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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 2018

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 2018 together with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

for the six months ended 30th June 2018

		Six months ended 30th June	
		2018	2017
	Note	***HK$'000***	*HK$'000*
Revenue	*4*	**179,783**	187,848
Cost of sales		**(150,727)**	(145,190)
Gross profit		**29,056**	42,658
Other income	*5*	**3,210**	2,476
Distribution expenses		**(4,774)**	(4,501)
Administrative expenses		**(27,310)**	(26,312)
Other operating expenses, net		**(2,250)**	(3,684)
Operating (loss)/profit	*6*	**(2,068)**	10,637
Finance costs	*8*	**(592)**	(525)
(Loss)/profit before taxation		**(2,660)**	10,112
Taxation	*9*	**(58)**	(2,393)
(Loss)/profit for the period attributable to shareholders of the Company		**(2,718)**	7,719
Basic and diluted (loss)/earnings per share (cents)	*11*	**(1.4)**	3.9

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 2018

	Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
(Loss)/profit for the period	**(2,718)**	7,719
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Exchange difference arising from translation of financial information of subsidiaries	**8,010**	–
Other comprehensive income for the period, net of tax	**8,010**	–
Total comprehensive income for the period attributable to shareholders of the Company	**5,292**	7,719

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

as at 30th June 2018

	Note	30th June 2018 HK$'000	31st December 2017 HK$'000
ASSETS			
Non-current assets			
Land use rights	*12*	**28,585**	28,470
Property, plant and equipment	*13*	**359,839**	345,655
Investment properties	*14*	**52,150**	52,150
Non-current deposits		**2,769**	1,105
Deferred tax assets		**5,127**	4,742
		448,470	432,122
Current assets			
Inventories	*15*	**101,110**	101,330
Trade and bill receivables	*16*	**91,000**	80,682
Other receivables, deposits and prepayments		**6,872**	7,251
Taxation recoverable		**2,920**	2,764
Cash and cash equivalents		**65,376**	68,621
		267,278	260,648
Total assets		**715,748**	692,770
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	*17*	**19,896**	19,896
Other reserves	*18*	**252,563**	244,553
Retained earnings		**295,250**	297,968
Total equity		**567,709**	562,417

	Note	30th June 2018 HK$'000	31st December 2017 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**38,820**	39,092
Current liabilities			
Trade and bill payables	*19*	**21,651**	22,817
Other payables and accruals		**30,950**	29,325
Taxation payable		**897**	1,498
Bank loan	*20*	**19,200**	–
Trust receipt loans	*20*	**36,521**	37,621
		109,219	91,261
Total liabilities		**148,039**	130,353
Total equity and liabilities		**715,748**	692,770

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the six months ended 30th June 2018

	Share capital *HK$'000*	**Other reserves** *HK$'000*	**Retained earnings** *HK$'000*	**Total equity** *HK$'000*
At 1st January 2018	**19,896**	**244,553**	**297,968**	**562,417**
Total comprehensive income for the period	**–**	**8,010**	**(2,718)**	**5,292**
At 30th June 2018	**19,896**	**252,563**	**295,250**	**567,709**

	Share capital *HK$'000*	Other reserves *HK$'000*	Retained earnings *HK$'000*	Total equity *HK$'000*
At 1st January 2017	19,896	201,909	282,665	504,470
Total comprehensive income for the period	–	–	7,719	7,719
Total transactions with owners, recognised directly in equity				
Final dividend paid for 2016	–	–	(3,980)	(3,980)
At 30th June 2017	19,896	201,909	286,404	508,209

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the six months ended 30th June 2018

	Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
Cash flows from operating activities		
Net cash (used in)/generated from operations	**(3,376)**	14,372
Hong Kong profits and overseas tax paid, net	**(1,185)**	(1,223)
Net cash (used in)/generated from operating activities	**(4,561)**	13,149
Cash flows from investing activities		
Purchases of property, plant and equipment	**(15,002)**	(4,247)
(Increase)/decrease in deposits paid for additions of property, plant and equipment	**(1,664)**	1,707
Interest received	**33**	15
Decrease in short-term fixed deposit	**–**	1,112
Proceeds from sale of property, plant and equipment	**–**	34
Net cash used in investing activities	**(16,633)**	(1,379)
Cash flows from financing activities		
Net additions/(repayment) of bank loan	**19,200**	(3,750)
Net (repayment)/additions of trust receipt loans	**(1,100)**	2,948
Dividend paid to the Company's shareholders	**–**	(3,980)
Interest paid	**(592)**	(525)
Net cash generated from/(used in) financing activities	**17,508**	(5,307)
Net (decrease)/increase in cash and cash equivalents	**(3,686)**	6,463
Cash and cash equivalents at the beginning of the period	**68,621**	67,191
Exchange difference on cash and cash equivalents	**441**	–
Cash and cash equivalents at the end of the period	**65,376**	73,654

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 2018 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 2017, 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 2017, 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) New and amended standards adopted by the Group

The following new standards, amendments to standard and interpretation are mandatory for the financial year beginning 1 January 2018.

Annual improvements project	Annual improvements 2014-2016 cycle
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Insurance contracts
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
Amendments to HKFRS 15	Clarifications to HKFRS 15
Amendments to HKAS 40	Transfers of investment property
HK(IFRIC)-Int 22	Foreign currency transactions and advance considerations

Of these, the following are relevant to the Group's unaudited condensed consolidated interim financial information.

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers

The Group had to change its accounting policies as a result of adopting the above new standards. The impact of the adoption of these standards and new accounting policies are disclosed below. The other standards and interpretation did not have material impact in the Group's accounting policies and did not require any adjustments.

(i) HKFRS 9 Financial Instruments

The new accounting policies in relation to measurement of impairment of financial assets are set out in below.

Impairment of financial assets

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables; and

- other financial assets at amortised cost.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The provision for doubtful debts for these financial assets is based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. While cash and cash equivalents are also subject to the impairment requirement of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables. Applying the ECL model, resulted in immaterial impact on the provision for doubtful debts for these financial assets.

Other financial assets at amortised cost

Other financial assets at amortised cost include deposits and other receivables. Applying the ECL model, resulted in immaterial impact on the provision for doubtful debts for these financial assets.

(ii) ***HKFRS 15 – Revenue from contracts with customers***

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sales of goods

Revenue from the sale of goods is recognised on the transfer of control of the products, which generally coincides with the time when the goods are delivered to customers and title has passed.

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customer and the payment by the customer exceeds one year. As a consequent, the Group does not adjust any of the transaction prices for the time value of money.

A contract asset is the Group's right to consideration in exchange for goods that the Group has transferred to a customer, and it should be presented separately. Incremental costs incurred to obtain a contract, if recoverable, are capitalized and presented as contract costs and subsequently amortised when the related revenue is recognised. Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost.

A contract liability is the Group's obligation to render the goods to a customer for which the Group has received consideration from the customer.

The adoption of HKFRS 15 did not have any material impact on the Group's unaudited condensed consolidated interim financial information.

(b) New and amended standards have been issued but are not effective for the financial year beginning 1st January 2018 and have not been early adopted:

		Effective for the Group for annual periods beginning on or after
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)	To be determined
HKFRS 16	Leases	1st January 2019
HKFRS 17	Insurance Contract	1st January 2021
Amendments to HKFRS 9	Prepayment features with negative compensation	1st January 2019
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1st January 2019
Annual improvements project	Annual improvements to HKFRSs 2015-2017 cycle	1st January 2019
HKAS 19 (Amendments)	Employee benefits	1st January 2019
HKAS 28 (Amendments)	Investments in associates and joint ventures	1st January 2019

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	
	2018	2017
	HK$'000	*HK$'000*
Sale of goods	**179,783**	187,848

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 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 and unaudited segment assets for the six months ended 30th June 2018 are as follows:

