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 2015

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 interim financial information of the Company and its subsidiaries (collectively the "Group") for the six months ended 30th June 2015 together with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

for the six months ended 30th June 2015

		Six months ended 30th June	
		2015	2014
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**209,550**	236,186
Cost of sales		**(169,855)**	(190,583)
Gross profit		**39,695**	45,603
Other income	*5*	**2,909**	3,387
Distribution expenses		**(5,162)**	(5,211)
Administrative expenses		**(26,971)**	(24,323)
Other operating expenses, net		**(490)**	(3,455)
Operating profit	*6*	**9,981**	16,001
Finance costs	*8*	**(438)**	(490)
Profit before taxation		**9,543**	15,511
Taxation	*9*	**(2,451)**	(4,194)
Profit for the period attributable to shareholders of the Company		**7,092**	11,317
Basic and diluted earnings per share (cents)	*11*	**3.6**	5.7

No interim dividend was proposed to shareholders of the Company. Please refer to note 10 for details.

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
for the six months ended 30th June 2015

	Six months ended 30th June	
	2015	2014
	HK$'000	*HK$'000*
Profit for the period	**7,092**	11,317
Other comprehensive expenses:		
Items that may be subsequently reclassified to profit or loss		
Exchange difference arising from translation of financial information of subsidiaries	**–**	(4,520)
Other comprehensive expenses for the period, net of tax	**–**	(4,520)
Total comprehensive income for the period attributable to shareholders of the Company	**7,092**	6,797

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

as at 30th June 2015

	Note	**30th June 2015 HK$'000**	31st December 2014 HK$'000
ASSETS			
Non-current assets			
Land use rights	*12*	**22,331**	22,633
Property, plant and equipment	*13*	**315,460**	318,606
Investment property	*14*	**27,000**	27,000
Non-current deposits		**3,340**	1,758
Deferred tax assets		**4,534**	4,521
		372,665	374,518
Current assets			
Inventories	*15*	**105,640**	108,204
Trade and bills receivables	*16*	**94,174**	90,019
Other receivables, deposits and prepayments		**3,473**	5,101
Taxation recoverable		**131**	742
Cash and cash equivalents		**50,094**	55,526
		253,512	259,592
Total assets		**626,177**	634,110
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	*17*	**19,896**	19,896
Other reserves	*18*	**208,862**	208,862
Retained earnings			
Others		**267,427**	260,335
Proposed dividend		**–**	3,980
Total equity		**496,185**	493,073

	Note	30th June 2015 HK$'000	31st December 2014 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**34,336**	33,986
		34,336	33,986
Current liabilities			
Trade and bills payables	*19*	**33,316**	32,910
Other payables and accruals		**22,933**	29,155
Derivative financial instruments	*20*	**123**	1,207
Taxation payable		**3,235**	2,973
Trust receipt loans	*21*	**36,049**	40,806
		95,656	107,051
Total liabilities		**129,992**	141,037
Total equity and liabilities		**626,177**	634,110
Net current assets		**157,856**	152,541
Total assets less current liabilities		**530,521**	527,059

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the six months ended 30th June 2015

	Share capital *HK$'000*	Other reserves *HK$'000*	Retained earnings *HK$'000*	Total equity *HK$'000*
At 1st January 2015	**19,896**	**208,862**	**264,315**	**493,073**
Profit for the period	**–**	**–**	**7,092**	**7,092**
Total comprehensive (expenses)/income for the period	**–**	**–**	**7,092**	**7,092**
Final dividend paid for 2014	**–**	**–**	**(3,980)**	**(3,980)**
At 30th June 2015	**19,896**	**208,862**	**267,427**	**496,185**
Representing:				
2015 interim dividend proposed			**–**	
Others			**267,427**	
Retained earnings as at 30th June 2015			**267,427**	

	Share capital *HK$'000*	Other reserves *HK$'000*	Retained earnings *HK$'000*	Total equity *HK$'000*
At 1st January 2014	19,896	202,450	253,358	475,704
Profit for the period	–	–	11,317	11,317
Items that maybe subsequently reclassified to profit or loss				
Exchange difference arising from translation of financial information of subsidiaries	–	(4,520)	–	(4,520)
Total comprehensive (expenses)/ income for the period	–	(4,520)	11,317	6,797
Final dividend paid for 2013	–	–	(3,980)	(3,980)
At 30th June 2014	19,896	197,930	260,695	478,521
Representing:				
2014 interim dividend proposed			3,980	
Others			256,715	
Retained earnings as at 30th June 2014			260,695	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the six months ended 30th June 2015

