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**恒**  
*Perennial*  
**都**

**PERENNIAL INTERNATIONAL LIMITED**

**恒都集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00725)**

**INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30TH JUNE 2019**

**INTERIM RESULTS**

The Board of Directors (the “Board”) of Perennial International Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June 2019 together with comparative figures as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)**

*for the six months ended 30th June 2019*

		<b>Six months ended 30th June</b>	
		<b>2019</b>	<b>2018</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	6	<b>165,623</b>	179,783
Cost of sales		<b>(131,868)</b>	(150,727)
Gross profit		<b>33,755</b>	29,056
Other income	7	<b>3,953</b>	3,210
Distribution expenses		<b>(3,208)</b>	(4,774)
Administrative expenses		<b>(26,590)</b>	(27,310)
Other operating expenses, net		<b>(1,723)</b>	(2,250)
Operating profit/(loss)	8	<b>6,187</b>	(2,068)
Finance costs	10	<b>(1,032)</b>	(592)
Profit/(loss) before taxation		<b>5,155</b>	(2,660)
Taxation	11	<b>(935)</b>	(58)
Profit/(loss) for the period attributable to shareholders of the Company		<b>4,220</b>	(2,718)
Basic and diluted earnings/(loss) per share (cents)	13	<b>2.1</b>	(1.4)

\* *For identification purposes only*

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(UNAUDITED)**

*for the six months ended 30th June 2019*

	<b>Six months ended 30th June</b>	
	<b>2019</b>	<b>2018</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Profit/(loss) for the period	<u>4,220</u>	<u>(2,718)</u>
Other comprehensive income:		
<u>Items that may be subsequently reclassified to profit or loss</u>		
Exchange difference arising from translation of financial information of subsidiaries	<u>3,800</u>	<u>8,010</u>
Other comprehensive income for the period, net of tax	<u>3,800</u>	<u>8,010</u>
Total comprehensive income for the period attributable to shareholders of the Company	<u><u>8,020</u></u>	<u><u>5,292</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(UNAUDITED)**

*as at 30th June 2019*

		30th June 2019 <i>HK\$'000</i>	31st December 2018 <i>HK\$'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
Non-current assets			
Land use rights	<i>14</i>	—	26,696
Right-of-use assets	<i>15</i>	27,298	—
Property, plant and equipment	<i>16</i>	406,407	402,067
Investment properties	<i>17</i>	55,290	55,290
Non-current deposits		182	1,101
Deferred tax assets		3,583	3,832
		<u>492,760</u>	<u>488,986</u>
Current assets			
Inventories	<i>18</i>	93,550	90,934
Trade and bill receivables	<i>19</i>	95,673	90,330
Other receivables, deposits and prepayments		9,042	11,442
Taxation recoverable		1,115	1,262
Cash and cash equivalents		59,491	49,996
		<u>258,871</u>	<u>243,964</u>
Total assets		<u><u>751,631</u></u>	<u><u>732,950</u></u>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to shareholders of the Company			
Share capital	<i>20</i>	19,896	19,896
Other reserves	<i>21</i>	265,781	261,981
Retained earnings		300,428	296,208
Total equity		<u>586,105</u>	<u>578,085</u>

		30th June 2019 <i>HK\$'000</i>	31st December 2018 <i>HK\$'000</i>
	<i>Note</i>		
<b>LIABILITIES</b>			
Non-current liabilities			
Lease liabilities		305	—
Deferred tax liabilities		44,135	44,047
		<u>44,440</u>	<u>44,047</u>
Current liabilities			
Trade and bill payables	22	17,069	17,387
Other payables and accruals		21,014	29,783
Lease liabilities		443	—
Taxation payable		2,198	2,114
Bank loans	23	54,400	36,800
Trust receipt loans	23	25,962	24,734
		<u>121,086</u>	<u>110,818</u>
Total liabilities		<u>165,526</u>	<u>154,865</u>
Total equity and liabilities		<u><u>751,631</u></u>	<u><u>732,950</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(UNAUDITED)**