	Six months ended 30th June 2018					
	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	**53,161**	**(667)**	**191,207**	**104**	**2,642**	**–**
Mainland China	**29,563**	**595**	**333,081**	**521**	**5,247**	**298**
Other Countries	**5,085**	**(138)**	**50,318**	**14,377**	**–**	**64**
America	**91,479**	**(981)**	**83,606**	**–**	**–**	**–**
Europe	**495**	**(16)**	**259**	**–**	**–**	**–**
Reportable segment	**179,783**	**(1,207)**	**658,471**	**15,002**	**7,889**	**362**
Unallocated costs, net of income		**(861)**				
Operating (loss)		**(2,068)**				

The unaudited segment information for the reportable segments for the six months ended 30th June 2017 and the audited segment assets as at 31st December 2017 are as follows:

	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	59,448	3,612	202,217	–	2,293	–
Mainland China	28,530	1,872	316,638	4,247	4,472	282
Other Countries	6,595	335	29,913	–	–	65
America	92,721	5,524	87,001	–	–	–
Europe	554	30	109	–	–	–
Reportable segment	187,848	11,373	635,878	4,247	6,765	347
Unallocated costs, net of income		(736)				
Operating profit		10,637				

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

	30th June 2018	31st December 2017
	HK$'000	*HK$'000*
Total segment assets	**658,471**	635,878
Investment properties	**52,150**	52,150
Deferred tax assets	**5,127**	4,742
Total assets	**715,748**	692,770

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

Revenue of approximately HK$78,691,000 (six months ended 30th June 2017: HK$94,937,000) are derived from two (six months ended 30th June 2017: three) major customers contributing 10% or more of the total revenue as below.

	Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
Customer A[1]	**45,097**	41,570
Customer B[1]	**33,594**	34,852
Customer C[2]	**N/A[3]**	18,515
	78,691	94,937

1 Revenue from the America segment.

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

3 The corresponding revenue does not constitute over 10% or more of the total revenue of the Group.

5 OTHER INCOME

	Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
Scrap sales	**2,045**	1,218
Interest income	**33**	15
Government subsidy	**–**	171
Rental income from investment properties	**659**	573
Other income from customers	**473**	499
	3,210	2,476

6 OPERATING (LOSS)/PROFIT

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

	Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
Amortisation and depreciation:		
Amortisation of land use rights	**362**	347
Depreciation of owned property, plant and equipment	**7,889**	6,765
Auditor's remuneration	**791**	798
Cost of inventories	**103,295**	101,675
Net exchange loss	**1,079**	1,193
Operating lease rentals in respect of land and buildings	**219**	216
Outgoing expenses in respect of investment properties	**64**	69
Loss on disposal of property, plant and equipment	**–**	433
Provision for slow-moving inventories	**20**	895
Reversal of provision for returns and doubtful debts	**–**	(18)
Staff costs (including directors' emoluments) *(note 7)*	**49,211**	46,372

7 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
Wages, salaries and fringe benefits	**46,085**	43,465
Social security costs	**2,694**	2,560
Pension costs – contribution to MPF scheme	**229**	223
Others	**203**	124
	49,211	46,372

8 FINANCE COSTS

	Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
Interest expenses on bank borrowings	**592**	525

9 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30th June 2017: 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	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong profits tax	**211**	859
Overseas taxation	**504**	1,251
Deferred tax relating to the origination and reversal of temporary differences	**(657)**	283
	58	2,393

10 DIVIDEND

A dividend of HK$3,980,000 that relates to the year ended 31st December 2016 was paid on 17th May 2017.

At a meeting held on 20th March 2018, the Board does not recommend the payment of final dividend for the year ended 31st December 2017.

At a meeting held on 20th August 2018, the Board does not recommend the payment of an interim dividend for the six months ended 30th June 2018 (six months ended 30th June 2017: Nil).

11 (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share is based on the Group's unaudited loss for the six months ended 30th June 2018 of HK$2,718,000 (earnings per share for the six months ended 30th June 2017: HK$7,719,000) divided by the number of 198,958,000 (30th June 2017: 198,958,000) ordinary shares in issue during the period.

