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恒
Perennial
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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 2016

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 2016 together with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

for the six months ended 30th June 2016

		Six months ended 30th June	
		2016	2015
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**183,608**	209,550
Cost of sales		**(144,294)**	(169,855)
Gross profit		**39,314**	39,695
Other income	*5*	**1,744**	2,909
Distribution expenses		**(4,531)**	(5,162)
Administrative expenses		**(27,010)**	(26,971)
Other operating expenses, net		**(2,350)**	(490)
Operating profit	*6*	**7,167**	9,981
Finance costs	*8*	**(561)**	(438)
Profit before taxation		**6,606**	9,543
Taxation	*9*	**(1,540)**	(2,451)
Profit for the period attributable to owners of the Company		**5,066**	7,092
Basic and diluted earnings per share (cents)	*11*	**2.5**	3.6

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 2016

	Six months ended 30th June	
	2016	2015
	HK$'000	*HK$'000*
Profit and total comprehensive income attributable to the owners of the Company	**5,066**	7,092

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

as at 30th June 2016

	Note	**30th June 2016** *HK$'000*	31st December 2015 *HK$'000*
ASSETS			
Non-current assets			
Land use rights	*12*	**20,831**	21,122
Property, plant and equipment	*13*	**324,572**	313,245
Investment properties	*14*	**46,170**	46,170
Non-current deposits		**2,586**	2,226
Deferred tax assets		**5,239**	4,791
		399,398	387,554
Current assets			
Inventories	*15*	**85,673**	89,919
Trade and bill receivables	*16*	**80,094**	92,806
Other receivables, deposits and prepayments		**4,967**	4,541
Taxation recoverable		**614**	1,339
Cash and cash equivalents		**74,280**	66,560
		245,628	255,165
Total assets		**645,026**	642,719
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	*17*	**19,896**	19,896
Other reserves	*18*	**214,465**	214,465
Retained earnings		**273,109**	272,023
Total equity		**507,470**	506,384

	Note	30th June 2016 HK$'000	31st December 2015 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**34,813**	35,125
Current liabilities			
Trade and bill payables	*19*	**24,017**	24,011
Other payables and accruals		**24,456**	28,381
Taxation payable		**3,408**	3,581
Bank loan	*20*	**15,417**	17,917
Trust receipt loans	*20*	**35,445**	27,320
		102,743	101,210
Total liabilities		**137,556**	136,335
Total equity and liabilities		**645,026**	642,719

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the six months ended 30th June 2016

	Share capital *HK$'000*	**Other reserves** *HK$'000*	**Retained earnings** *HK$'000*	**Total equity** *HK$'000*
At 1st January 2016	**19,896**	**214,465**	**272,023**	**506,384**
Total comprehensive income for the period	**–**	**–**	**5,066**	**5,066**
Total transactions with owners, recognised directly in equity				
Final dividend paid for 2015	**–**	**–**	**(3,980)**	**(3,980)**
At 30th June 2016	**19,896**	**214,465**	**273,109**	**507,470**
Representing:				
2016 interim dividend proposed			**–**	
Others			**273,109**	
Retained earnings as at 30th June 2016			**273,109**	

	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
Total comprehensive income for the period	–	–	7,092	7,092
Total transactions with owners, recognised directly in equity				
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	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the six months ended 30th June 2016

	Six months ended 30th June	
	2016	2015
	HK$'000	*HK$'000*
Cash flows from operating activities		
Net cash generated from operations	**27,185**	10,282
Hong Kong profits and overseas tax paid, net	**(1,439)**	(913)
Net cash generated from operating activities	**25,746**	9,369
Cash flows from investing activities		
Purchases of property, plant and equipment	**(18,810)**	(4,144)
Increase in deposits paid for additions of property, plant and equipment	**(360)**	(1,582)
Interest received	**20**	100
Proceeds from sale of property, plant and equipment	**40**	–
Net cash used in investing activities	**(19,110)**	(5,626)
Cash flows from financing activities		
Net repayment of bank loan	**(2,500)**	–
Net additions/(repayment) of trust receipt loans	**8,125**	(4,757)
Dividend paid to the Company's shareholders	**(3,980)**	(3,980)
Interest paid	**(561)**	(438)
Net cash generated from/(used in) financing activities	**1,084**	(9,175)
Net increase/(decrease) in cash and cash equivalents	**7,720**	(5,432)
Cash and cash equivalents at the beginning of the period	**66,560**	55,526
Cash and cash equivalents at the end of the period	**74,280**	50,094

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Perennial International Limited (the "Company") and its subsidiaries (together, the "Group"), 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.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street Hamilton, HM11, Bermuda.