*for the six months ended 30th June 2019*

	<b>Share capital <i>HK\$'000</i></b>	<b>Other reserves <i>HK\$'000</i></b>	<b>Retained earnings <i>HK\$'000</i></b>	<b>Total equity <i>HK\$'000</i></b>
At 1st January 2019	<b>19,896</b>	<b>261,981</b>	<b>296,208</b>	<b>578,085</b>
Total comprehensive income for the period	<u>—</u>	<u>3,800</u>	<u>4,220</u>	<u>8,020</u>
At 30th June 2019	<u><b>19,896</b></u>	<u><b>265,781</b></u>	<u><b>300,428</b></u>	<u><b>586,105</b></u>
	<b>Share capital <i>HK\$'000</i></b>	<b>Other reserves <i>HK\$'000</i></b>	<b>Retained earnings <i>HK\$'000</i></b>	<b>Total equity <i>HK\$'000</i></b>
At 1st January 2018	19,896	244,553	297,968	562,417
Total comprehensive income for the period	<u>—</u>	<u>8,010</u>	<u>(2,718)</u>	<u>5,292</u>
At 30th June 2018	<u>19,896</u>	<u>252,563</u>	<u>295,250</u>	<u>567,709</u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)***for the six months ended 30th June 2019*

	<b>Six months ended 30th June</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Cash flows from operating activities</b>		
Net cash generated from/(used in) operations	<b>1,109</b>	(3,376)
Hong Kong profits and overseas tax paid, net	<b>(367)</b>	(1,185)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	<b>742</b>	(4,561)
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	<b>(10,888)</b>	(15,002)
Decrease/(increase) in deposits paid for additions of property, plant and equipment	<b>919</b>	(1,664)
Interest received	<b>94</b>	33
Proceeds from sale of property, plant and equipment	<b>241</b>	—
	<hr/>	<hr/>
Net cash used in investing activities	<b>(9,634)</b>	(16,633)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Net additions of bank loans	<b>17,600</b>	19,200
Net additions/(repayment) of trust receipt loans	<b>1,228</b>	(1,100)
Payments for principal portion of the lease liability	<b>(144)</b>	—
Interest paid	<b>(1,032)</b>	(592)
	<hr/>	<hr/>
Net cash generated from financing activities	<b>17,652</b>	17,508
	<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>8,760</b>	(3,686)
Cash and cash equivalents at the beginning of the period	<b>49,996</b>	68,621
Exchange difference on cash and cash equivalents	<b>735</b>	441
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	<b>59,491</b>	65,376
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# **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

## **1 GENERAL INFORMATION**

Perennial International Limited (the “Company”) is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in the manufacturing and trading of electric cable and wire 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.

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 2019 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 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

## **3 ACCOUNTING POLICIES**

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax and the adoption of new and amended standards as set out 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 1st January 2019:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Of these, only HKFRS 16 is relevant to the Group's unaudited condensed consolidated interim financial information. The Group had to change its accounting policy as a result of adopting this new standard. This note below explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1st January 2019 as below.

The Group has adopted HKFRS 16 on 1st January 2019 without restating comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1st January 2019.

On adoption of HKFRS 16, the Group did not recognise any right-of-use asset or lease liability as at 1st January 2019 due to application of simplified accounting for those leases with a term of 12 months or less, except that land use rights of HK\$26,696,000 were reclassified as right-of-use assets.

On 11th February 2019, the Group entered into a rental contract and recognised lease liabilities. The liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate of 3.7%.

The recognised right-of-use assets relate to the following types of assets:

	<b>30th June 2019 HK\$'000</b>	1st January 2019 HK\$'000
Land use rights	<b>26,518</b>	26,696
Property	<b>780</b>	—
<b>Total right-of-use assets</b>	<b><u>27,298</u></b>	<b><u>26,696</u></b>

(i) ***Practical expedients applied***

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;



- the accounting for operating leases with a remaining lease term of less than 12 months as at 1st January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made when applying HKAS 17 Leases and HK(IFRIC) – Int 4 Determining whether an Arrangement contains a Lease.

***(ii) The Group's leasing activities and how these are accounted for***

The Group leases a warehouse and has land use rights under long-term lease agreements. Lease terms are negotiated on an individual basis and contain wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets except land use rights may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1st January 2019, leases (including land use rights) are recognised as right-of-use assets and are presented as a separate line item in the condensed consolidated statement of financial position and the corresponding liabilities are recognised at the date at which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

**(b) New and amended standards have been issued but are not effective for the financial year beginning 1st January 2019 and have not been early adopted:**

		<b>Effective for annual periods beginning on or after</b>
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1st January 2020
HKAS 1 and HKAS 8 (Amendments)	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors	1st January 2020
HKFRS 3 (Amendments)	Definition of Business	1st January 2020
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 17	Insurance Contracts	1st January 2021

#### **4 ESTIMATES**

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st December 2018.