For the six months ended 30th June 2018 and 2017, diluted earnings per share is the same as basic (loss)/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
	2018	2017
	HK$'000	*HK$'000*
At the beginning of the period	**28,470**	28,289
Amortisation of land use rights	**(362)**	(347)
Exchange adjustment	**477**	–
At the end of the period	**28,585**	27,942

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$28,585,000 (30th June 2017: HK$27,942,000).

13 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings In HK HK$'000	Land and buildings Outside HK HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Pleasure boats HK$'000	Construction in progress HK$'000	Total HK$'000
Net book value at 1st January 2018	**125,870**	**192,998**	**2,932**	**10,927**	**729**	**4,506**	**2,994**	**4,684**	**15**	**345,655**
Additions	**–**	**–**	**–**	**238**	**–**	**266**	**–**	**45**	**14,453**	**15,002**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Depreciation	**(2,133)**	**(3,237)**	**(339)**	**(1,366)**	**(9)**	**(287)**	**(289)**	**(229)**	**–**	**(7,889)**
Exchange adjustment	**–**	**6,408**	**62**	**498**	**2**	**84**	**16**	**–**	**1**	**7,071**
Net book value at 30th June 2018	**123,737**	**196,169**	**2,655**	**10,297**	**722**	**4,569**	**2,721**	**4,500**	**14,469**	**359,839**
At 30th June 2018										
At cost	**–**	**–**	**12,997**	**87,157**	**5,355**	**14,555**	**6,749**	**14,421**	**14,469**	**155,703**
At valuation	**123,737**	**196,169**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**319,906**
Accumulated depreciation	**–**	**–**	**(10,342)**	**(76,860)**	**(4,633)**	**(9,986)**	**(4,028)**	**(9,921)**	**–**	**(115,770)**
Net book value	**123,737**	**196,169**	**2,655**	**10,297**	**722**	**4,569**	**2,721**	**4,500**	**14,469**	**359,839**

	Land and buildings In HK HK$'000	Land and buildings Outside HK HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Pleasure boats HK$'000	Construction in progress HK$'000	Total HK$'000
Net book value at 1st January 2017	107,350	147,375	2,579	11,268	745	4,528	2,844	5,359	32,536	314,584
Additions	–	–	266	1,167	–	267	110	–	2,437	4,247
Disposals	–	–	–	(432)	–	–	(35)	–	–	(467)
Depreciation	(1,760)	(2,487)	(375)	(1,321)	(11)	(274)	(275)	(262)	–	(6,765)
Transfer	–	34,816	–	–	–	–	–	–	(34,816)	–
Net book value at 30th June 2017	105,590	179,704	2,470	10,682	734	4,521	2,644	5,097	157	311,599
At 30th June 2017										
At cost	–	–	11,699	83,324	5,043	13,579	6,639	14,767	157	135,208
At valuation	107,350	182,191	–	–	–	–	–	–	–	289,541
Accumulated depreciation	(1,760)	(2,487)	(9,229)	(72,642)	(4,309)	(9,058)	(3,995)	(9,670)	–	(113,150)
Net book value	105,590	179,704	2,470	10,682	734	4,521	2,644	5,097	157	311,599

(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 2017.

(b) At 30th June 2018, 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$109,777,000 (31st December 2017: HK$111,670,000).

(c) At 30th June 2018, the net book value of land and buildings pledged as security for the Group's bank loans amounted to HK$106,551,000 (31st December 2017: HK$125,870,000).

(d) Construction in progress as at 30th June 2018 mainly comprises new manufacturing plant located in Vietnam.

14 INVESTMENT PROPERTIES

	Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
At fair value		
At the beginning and end of the period	**52,150**	46,990

(a) Investment properties were revalued on the basis of open market valued by direct comparison approach by Centaline Surveyors Limited, an independent firm of chartered surveyors, as at 31st December 2017.

(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$52,150,000 (31st December 2017: HK$52,150,000).

(c) At 30th June 2018 and 31st December 2017, the net book value of investment properties pledged as security for the Group's bank borrowings amounts to HK$52,150,000.