The Company has its listing on The Stock Exchange of Hong Kong Limited.

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 2016 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 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3 ACCOUNTING POLICIES

The accounting policies applied in the preparation of these unaudited condensed consolidated interim financial information are consistent with those applied in the annual financial statements for the year ended 31st December 2015, except as mentioned below.

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

(a) Amendments to HKFRS effective for the financial year ending 31st December 2016 do not 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 2016 and have not been early adopted:**

		Effective for the Group for annual periods beginning on or after
HKAS 12	Income taxes	1st January 2017
HKAS 7	Statement of cash flows	1st January 2017
HKFRS 15	Revenue from contracts with customers	1st January 2018
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 16	Leases	1st January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has commenced an assessment of the impact of these new and amended standards, but is not yet in a position to state whether they would have a significant impact on its results of operations and financial position.

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	
	2016	2015
	HK$'000	*HK$'000*
Sale of goods	**183,608**	209,550

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 2016 are as follows:

	Six months ended 30th June 2016					
	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	**58,789**	**2,595**	**206,025**	**630**	**2,315**	**–**
Mainland China	**27,424**	**898**	**302,801**	**18,180**	**4,930**	**291**
Other Asian Countries	**10,723**	**410**	**11,063**	**–**	**–**	**–**
America	**86,327**	**3,982**	**73,534**	**–**	**–**	**–**
Europe	**345**	**13**	**194**	**–**	**–**	**–**
Reportable segment	**183,608**	**7,898**	**593,617**	**18,810**	**7,245**	**291**
Unallocated costs, net of income		**(731)**				
Operating profit		**7,167**				

The unaudited segment information for the reportable segments for the six months ended 30th June 2015 and the audited segment assets as at 31st December 2015 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	72,554	2,899	206,498	780	2,453	–
Mainland China	31,672	1,723	295,058	3,364	4,834	302
Other Asian Countries	13,912	488	13,621	–	–	–
America	90,834	5,496	76,292	–	–	–
Europe	578	20	289	–	–	–
Reportable segment	209,550	10,626	591,758	4,144	7,287	302
Unallocated costs, net of income		(645)				
Operating profit		9,981				

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

	30th June 2016 *HK$'000*	31st December 2015 *HK$'000*
Total segment assets	**593,617**	591,758
Investment properties	**46,170**	46,170
Deferred tax assets	**5,239**	4,791
Total assets	**645,026**	642,719

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

Revenue of approximately HK$92,555,000 (six months ended 30th June 2015: HK$99,046,000) are derived from three major customers contributing 10% or more of the total revenue as below:

	Six months ended 30th June	
	2016 *HK$'000*	2015 *HK$'000*
Customer A[1]	**36,775**	33,276
Customer B[1]	**31,416**	32,949
Customer C[2]	**24,364**	32,821
	92,555	99,046

1. Revenue from the America segment.
2. Revenue from the America, the Mainland China and Other Asian Countries segments.

5 OTHER INCOME

	Six months ended 30th June	
	2016 *HK$'000*	2015 *HK$'000*
Scrap sales	**643**	1,226
Interest income	**20**	100
Rental income from investment properties	**295**	291
Other income from customers	**786**	1,292
	1,744	2,909

6 OPERATING PROFIT

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

	Six months ended 30th June	
	2016	2015
	HK$'000	*HK$'000*
Amortisation and depreciation:		
Amortisation of land use rights	**291**	302
Depreciation of owned property, plant and equipment	**7,245**	7,287
Auditor's remuneration	**743**	706
Cost of raw materials consumed	**91,140**	114,481
Net exchange loss	**667**	641
Operating lease rentals in respect of land and buildings	**210**	211
Outgoing expenses in respect of investment properties	**92**	2
Net gain on derivative financial instruments	**–**	(1,084)
Loss on disposal of property, plant and equipment	**198**	3
Reversal of provision for slow-moving inventories	**(53)**	(269)
Provision for returns and doubtful debts	**134**	18
Staff costs (including directors' emoluments) *(note 7)*	**48,573**	55,275

7 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Six months ended 30th June	
	2016	2015
	HK$'000	*HK$'000*
Wages, salaries and fringe benefits	**45,428**	51,717
Social security costs	**2,824**	3,241
Pension costs – contribution to MPF scheme	**257**	263
Others	**64**	54
	48,573	55,275