	Six months ended 30th June	
	2015	2014
	HK$'000	*HK$'000*
Cash flows from operating activities		
Net cash generated from operations	**10,282**	18,834
Hong Kong profits and overseas tax paid, net	**(913)**	(2,058)
Bank loans interest	**(438)**	(490)
Net cash generated from operating activities	**8,931**	16,286
Cash flows from investing activities		
Purchases of property, plant and equipment	**(4,144)**	(2,989)
(Increase)/decrease in deposits paid for additions of property, plant and equipment	**(1,582)**	41
Interest received	**100**	163
Decrease in short-term fixed deposit	**–**	6,484
Net cash (used in)/generated from investing activities	**(5,626)**	3,699
Cash flows from financing activities		
Net (repayment)/additions of trust receipt loans	**(4,757)**	7,643
Dividend paid to the Company's shareholders	**(3,980)**	(3,980)
Net cash (used in)/generated from financing activities	**(8,737)**	3,663
Net (decrease)/increase in cash and cash equivalents	**(5,432)**	23,648
Cash and cash equivalents at the beginning of the period	**55,526**	50,194
Exchange difference on cash and cash equivalents	**–**	(168)
Cash and cash equivalents at the end of the period	**50,094**	73,674

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

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

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollars ("HK$") unless otherwise stated.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30th June 2015 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2014, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 ACCOUNTING POLICIES

The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31st December 2014, except as mentioned below.

The Group has adopted new and amended standards and interpretations of HKFRS that are effective for accounting periods beginning on or after 1st January 2015 and are not expected to have a material impact on the Group.

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 or interpretations that are effective for the Group's accounting year commencing 1st January 2015 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 2015 and Have Not Been Early Adopted:**

		Effective for the Group for annual periods beginning on or after
HKFRS 14	Regulatory Deferral Accounts	1st January 2016
HKAS 16 (Amendment)	Property, plant and equipment – Clarification of acceptable methods of depreciation and amortization	1st January 2016
HKFRS 15	Revenue from contracts with customers	1st January 2017
HKFRS 9	Financial Instruments	1st January 2018
Annual Improvements Projects (2012-2014 cycle)	Improvements to HKAS and HKFRS	1st January 2016

The adoption of the above new and amended standards in future periods is not expected to result in substantial changes to the Group's accounting policies.

There are no other new and amended standards or interpretations that are not yet effective that would be expected to have a material impact on the Group.

4 REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading of electric cable and wire products business.

Revenue recognised during the period is as follows:

	Six months ended 30th June	
	2015	2014
	HK$'000	*HK$'000*
Sale of goods	**209,550**	236,186

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 electric 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 unaudited segment information for the reportable segments for the six months ended 30th June 2015 are as follows:

	Six months ended 30th June 2015					
	Revenue (external sales)	**Segment results**	**Total segment assets**	**Capital expenditure**	**Depreciation**	**Amortisation**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Hong Kong	**72,554**	**2,899**	**234,028**	**780**	**2,453**	**–**
Mainland China	**31,672**	**1,723**	**305,534**	**3,364**	**4,834**	**302**
Other Asian Countries	**13,912**	**488**	**11,577**	**–**	**–**	**–**
America	**90,834**	**5,496**	**43,321**	**–**	**–**	**–**
Europe	**578**	**20**	**183**	**–**	**–**	**–**
Reportable segment	**209,550**	**10,626**	**594,643**	**4,144**	**7,287**	**302**
Unallocated costs, net of income		**(645)**				
Operating profit		**9,981**				

The unaudited segment information for the reportable segments for the six months ended 30th June 2014 and the audited segment assets as at 31st December 2014 are as follows:

	Revenue (external sales)	Segment results	Total segment assets	Capital expenditure	Depreciation	Amortisation
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong	89,591	6,629	237,143	1,733	1,906	–
Mainland China	40,413	4,805	301,727	1,256	4,154	188
Other Asian Countries	10,740	730	15,708	–	–	–
America	94,983	7,511	47,759	–	–	–
Europe	459	31	252	–	–	–
Reportable segment	236,186	19,706	602,589	2,989	6,060	188
Unallocated costs, net of income		(3,705)				
Operating profit		16,001				

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

	30th June 2015 *HK$'000*	31st December 2014 *HK$'000*
Total segment assets	**594,643**	602,589
Investment property	**27,000**	27,000
Deferred tax assets	**4,534**	4,521
Total assets	**626,177**	634,110

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

Revenue of approximately HK$99,046,000 (six months ended 30th June 2014: HK$128,308,000) are derived from three major customers contributing 10% or more of the total revenue as below:

	Six months ended 30th June	
	2015 *HK$'000*	2014 *HK$'000*
Customer A[1]	**33,276**	31,478
Customer B[1]	**32,949**	35,444
Customer C[2]	**32,821**	35,013
Customer D[3]	**N/A[4]**	26,373
	99,046	128,308

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

5 OTHER INCOME

	Six months ended 30th June	
	2015 *HK$'000*	2014 *HK$'000*
Scrap sales	**1,226**	2,372
Interest income	**100**	163
Rental income from investment property	**291**	339
Government grant	**–**	513
Other income from customers	**1,292**	–
	2,909	3,387

6 OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following:

	Six months ended 30th June	
	2015	2014
	HK$'000	*HK$'000*
Amortisation and depreciation:		
Amortisation of land use rights	**302**	188
Depreciation of owned property, plant and equipment	**7,287**	6,060
Auditor's remuneration	**706**	752
Cost of raw materials consumed	**114,481**	134,039
Net exchange loss	**641**	200
Operating lease rentals in respect of land and buildings	**211**	122
Outgoing expenses in respect of investment property	**2**	2
Net (gain)/loss on derivative financial instruments	**(1,084)**	2,870
Loss on disposal of property, plant and equipment	**3**	4
(Reversal of provision)/provision for slow-moving inventories	**(269)**	607
Provision for returns and doubtful debts	**18**	222
Staff costs (including directors' emoluments) *(note 7)*	**55,275**	53,943

7 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Six months ended 30th June	
	2015	2014
	HK$'000	*HK$'000*
Wages, salaries and fringe benefits	**51,717**	50,638
Social security costs	**3,241**	2,927
Pension costs – contribution to MPF scheme	**263**	245
Others	**54**	133
	55,275	53,943

8 FINANCE COSTS

	Six months ended 30th June	
	2015	2014
	HK$'000	*HK$'000*
Interest on bank loans		
– wholly repayable within one year	**438**	490

9 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30th June 2014: 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	
	2015	2014
	HK$'000	*HK$'000*
Hong Kong profits tax	**888**	1,545
Overseas taxation	**1,227**	2,023
Deferred tax relating to the origination and reversal of temporary differences	**336**	626
	2,451	4,194

10 DIVIDEND

	Six months ended 30th June	
	2015	2014
	HK$'000	*HK$'000*
Interim, proposed, of HK$Nil (six months ended 30th June 2014: HK$0.02) per ordinary share	**–**	3,980

At a meeting held on 20th August 2015, the Board does not recommend the payment of an interim dividend for the six months ended 30th June 2015 (six months ended 30th June 2014: HK$0.02 per ordinary share).

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 2015 of HK$7,092,000 (Six months ended 30th June 2014: HK$11,317,000) divided by the number of 198,958,000 (30th June 2014: 198,958,000) ordinary shares in issue during the period.

For the six months ended 30th June 2015 and 2014, diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary shares at the end of the reporting period.

12 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 2015 *HK$'000*	30th June 2014 *HK$'000*
At the beginning of the period	**22,633**	12,832
Amortisation of land use rights	**(302)**	(188)
Exchange adjustment	**–**	(108)
At the end of the period	**22,331**	12,536

The net book value of the Group's interests in land use rights are held on leases of between 10 to 50 years outside Hong Kong, which amounted to HK$22,331,000 (30th June 2014: HK$12,536,000).