15 INVENTORIES

	30th June	31st December
	2018	2017
	HK$'000	*HK$'000*
Raw materials	**23,474**	20,823
Work in progress	**33,546**	27,017
Finished goods	**50,419**	59,799
	107,439	107,639
Provision for slow-moving inventories	**(6,329)**	(6,309)
	101,110	101,330

16 TRADE AND BILL RECEIVABLES

At 30th June 2018 and 31st December 2017, the ageing analysis of trade and bill receivables based on invoice date were as follows:

	30th June	31st December
	2018	2017
	HK$'000	*HK$'000*
Current – 3 months	**79,899**	75,047
4–6 months	**10,609**	5,223
Over 6 months	**708**	628
	91,216	80,898
Provision for returns and doubtful debts	**(216)**	(216)
	91,000	80,682

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 2018 and 31st December 2017, ordinary shares of HK$0.10 each	500,000,000	50,000
Issued and fully paid:		
At 30th June 2018 and 31st December 2017, 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 2018	**15,885**	**14,779**	**213,785**	**104**	**244,553**
Exchange difference arising from translation of financial information of subsidiaries	**–**	**8,010**	**–**	**–**	**8,010**
At 30th June 2018	**15,885**	**22,789**	**213,785**	**104**	**252,563**
At 1st January 2017 and 30th June 2017	15,885	(4,579)	190,499	104	201,909

19 TRADE AND BILL PAYABLES

At 30th June 2018 and 31st December 2017, the ageing analysis of trade and bill payables based on invoice date were as follows:

	30th June 2018 *HK$'000*	31st December 2017 *HK$'000*
Current–3 months	**19,842**	21,631
4–6 months	**1,584**	879
Over 6 months	**225**	307
	21,651	22,817

20 BORROWINGS

	30th June 2018 HK$'000	31st December 2017 HK$'000
Current liabilities		
Trust receipt loans	**36,521**	37,621
Bank loan	**19,200**	–
Total borrowings	**55,721**	37,621

Total borrowings included secured liabilities of HK$36,521,000 (31st December 2017: HK$37,621,000), 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 2018, the Group has the following banking facilities, of which HK$166,020,000 (31st December 2017: HK$186,000,000) 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$158,701,000 (31st December 2017: HK$178,020,000).

	30th June 2018 HK$'000	31st December 2017 HK$'000
Trade and loan finance facilities	**226,020**	226,000
Forward exchange contract line	**62,432**	62,432

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 2018 and 31st December 2017, the Group had the following capital commitments for buildings, leasehold improvements, plant and machinery, office equipment and motor vehicles:

	30th June 2018 HK$'000	31st December 2017 HK$'000
Contracted for but not provided for	**3,983**	636

(b) Commitments under operating leases as lessee

At 30th June 2018 and 31st December 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings and office equipment	
	30th June 2018	31st December 2017
	HK$'000	*HK$'000*
Not later than one year	**564**	735
Later than one year and not later than five years	**76**	225
	640	960

(c) Commitments under operating lease as lessor

At 30th June 2018 and 31st December 2017, the Group had future aggregate minimum rental receivables under non-cancellable operating leases as follows:

	Land and buildings	
	30th June 2018	31st December 2017
	HK$'000	*HK$'000*
Not later than one year	**1,077**	1,365
Later than one year and not later than five years	**233**	700
	1,310	2,065

FINANCIAL REVIEW

Results

The Group's revenue for the six months ended 30th June 2018 was HK$179,783,000 (2017: HK$187,848,000). Unaudited consolidated loss attributable to shareholders was HK$2,718,000 (2017: unaudited consolidated profit attributable to shareholders: HK$7,719,000). Loss per share was HK$1.4 cents (2017: Earnings per share HK$3.9 cents).

The Board of Directors of the Company does not recommend the payment of interim dividend (2017: Nil).