8 FINANCE COSTS

	Six months ended 30th June	
	2016	2015
	HK$'000	*HK$'000*
Interest expenses on bank borrowings	**561**	438

9 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30th June 2015: 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	
	2016	2015
	HK$'000	*HK$'000*
Hong Kong profits tax	**741**	888
Overseas taxation	**1,559**	1,227
Deferred tax relating to the origination and reversal of temporary differences	**(760)**	336
	1,540	2,451

10 DIVIDEND

A dividend of HK$3,980,000 that relates to the period to 31 December 2015 was paid on 25th May 2016 (2015: HK$3,980,000).

At a meeting held on 19th August 2016, the Board does not recommend the payment of an interim dividend for the six months ended 30th June 2016 (six months ended 30th June 2015: Nil).

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 2016 of HK$5,066,000 (Six months ended 30th June 2015: HK$7,092,000) divided by the number of 198,958,000 (30th June 2015: 198,958,000) ordinary shares in issue during the period.

For the six months ended 30th June 2016 and 2015, 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	30th June
	2016	2015
	HK$'000	*HK$'000*
At the beginning of the period	**21,122**	22,633
Amortisation of land use rights	**(291)**	(302)
At the end of the period	**20,831**	22,331

The net book value of the Group's interests in land use rights are held on leases of between 10 and 50 years outside Hong Kong, which amounted to HK$20,831,000 (30th June 2015: HK$22,331,000).

13 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings		Leasehold improve-ments	Plant and machinery	Furniture and fixtures	Office equipment	Motor vehicles	Pleasure boats	Construction in progress	Total
	In HK	**Outside HK**								
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Net book value at 1st January 2016	**106,820**	**166,193**	**3,483**	**12,571**	**775**	**4,543**	**3,061**	**5,925**	**9,874**	**313,245**
Additions	**–**	**–**	**–**	**2,602**	**–**	**503**	**617**	**–**	**15,088**	**18,810**
Disposals	**–**	**–**	**–**	**(80)**	**–**	**–**	**(158)**	**–**	**–**	**(238)**
Depreciation	**(1,696)**	**(2,720)**	**(425)**	**(1,516)**	**(14)**	**(275)**	**(309)**	**(290)**	**–**	**(7,245)**
Net book value at 30th June 2016	**105,124**	**163,473**	**3,058**	**13,577**	**761**	**4,771**	**3,211**	**5,635**	**24,962**	**324,572**
At 30th June 2016										
At cost	**–**	**–**	**11,770**	**85,093**	**5,205**	**13,449**	**6,719**	**14,767**	**24,962**	**161,965**
At valuation	**106,820**	**166,193**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**273,013**
Accumulated depreciation	**(1,696)**	**(2,720)**	**(8,712)**	**(71,516)**	**(4,444)**	**(8,678)**	**(3,508)**	**(9,132)**	**–**	**(110,406)**
Net book value	**105,124**	**163,473**	**3,058**	**13,577**	**761**	**4,771**	**3,211**	**5,635**	**24,962**	**324,572**

	Land and buildings		Leasehold improve-ments	Plant and machinery	Furniture and fixtures	Office equipment	Motor vehicles	Pleasure boats	Total
	In HK	Outside HK							
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*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

(a) Land and buildings in Hong Kong and the Mainland China were revalued using open market basis or depreciated replacement costs by Centaline Surveyors Limited, an independent firm of chartered surveyors, as at 31st December 2015.

(b) At 30th June 2016, the net book value of the Group's interests in leasehold land classified as finance leases are held on leases of between 10 and 50 years in Hong Kong, which amounted to HK$90,805,000 (31st December 2015: HK$92,270,000).

(c) At 30th June 2016, the net book value of land and buildings pledged as security for the Group's bank loans amounted to HK$105,124,000 (31st December 2015: HK$106,820,000).

(d) Construction in progress as at 30th June 2016 mainly comprises new manufacturing plant, canteen and dormitories.

14 INVESTMENT PROPERTIES

	Six months ended 30th June	
	2016	2015
	HK$'000	*HK$'000*
A fair value		
At the beginning and end of the period	**46,170**	27,000

(a) Investment properties were revalued on the basis of open market valued by Centaline Surveyors Limited, an independent firm of chartered surveyors, as at 31st December 2015.