## 5 FINANCIAL RISK MANAGEMENT

### (a) Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk.

The unaudited condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31st December 2018.

There has been no change in any risk management policy and function since 31st December 2018.

### (b) Liquidity Risk

Compared to 31st December 2018, there has been no material change in the contractual undiscounted cash out flows for financial liabilities. As at 30th June 2019, the Group had available banking facilities of HK\$209,020,000 of which HK\$80,362,000 were utilised.

### (c) Fair Value Estimation

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, trade and other receivables, trade and other payables and short-term borrowings approximate to their fair values due to their short-term maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

## 6 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	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of goods — at a point in time	<u>165,623</u>	<u>179,783</u>

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, America, Europe and Other Countries. 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 2019 are as follows:

	Six months ended 30th June 2019				
	Revenue (external sales) <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	Total segment assets <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>	Depreciation <i>HK\$'000</i>
Hong Kong	45,286	3,810	217,250	1,870	3,031
Mainland China	25,168	3,057	311,143	330	5,700
America	93,641	136	87,045	—	—
Europe	198	1	24	—	—
Other Countries	1,330	108	77,296	9,580	838
Reportable segment	<u>165,623</u>	<u>7,112</u>	<u>692,758</u>	<u>11,780</u>	<u>9,569</u>
Unallocated costs, net of income		<u>(925)</u>			
Operating profit		<u>6,187</u>			

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) <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	Total segment assets <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>	Depreciation <i>HK\$'000</i>	Amortisation <i>HK\$'000</i>
Hong Kong	53,161	(667)	191,207	104	2,642	—
Mainland China	29,563	595	333,081	521	5,247	298
America	91,479	(981)	83,606	—	—	—
Europe	495	(16)	259	—	—	—
Other Countries	5,085	(138)	50,318	14,377	—	64
Reportable segment	<u>179,783</u>	<u>(1,207)</u>	<u>658,471</u>	<u>15,002</u>	<u>7,889</u>	<u>362</u>
Unallocated costs, net of income		<u>(861)</u>				
Operating loss		<u>(2,068)</u>				

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

	<b>30th June 2019 HK\$'000</b>	30th June 2018 HK\$'000
Total segment assets	692,758	658,471
Investment properties	55,290	52,150
Deferred tax assets	3,583	5,127
	<u>751,631</u>	<u>715,748</u>

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

Revenue of approximately HK\$82,223,000 (six months ended 30th June 2018: HK\$78,691,000) are derived from two (six months ended 30th June 2018: two) major customers contributing 10% or more of the total revenue as below:

	<b>Six months ended 30th June</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Customer A <sup>1</sup>	41,415	45,097
Customer B <sup>1</sup>	40,808	33,594
	<u>82,223</u>	<u>78,691</u>

<sup>1</sup> Revenue from the America segment.

## 7 OTHER INCOME

	<b>Six months ended 30th June</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Scrap sales	1,712	2,045
Interest income	94	33
Government subsidy	186	—
Rental income from investment properties	423	659
Other income from customers	1,538	473
	<u>3,953</u>	<u>3,210</u>

## 8 OPERATING PROFIT/(LOSS)

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

	Six months ended 30th June	
	2019	2018
	HK\$'000	HK\$'000
Amortisation and depreciation:		
Amortisation of land use rights	—	362
Depreciation of right-of-use assets	463	—
Depreciation of property, plant and equipment	9,106	7,889
Auditor's remuneration	880	791
Cost of inventories	86,779	103,295
Net exchange loss	697	1,079
Operating lease rentals in respect of land and buildings	73	219
Outgoing expenses in respect of investment properties	38	64
Loss on disposal of property, plant and equipment	93	—
Provision for slow-moving inventories	1,289	20
Staff costs (including directors' emoluments) (note 9)	44,489	49,211

## 9 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Six months ended 30th June	
	2019	2018
	HK\$'000	HK\$'000
Wages, salaries and fringe benefits	40,702	46,085
Social security costs	3,153	2,694
Pension costs		
– contributions to MPF scheme	192	229
Others	442	203