Liquidity and Financial Resources

As at 30th June 2018, the Group's bank balances and cash was HK$65,376,000. The consolidated indebtedness of the Group was HK$55,721,000 which was in short-term borrowings. The borrowings were denominated in Hong Kong dollars and bore interest at floating rates.

The amount of the Group's current working capital was HK$158,059,000 (31st December 2017: HK$169,387,000). The current ratio was 2.45. The Group's trade and bill receivables were HK$91,000,000, representing 50.6% of the period's revenue of HK$179,783,000.

Capital Structure

The equity of the Group was HK$567,709,000, representing an increase of 11.7% over that of the last corresponding period. The gearing ratio, calculated by dividing total liabilities by shareholders' equity, was approximately 26.0%.

Pledge of Assets

As at 30th June 2018, the Group's utilised banking facilities amounting to approximately HK$39,754,000 (31st December 2017: HK$40,289,000) were secured by legal charges over certain land and buildings and investment properties of the Group with a total net book value of HK$158,701,000 (31st December 2017: HK$178,020,000), and corporate guarantee given by the Company and its certain subsidiaries.

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

As at 30th June 2018, the Group did not have any material contingent liabilities.

BUSINESS REVIEW

During the period under review, the Group's revenue decreased by 4.3% to approximately HK$179,800,000. The decrease in revenue was mainly due to loss of sales orders as a result of intense competition in Hong Kong market segment. Sales in power cords, cables and wires, wire harnesses and plastic resins accounted for 62%, 5%, 32 and 1% of the Group's revenue respectively.

The gross margin decreased from 22.7% for the six months ended 30 June 2017 to 16.2% for the six months ended 30 June 2018. The decrease in gross margin was mainly due to decrease in revenue, increase in purchase price of major raw materials, appreciation in the exchange rate of Renminbi against Hong Kong dollars which resulted in a higher operating costs in the People's Republic of China ("China"); the increase in staff costs due to redundancy payment and higher depreciation charge as a result of the new plant in Dongyuan County, Heyuan City, China, following the completion of its construction in June 2017.

The Group recorded a negative net profit margin of 1.5% for the six months ended 30th June 2018 whereas it was a net margin of 4.1% in the first half of 2017. The net loss was mainly due to decrease in gross margin.

The Group's operating environment is challenging. Rising raw materials price and strong Renminbi increased the Group's operations cost significantly. Besides, there is an increase in the minimum level of wages in Shenzhen City, from RMB2,130 per month to RMB2,200 per month effective 1st August 2018. Also, the minimum level of wages in Heyuan City, also increases from RMB1,210 per month to RMB1,410 per month effective 1st July 2018 as well.

FUTURE PROSPECT

The outlook for the second half of 2018 is quite uncertain. The trade disputes between United States and China has affected the business sentiment negatively. The proposed 10% tariff by United States on Chinese products includes the Group's products. Thus, the Group's sales may be affected as customers become more cautious and are likely to pass the cost of tariff to the Group. On the positive side, the recent depreciation of Renminbi against US dollar and the fall in the purchase price of major raw materials in the second half of the year of 2018 is expected to lower the Group's overall operating costs.

Regarding the factory construction in Quang Ngai, Vietnam, the phase I construction works, which included one factory building and one canteen, is almost completed and construction of production line is underway. The Group expects to start testing production in the last quarter of 2018. The Group has received positive feedback from customers regarding manufacturing in Vietnam and certain orders are under negotiation.

Owing to the unfavorable business outlook, the Group will hold the redevelopment plan of the existing plant of Dongyuan factory. For our Shenzhen factory, the Group will also hold the restructuring of property ownership as the tax charges involved are very substantial. The Group will monitor the trade disputes closely and devise appropriate strategy to alleviate its impact. For example, the Group will speed up the development of offshore factory in Vietnam and increase domestic sales in the PRC market.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June 2018, the Group employed approximately 1,000 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.

REVIEW 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 2018 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 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 China.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors confirm that during the six months ended 30th June 2018, 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.

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 2018 to 30th June 2018 (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 2018.

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, 20th August 2018

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 Ms. CHUNG Kit Ying.