(b) The carrying value of the Group's interests in investment properties are held on leases of between 10 and 50 years in Hong Kong, which amounted to HK$46,170,000 (31st December 2015: HK$46,170,000).

(c) At 30th June 2016 and 31st December 2015, the net book value of investment properties pledged as security for the Group's bank borrowings amounts to HK$46,170,000.

15 INVENTORIES

	30th June 2016	31st December 2015
	HK$'000	*HK$'000*
Raw materials	**18,889**	16,393
Work in progress	**26,365**	25,578
Finished goods	**45,741**	53,323
	90,995	95,294
Provision for slow-moving inventories	**(5,322)**	(5,375)
	85,673	89,919

16 TRADE AND BILL RECEIVABLES

At 30th June 2016 and 31st December 2015, the ageing analysis of trade and bill receivables based on invoice date were as follows:

	30th June 2016	31st December 2015
	HK$'000	*HK$'000*
Current – 3 months	**74,059**	83,926
4–6 months	**5,963**	8,566
Over 6 months	**208**	316
	80,230	92,808
Provision for returns and doubtful debts	**(136)**	(2)
	80,094	92,806

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 2016 and 31st December 2015, ordinary shares of HK$0.10 each	500,000,000	50,000
Issued and fully paid:		
At 30th June 2016 and 31st December 2015, 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 2016 and 30th June 2016	**15,885**	**8,389**	**190,087**	**104**	**214,465**

	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 and 30th June 2015	15,885	22,980	169,893	104	208,862

19 TRADE AND BILL PAYABLES

At 30th June 2016 and 31st December 2015, the ageing analysis of trade and bill payables based on invoice date were as follows:

	30th June 2016 *HK$'000*	31st December 2015 *HK$'000*
Current–3 months	**22,247**	21,761
4–6 months	**1,320**	2,236
Over 6 months	**450**	14
	24,017	24,011

20 BORROWINGS

	30th June 2016 HK$'000	31st December 2015 HK$'000
Current liabilities		
Trust receipt loans	**35,445**	27,320
Bank loan	**15,417**	17,917
Total borrowings	**50,862**	45,237

Total borrowings included secured liabilities of HK$31,528,000 (31st December 2015: HK$24,271,000), which are secured by certain land and buildings and investment properties of the Group.

The borrowings are supported by guarantees given by the Company and its certain subsidiaries.

21 FINANCIAL GUARANTEES AND PLEDGE

At 30th June 2016, the Group has the following banking facilities, of which HK$181,000,000(31st December 2015: HK$460,018,000) were secured by the legal charges over certain land and buildings and investment properties of the Group with a total net book value of HK$151,294,000 (31st December 2015: HK$152,990,000).

	30th June 2016 HK$'000	31st December 2015 HK$'000
Trade and loan finance facilities	**236,417**	238,917
Forward exchange contract line	**–**	279,018

In addition, the Company and its certain subsidiaries also provided guarantees in favour of the banks to secure these banking facilities granted to the Group.

22 COMMITMENTS

(a) Capital Commitments

At 30th June 2016 and 31st December 2015, the Group had the following capital commitments for buildings, leasehold improvements, plant and machinery, office equipment and motor vehicles:

	30th June 2016 HK$'000	31st December 2015 HK$'000
Contracted for but not provided for	**13,690**	21,960

(b) Commitments Under Operating Leases

At 30th June 2016 and 31st December 2015, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings and office equipment	
	30th June 2016	31st December 2015
	HK$'000	*HK$'000*
Not later than one year	**493**	705
Later than one year and not later than five years	**25**	134
	518	839

23 SUBSEQUENT EVENT

On 18th July 2016, the Group accepted the offer in relation to the lease of a land located in Vietnam Singapore Industrial Park in Quang Ngai Province, Vietnam, at a consideration of USD1,080,000 (equivalent to approximately HK$8,424,000). Meanwhile, an announcement for this transaction was made and published on the web page of Hong Kong Exchanges and Clearing Limited.

FINANCIAL REVIEW

Results

The Group's turnover for the six months ended 30th June 2016 was HK$183,608,000 (2015: HK$209,550,000). Unaudited consolidated profit attributable to shareholders was HK$5,066,000 (2015: HK$7,092,000). Earnings per share were HK$0.025 (2015: HK$0.036).

The Board of Directors of the Company does not recommend the payment of interim dividend (2015: Nil).