### (a) Directors' Emoluments

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

	Six months ended 30th June	
	2019	2018
	HK\$'000	HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	4,287	4,312
Pension costs		
– contributions to MPF scheme	27	27

**(b) Key Management Compensation**

The compensation paid or payable to key management including all directors and four (six months ended 30th June 2018: three) senior management for employee services is shown below:

	Six months ended 30th June	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Basic salaries, housing allowances, other allowances and benefits in kind	6,164	5,707
Pension costs		
– contributions to MPF scheme	61	54
	<u>6,225</u>	<u>5,761</u>

**10 FINANCE COSTS**

	Six months ended 30th June	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interest expenses on bank borrowings	1,022	592
Interest expenses on lease liabilities	10	—
	<u>1,032</u>	<u>592</u>

**11 TAXATION**

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30th June 2018: 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	
	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong profits tax	124	211
Overseas taxation	474	504
Deferred tax relating to the origination and reversal of temporary differences	337	(657)
	<u>935</u>	<u>58</u>

**12 DIVIDEND**

At a meeting held on 25th March 2019, the Board did not recommend the payment of final dividend for the year end 31st December 2018.

At a meeting held on 15th August 2019, the Board did not recommend the payment of an interim dividend for the six months ended 30th June 2019 (six months ended 30th June 2018: Nil).

### 13 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share is based on the Group's unaudited profit for the six months ended 30th June 2019 of HK\$4,220,000 (loss per share for the six months ended 30th June 2018: loss of HK\$2,718,000) divided by the number of 198,958,000 (30th June 2018: 198,958,000) ordinary shares in issue during the period.

For the six months ended 30th June 2019 and 2018, diluted earnings/(loss) per share is the same as basic earnings/(loss) per share due to the absence of dilutive potential ordinary shares at the end of the reporting period.

### 14 LAND USE RIGHTS

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

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At 31st December, as previously presented	<b>26,696</b>	28,470
Reclassified to right-of-use assets upon adoption of HKFRS 16	<b>(26,696)</b>	—
At 1st January, as restated	—	28,470
Amortisation of land use rights	—	(362)
Exchange adjustment	—	477
At 30th June	<u>—</u>	<u>28,585</u>

As at 30th June 2018, the net book value of the Group's interests in land use rights were held on leases of between 10 and 50 years outside Hong Kong, which amounted to HK\$28,585,000.

### 15 RIGHT-OF-USE ASSETS

The Group recognised right-of-use assets relating to the following types of assets:

	<b>Land use rights outside HK</b> <i>HK\$'000</i>	<b>Property</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
Net book value at 31st December 2018	—	—	—
Reclassified from land use rights upon adoption of HKFRS 16	<u>26,696</u>	<u>—</u>	<u>26,696</u>
Net book value at 1st January 2019, as restated	26,696	—	26,696
Additions	—	892	892
Depreciation	(351)	(112)	(463)
Exchange adjustment	<u>173</u>	<u>—</u>	<u>173</u>
Net book value at 30th June 2019	<u>26,518</u>	<u>780</u>	<u>27,298</u>





## 17 INVESTMENT PROPERTIES

**30th June 2019 and  
31st December 2018**  
*HK\$'000*

At fair value 55,290

- (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 2018.
- (b) As at 30th June 2019, the fair value of the investment properties, as determined by the directors, approximates to the fair value as at 31st December 2018.
- (c) At 30th June 2019 and 31st December 2018, the net book value of investment properties pledged as security for the Group's bank borrowings amounts to HK\$31,500,000.

## 18 INVENTORIES

	<b>30th June 2019 <i>HK\$'000</i></b>	31st December 2018 <i>HK\$'000</i>
Raw materials	33,942	20,138
Work in progress	19,925	23,251
Finished goods	<u>47,579</u>	<u>54,152</u>
	<b><u>101,446</u></b>	<b><u>97,541</u></b>
Provision for slow-moving inventories	<u>(7,896)</u>	<u>(6,607)</u>
	<b><u>93,550</u></b>	<b><u>90,934</u></b>

## 19 TRADE AND BILL RECEIVABLES

At 30th June 2019 and 31st December 2018, the ageing analysis of trade and bill receivables based on invoice date were as follows:

	<b>30th June 2019 <i>HK\$'000</i></b>	31st December 2018 <i>HK\$'000</i>
Current–3 months	76,169	76,900
4–6 months	12,855	12,584
Over 6 months	6,649	846
	<u>95,673</u>	<u>90,330</u>

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.

