenue driver for the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June 2013, the Group employed approximately 1,500 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 financial information for the six months ended 30th June 2013 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

The Group holds a strong belief in corporate social responsibility. So we continue to participate in and support community activities in both Hong Kong and the PRC.

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 the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") attached to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as Appendix 14, and adopted recommended best practices set out in the Code whenever appropriate except Mr. Ma Chun Hon, Richard, an Independent Non-Executive Director, was unable to attend the Company's annual general meeting held on 3rd May 2013 due to the business engagements.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' and employees' securities transactions on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they had complied with the required standards of the said code during the period from 1st January 2013 to 30th June 2013 (both dates inclusive).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the six months ended 30th June 2013. Neither the Company nor its subsidiaries has purchased, redeemed or sold any of the Company's shares during the six months ended 30th June 2013.

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://perennial.todayir.com in due course.

VOTE OF THANKS

On behalf of the Board, my sincere thanks to our loyal 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, 8th August 2013

As at the date of this announcement, the Executive Directors are Mr. Mon Chung Hung, 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. Lee Chung Nai, Jones and Mr. Ma Chun Hon, Richard.