13 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings								
	In HK *HK$'000*	Outside HK *HK$'000*	Leasehold improvements *HK$'000*	Plant and machinery *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Pleasure boats *HK$'000*	Total *HK$'000*
Net book value at 1st January 2015	117,770	170,252	4,197	11,613	814	4,476	2,933	6,551	318,606
Additions	–	–	–	2,922	–	428	794	–	4,144
Disposals	–	–	–	–	–	(3)	–	–	(3)
Depreciation	(1,812)	(2,693)	(468)	(1,409)	(18)	(271)	(295)	(321)	(7,287)
Net book value at 30th June 2015	115,958	167,559	3,729	13,126	796	4,630	3,432	6,230	315,460
At 30th June 2015									
At cost	–	–	11,814	84,055	5,388	14,363	6,643	14,767	137,030
At valuation	117,770	170,252	–	–	–				288,022
Accumulated depreciation	(1,812)	(2,693)	(8,085)	(70,929)	(4,592)	(9,733)	(3,211)	(8,537)	(109,592)
Net book value	115,958	167,559	3,729	13,126	796	4,630	3,432	6,230	315,460

	Land and buildings In HK	Outside HK	Leasehold improvements	Plant and machinery	Furniture and fixtures	Office equipment	Motor vehicles	Pleasure boats	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 2014	115,300	145,787	5,705	13,185	859	4,533	1,848	7,243	294,460
Additions	–	–	–	903	–	366	1,720	–	2,989
Disposals	–	–	–	(2)	–	(2)	–	–	(4)
Depreciation	(1,268)	(1,813)	(581)	(1,462)	(21)	(298)	(262)	(355)	(6,060)
Exchange adjustment	–	(2,581)	(52)	(343)	(3)	(40)	(17)	–	(3,036)
Net book value at 30th June 2014	114,032	141,393	5,072	12,281	835	4,559	3,289	6,888	288,349
At 30th June 2014									
At cost	–	–	11,874	80,512	5,419	13,767	5,903	14,767	132,242
At valuation	115,300	143,174	–	–	–	–	–	–	258,474
Accumulated depreciation	(1,268)	(1,781)	(6,802)	(68,231)	(4,584)	(9,208)	(2,614)	(7,879)	(102,367)
Net book value	114,032	141,393	5,072	12,281	835	4,559	3,289	6,888	288,349

(a) Land and buildings in Hong Kong and the Mainland China were revalued by open market basis or depreciated replacement costs valued by Centaline Surveyors Limited, an independent firm of chartered surveyors, as at 31st December 2014.

(b) The net book value of the Group's interests in leasehold land classified as finance leases are held on leases of between 10 to 50 years in Hong Kong, which amounted to HK$100,313,000 (31st December 2014: HK$101,880,000).

(c) At 30th June 2015, the net book value of land and buildings pledged as security for the Group's bank loans amounted to HK$115,958,000 (31st December 2014: HK$117,770,000).

14 INVESTMENT PROPERTY

	30th June 2015	31st December 2014
	HK$'000	*HK$'000*
At the beginning and end of the period	**27,000**	27,000

Investment property was revalued on the basis of open market valued by Centaline Surveyors Limited, an independent firm of chartered surveyors, as at 31st December 2014.

The carrying value of the Group's interests in investment property are held on leases of between 10 to 50 years in Hong Kong, which amounted to HK$27,000,000 (31st December 2014: HK$27,000,000).

At 30th June 2015 and 31st December 2014, the carrying value of investment property pledged as security for the Group's bank loans amounts to HK$27,000,000.

15 INVENTORIES

	30th June 2015 *HK$'000*	31st December 2014 *HK$'000*
Raw materials	**22,646**	22,946
Work in progress	**29,520**	30,705
Finished goods	**58,360**	59,708
	110,526	113,359
Provision for slow-moving inventories	**(4,886)**	(5,155)
	105,640	108,204

16 TRADE AND BILLS RECEIVABLES

At 30th June 2015 and 31st December 2014, the ageing analysis of trade and bills receivables based on invoice date is as follows:

	30th June 2015 *HK$'000*	31st December 2014 *HK$'000*
Current – 3 months	**87,078**	83,412
4–6 months	**7,137**	6,313
Over 6 months	**8,136**	8,453
	102,351	98,178
Provision for returns and doubtful debts	**(8,177)**	(8,159)
	94,174	90,019