## 20 SHARE CAPITAL

	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:		
At 30th June 2019 and 31st December 2018, ordinary shares of HK\$0.10 each	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid:		
At 30th June 2019 and 31st December 2018, ordinary shares of HK\$0.10 each	<u>198,958,000</u>	<u>19,896</u>

## 21 OTHER RESERVES

	Share premium <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Land and building revaluation reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Total other reserves <i>HK\$'000</i>
At 1st January 2019	15,885	1,418	244,574	104	261,981
Exchange difference arising from translation of financial information of subsidiaries	—	3,800	—	—	3,800
At 30th June 2019	<u>15,885</u>	<u>5,218</u>	<u>244,574</u>	<u>104</u>	<u>265,781</u>

	Share premium <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Land and building revaluation reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Total other reserves <i>HK\$'000</i>
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	<u>15,885</u>	<u>22,789</u>	<u>213,785</u>	<u>104</u>	<u>252,563</u>

## 22 TRADE AND BILL PAYABLES

At 30th June 2019 and 31st December 2018, the ageing analysis of trade and bill payables based on invoice date were as follows:

	30th June 2019 <i>HK\$'000</i>	31st December 2018 <i>HK\$'000</i>
Current–3 months	14,226	15,030
4–6 months	2,427	2,096
Over 6 months	416	261
	<u>17,069</u>	<u>17,387</u>

## 23 BORROWINGS

	<b>30th June 2019 HK\$'000</b>	31st December 2018 HK\$'000
<b>Current liabilities</b>		
Trust receipt loans	25,962	24,734
Bank loans	<u>54,400</u>	<u>36,800</u>
 Total borrowings	 <u><u>80,362</u></u>	 <u><u>61,534</u></u>

Movements in borrowings are analysed as follows:

	<i>HK\$'000</i>
<b>Six months ended 30th June 2019</b>	
Opening amount as at 1st January 2019	61,534
Proceeds from borrowings	125,282
Repayments of borrowings	<u>(106,454)</u>
 <b>Closing amount as at 30th June 2019</b>	 <u><u>80,362</u></u>

Total borrowings included secured liabilities of HK\$80,362,000 (31st December 2018: HK\$61,534,000), 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.

The maturity of borrowings in accordance with the repayment schedule (without taking into account the repayment on-demand clause) is as follows:

	<b>Bank loans</b>		<b>Trust receipt loans</b>	
	<b>30th June 2019 HK\$'000</b>	31st December 2018 HK\$'000	<b>30th June 2019 HK\$'000</b>	31st December 2018 HK\$'000
Within 1 year	44,800	24,800	25,962	24,734
Between 1 and 2 years	9,600	4,800	—	—
Between 2 and 5 years	—	7,200	—	—
	<u>54,400</u>	<u>36,800</u>	<u>25,962</u>	<u>24,734</u>

## 24 FINANCIAL GUARANTEES AND PLEDGE

At 30th June 2019, the Group has the following banking facilities, of which HK\$209,020,000 (31st December 2018: 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\$168,130,000 (31st December 2018: HK\$170,570,000).

	<b>30th June 2019 HK\$'000</b>	31st December 2018 HK\$'000
Trade and loan finance facilities	<b>209,020</b>	206,000
Forward exchange contract line	<b>62,744</b>	62,312
	<u><u>          </u></u>	<u><u>          </u></u>

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.

## 25 COMMITMENTS

### (a) Capital commitments

At 30th June 2019 and 31st December 2018, the Group had the following capital commitments for buildings, plant and equipment:

	<b>30th June 2019 HK\$'000</b>	31st December 2018 HK\$'000
Contracted for but not provided for	<b>1,447</b>	5,858
	<u><u>          </u></u>	<u><u>          </u></u>

### (b) Commitments under operating lease as lessor

At 30th June 2019 and 31st December 2018, the Group had future aggregate minimum rental receivables under non-cancellable operating leases as follows:

	<b>Land and buildings</b>	
	<b>30th June 2019 HK\$'000</b>	31st December 2018 HK\$'000
Not later than one year	<b>233</b>	700
	<u><u>          </u></u>	<u><u>          </u></u>

## 26 APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information was approved by the Board on 15th August 2019.

## **FINANCIAL REVIEW**

### **Results**

The Group's revenue for the six months ended 30th June 2019 was HK\$165,623,000 (2018: HK\$179,783,000). Unaudited consolidated profit attributable to shareholders was HK\$4,220,000 (2018: unaudited consolidated loss attributable to shareholders: HK\$2,718,000). Profit per share was HK\$2.1 cents (2018: Loss per share HK\$1.4 cents).