Liquidity and Financial Resources

As at 30th June 2016, the Group's bank balances and cash was HK$74,280,000. The consolidated indebtedness of the Group was HK$50,862,000 which is in 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$142,885,000 (31st December 2015: HK$153,955,000). The current ratio was 2.39. The Group's trade and bill receivables were HK$80,094,000, representing 43.6% of the period's turnover of HK$183,608,000.

Capital Structure

The equity of the Group was HK$507,470,000, an increase of 2.3% over that of the last corresponding period. The gearing ratio, calculated by dividing total liabilities by shareholders' equity, was approximately 27.1%.

Pledge of Assets

As at 30th June 2016, the Group's utilised banking facilities amounting to approximately HK$50,862,000 (31st December 2015: HK$48,453,000) were secured by legal charges over certain land and buildings and investment properties of the Group with a total net book value of HK$151,294,000 (31st December 2015: HK$152,990,000), 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 2016, the Group did not have any material contingent liabilities.

BUSINESS REVIEW

During the period under review, sales in power cords, cables and wires, wire harnesses and plastic resins accounted for 58%, 6%, 34% and 2% of the Group's turnover respectively.

The Group's turnover decreased by 12.4% to HK$184 million. The gross margin was increased from 18.9% in the first half of 2015 to 21.4% in the first half of 2016. The decline in turnover was due to decrease in number of orders received from customers as a result of keen price competition. The increase in gross margin was due to tight control of operations cost. The net margin was decreased from 3.4% in the first half of 2015 to 2.8% in the first half of 2016. The decrease in net margin was mainly due to increase in (i) safety approval and certificate fees for our new factory in Heyuan City, the PRC and (ii) legal and professional fees relating to construction contract, internal control and ESG reporting.

The Group's operating environment is challenging. The continual request for price reduction from various customers did exert great pressure on the Group's product selling price. The group has no option but need to cut down unprofitable products and focus more on high margin products with less order quantity. On the positive side, the depreciation of Renminbi and freeze of the minimum level of wages in Guangdong province, the PRC helped alleviating operating costs.

The Group has dedicated teams to maintain and improve environmental protection and factory safety requirements. The Group has also engaged external consultant to prepare ESG reporting. As a socially responsible enterprise, we are conscious of protecting our factories' environment and working conditions.

FUTURE PROSPECTS

It is a challenging task to maintain cost competitive in a mature cable and wire industry. In response, the Group has acquired a piece of industrial land together with the buildings established on it (which included an existing production plant) in Heyuan City in July 2014. In the same land area, the Group has commenced construction of a new production plant, canteen and dormitories. The new production plant is expected to be completed by end of August 2016. The whole production complex (including both the existing and the new production plant) in Heyuan City is expected to be in fully operational by end of 2016.

The Group will still retain some level of production in our old factory in Shenzhen City but will be in a smaller scale. Some personnel will be transferred to Heyuan City and some will be laid off in a gradual manner.

Heyuan City was chosen by the Group because the wages level and utilities expenses are lower than that of Shenzhen City. Despite there will be an increase in transportation costs, the Group can achieve overall cost savings for operations in the PRC.

In view of sustainability of business, prompt response to customers' requests and effective cost management are major considerations. The Group is continuously looking for strategic locations for manufacturing. Based on the results of researching and visiting Myanmar, Cambodia, Bangladesh, Mexico and Vietnam, the Group decided to lease a piece of land in Quang Ngai, Vietnam. For details of the transaction, please refer to the Company's announcement dated 18th July 2016.

The Group intends to use the land in Quang Ngai, Vietnam as production facilities. The directors of the Company believe that by setting up production facilities in Vietnam, the Group will benefit by preferential tax treatment and foreign investment incentives in Vietnam. Quang Ngai is near Da Nang port which is the third largest port in Vietnam.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June 2016, the Group employed approximately 1,100 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 studies in extramural courses.

REVIEWED BY THE AUDIT COMMITTEE

The Audit Committee has reviewed with the management for the accounting principles and practices adopted by the Group and discussed risk management and internal controls and financial reporting matters, including a review of the unaudited condensed consolidated financial information for the six months ended 30th June 2016 with the Directors.

CORPORATE GOVERNANCE

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

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 2016, 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 and Ms. Koo Di An, Louise, a Non-Executive Director, were unable to attend the Company's annual general meeting held on 9th May 2016 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 2016 to 30th June 2016 (both dates inclusive).

PURCHASE, SALE AND 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 2016.

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
Perennial International Limited
Koo Di An, Louise
Chairman

Hong Kong, 19th August 2016

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.