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 who 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 30th June 2015 and 31st December 2014, ordinary shares of HK$0.10 each	500,000,000	50,000
Issued and fully paid:		
At 30th June 2015 and 31st December 2014, ordinary shares of HK$0.10 each	198,958,000	19,896

18 OTHER 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 2015	**15,885**	**22,980**	**169,893**	**104**	**208,862**
Exchange difference arising from translation of financial information of subsidiaries	**–**	**–**	**–**	**–**	**–**
At 30th June 2015	**15,885**	**22,980**	**169,893**	**104**	**208,862**

	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 2014	15,885	29,852	156,609	104	202,450
Exchange difference arising from translation of financial information of subsidiaries	–	(4,520)	–	–	(4,520)
At 30th June 2014	15,885	25,332	156,609	104	197,930

19 TRADE AND BILLS PAYABLES

At 30th June 2015 and 31st December 2014, the ageing analysis of trade and bills payables based on invoice date is as follows:

	30th June 2015 *HK$'000*	31st December 2014 *HK$'000*
Current–3 months	**31,180**	27,485
4–6 months	**1,631**	4,439
Over 6 months	**505**	986
	33,316	32,910

20 DERIVATIVE FINANCIAL INSTRUMENTS

	30th June 2015 *HK$'000*	31st December 2014 *HK$'000*
Forward foreign exchange contracts		
– held for trading	**123**	1,207

The Group entered into forward foreign exchange contracts with a bank to sell United States dollars in exchange for Renminbi at predetermined rates for operating use.

The fair value of forward foreign exchange contracts are determined using discounted cash flows method with reference to the quoted forward exchange rates at the end of the reporting period.

21 BORROWINGS

	30th June 2015 *HK$'000*	31st December 2014 *HK$'000*
Current liabilities		
Trust receipt loans	**36,049**	40,806
Total borrowings	**36,049**	40,806

Total borrowings included secured liabilities of HK$36,049,000 (31st December 2014: HK$40,806,000), which are secured by certain land and buildings and investment property of the Group.

22 FINANCIAL GUARANTEES AND PLEDGE

At 30th June 2015, the Group's banking facilities amounting to approximately HK$524,709,000, of which HK$484,709,000 (31st December 2014: HK$495,415,000) 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$142,958,000 (31st December 2014: HK$144,770,000); and

(b) a deed of guarantee executed by the Company amounting to HK$165,000,000 (31st December 2014: HK$145,000,000).

23 COMMITMENTS

(a) Capital Commitments

At 30th June 2015 and 31st December 2014, the Group had the following capital commitments for leasehold improvements, plant and machinery, office equipment and motor vehicles:

	30th June 2015	31st December 2014
	HK$'000	*HK$'000*
Contracted for but not provided for	**1,059**	878

(b) Commitments Under Operating Leases

At 30th June 2015 and 31st December 2014, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings and office equipment	
	30th June 2015	31st December 2014
	HK$'000	*HK$'000*
Not later than one year	**38**	203
Later than one year and not later than five years	**39**	30
	77	233

FINANCIAL REVIEW

Results

The Group's turnover for the six months ended 30th June 2015 was HK$209,550,000 (2014: HK$236,186,000). Unaudited consolidated profit attributable to shareholders was HK$7,092,000 (2014: HK$11,317,000). Earnings per share were HK$0.036 (2014: HK$0.057).

The Board of Directors of the Company does not recommend the payment of interim dividend (2014: HK$0.02 per share).

Liquidity and Financial Resources

As at 30th June 2015, the Group's bank balances and cash was HK$50,094,000. The consolidated indebtedness of the Group was HK$36,049,000 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$157,856,000 (31st December 2014: HK$152,541,000). The current ratio was 2.65. The Group's trade and bills receivables were HK$94,174,000, representing 44.9% of the period's turnover of HK$209,550,000.

Capital Structure

The equity of the Group was HK$496,185,000 an increase of 3.7% over that of the last corresponding period. The gearing ratio, calculated by dividing total liabilities by shareholders' equity, was approximately 26.2%.