The Board of Directors of the Company does not recommend the payment of interim dividend (2018: Nil).

### **Liquidity and Financial Resources**

As at 30th June 2019, the Group's bank balances and cash was HK\$59,491,000. The consolidated indebtedness of the Group was HK\$81,110,000 which includes short-term borrowings and lease liabilities. 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\$137,785,000 (31st December 2018: HK\$133,146,000). The current ratio was 2.14. The Group's trade and bill receivables were HK\$95,673,000, representing 57.8% of the period's revenue of HK\$165,623,000.

### **Capital Structure**

The equity of the Group was HK\$586,105,000, representing an increase of 3.2% over that of the last corresponding period. The gearing ratio, calculated by dividing total borrowings to total equity, was approximately 13.8%.

### **Pledge of Assets**

As at 30th June 2019, the Group's utilised banking facilities amounting to approximately HK\$80,362,000 (31st December 2018: HK\$61,534,000) were secured by legal charges over certain land and buildings and investment properties of the Group with a total net book value of HK\$168,130,000 (31st December 2018: HK\$170,570,000), 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 2019, the Group did not have any material contingent liabilities.

## **BUSINESS REVIEW**

During the period under review, the Group's revenue decreased by 7.9% to approximately HK\$165,623,000. The intense market competition, which has been further accelerated by the trade disputes between the US and China, has given rise to this decrease. Sales in power cords and plastic resins accounted for about 60% of the Group's revenue, and cables, wires and wire harness accounted for about 40% of the Group's revenue.

The gross profit margin increased from 16.2% for the six months ended 30th June 2018 to 20.4% for the six months ended 30th June 2019. The improved gross profit margin was mainly due to the decrease in the purchase prices of major raw materials as a result of better material planning and continual price negotiations with the major material suppliers. Moreover, the fluctuation of the exchange rate of Renminbi against Hong Kong dollars have been monitored more closely and the impact has been minimized by the use of forward currency hedging arrangements.

The Group recorded a positive net profit margin of 2.5% for the six months ended 30th June 2019 whereas it was a negative net profit margin of 1.5% in the first half of 2018. The positive net profit margin was mainly due to the increase in the gross profit margin.

As to the factory construction in Quang Ngai, Vietnam, the phase II construction works, consisting of the construction of two factory buildings on phase II development of the land, was completed in the first half of 2019. The first revenue was recorded in April 2019.

## **FUTURE PROSPECT**

Given the fact that the US and China trade disputes are still ongoing and worldwide economic prospect is still challenging, the Group is planning to launch the phase III construction in Quang Ngai, Vietnam in the year of 2020. The phase III construction work consists of a cable manufacturing plant, a warehouse and a management office. We are maintaining active discussions with customers about increasing the proportion of our Vietnam factory production capacity when they plan for future product supply chain. Our customers have been very delighted to consider this Vietnam factory aspect in making their product procurement plan. The Group expects that about 40% of production can be shifted to Vietnam factory in 2019. The Group is very confident that our Group's performance will be further strengthened by the operations of Vietnam factory and by the fact that the Group's business risk exposure will be minimized by the diversified 3-site production capacity: Shenzhen City, Heyuan City in China and the Vietnam factory. This will create a win-win situation platform for our customers and our Group.

To broaden the customer base, the Group will further explore the market in Japan, Europe and the emerging markets.



As to our factory in Shenzhen City, it will still be a key production site of our Group. Its production schedule will be decided after overall consideration of different factors including supply of workers, level of cost of productions and the preference of our customers. These factors will be carefully reviewed so that the operations of Shenzhen production site will be efficient and competitive. However, the Group will still be looking for opportunities to utilize the potential economic value of this Shenzhen production site.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30th June 2019, the Group employed approximately 1,040 full time management, administrative and production staff in Hong Kong, the mainland China and Vietnam. 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 2019 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 2019, 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 2019 to 30th June 2019 (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 2019.

## **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, 15th August 2019

*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.*