Pledge of Assets

As at 30th June 2015, the Group's utilised banking facilities amounting to approximately HK$132,855,000 (31st December 2014: HK$100,446,000) were secured by legal charges over certain land and buildings and investment property of the Group with a total net book value of HK$142,958,000 (31st December 2014: HK$144,770,000), 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 2015, the Group did not have any material contingent liabilities.

BUSINESS REVIEW

During the period under review, sales in power cords and power cord sets, cables and wires, wire harnesses and plastic resins accounted for 56%, 7%, 33% and 4% of the Group's turnover, respectively.

Turnover was decreased by 11.2% to HK$209.5 million in the first six months this year. The decrease in turnover is mainly due to less than expected orders placed by a major customer in the first half of 2015, thus affecting the sales of power cords products. The drop in orders is mainly due to the change in purchasing strategy of that customer.

The Group continued to remain profitable. The gross margin was slightly decreased from 19.3% in the first half of 2014 to 18.9% in the first half of 2015. The decrease in gross margin was mainly due to increase in direct labor costs, repairs and maintenance expenses and surtax. The net margin was decreased from 4.8% in the first half of 2014 to 3.4% in the first half of 2015. The decrease in net margin was mainly due to increase in administrative expenses. The increase in administrative expenses was mainly due to higher depreciation charges as a result of increase in fair value of land and buildings and additional expenses to run the new factory in Dongyuan County, Heyuan City, the PRC ("the New Factory").

The Group's operating environment is challenging. The continual decrease in copper price did exert pressure on the selling price of the Group's products and weaken the Group's bargaining power on pricing. Moreover, the increase in minimum level of labor wages in the PRC drove up the labor costs and various labor-related insurance costs. To cope with the current situation, the Group conducted a review exercise on labor productivity and revamped the basis for calculating production incentive payment. Also, the Group recruited an industrial engineer on streamlining production process and arrangement.

The Group has a dedicated team to maintain and improve environmental protection and factory safety requirements. The Group's factories complied with various quality system and international standards such as ISO 9001 and ISO 14001. The Group follows the business strategy of not to compete by price-cutting. We are conscious of goods quality and commit to produce high quality products to our customers.

FUTURE PROSPECTS

The New Factory has an established factory building. The Group has commenced test production of small quantity in that building. The Group also plans to construct another new factory building in the same land area. Negotiation of concluding the construction contract is underway. The construction cost will be financed by the Group's internal financial resources and external bank borrowings.

On 6 July, 2015, the Company terminated the placing of shares due to adverse market conditions. Originally, the Directors intended to apply the net placing proceeds for factory construction, new investment opportunity and general working capital. For details of the share placing and its termination, please refer to the Company's announcements dated 2 July 2015 and 6 July 2015, respectively. The Group will consider placing shares again when the market conditions improve.

The current year's challenge of the Group's business is the continual decrease of copper price. On one hand, the Group enjoys lower materials cost. However, on the other hand, customers leverage the situation by withholding or delaying the placing of orders in anticipation of lower purchase price. Pricing becomes the dominant competitive edge. In order to remain price competitive without sacrificing product quality, the Group resorts to improve labor productivity and streamline the production process.

In the short run, the Group will incur a higher expenditure due to fixed costs in running the New Factory, which is now operating below its normal capacity level. In the long run, the Group expects to reap the benefit of lower production cost by operating in a more cost effective area.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June 2015, the Group employed approximately 1,200 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.

REVIEWED BY 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 2015 with the Directors.

CORPORATE GOVERNANCE

The Group is committed to safeguarding shareholders' rights and enhancing corporate governance standard. As a result, we established 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. Hence we continue to participate in and support community activities in both Hong Kong and the PRC.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors confirm that during the six months ended 30th June 2015, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules, and adopted recommended best practices set out in the Code whenever appropriate except that Mr. Ma Chun Hon, Richard, an Independent Non-Executive Director, was unable to attend the Company's annual general meeting held on 29th April 2015 due to his own 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 required standards of 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 to all Directors, the Company confirms that all the Directors complied with the required standards of the said code during the period from 1st January 2015 to 30th June 2015 (both dates inclusive).

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

Neither the Company nor its subsidiaries has purchased, redeemed or sold any of the listed securities of the Company during the six months ended 30th June 2015.

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, 20th August 2015

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.