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恒
Perennial
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PERENNIAL INTERNATIONAL LIMITED

恒都集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00725)

**ANNUAL RESULTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

The Board of Directors (the “**Board**”) is pleased to announce the audited consolidated financial results of Perennial International Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) for the year ended 31st December 2019.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2019

	<i>Note</i>	2019 HK\$'000	2018 HK\$'000
Revenue	3	301,357	355,744
Cost of sales		(245,570)	(299,538)
Gross profit		55,787	56,206
Other income	4	7,086	7,128
Distribution expenses		(7,305)	(9,220)
Administrative expenses		(53,976)	(54,186)
Other operating (expenses)/income, net	5	(12,754)	1,798
Impairment loss on financial assets	17	(754)	–
Operating (loss)/profit	6	(11,916)	1,726
Finance costs	7	(2,468)	(1,104)
(Loss)/profit before taxation		(14,384)	622
Income tax credit/(charge)	8	1,186	(2,382)
Loss for the year attributable to shareholders of the Company		(13,198)	(1,760)
Basic and diluted loss per share (cents)	9	(6.6)	(0.9)

* *For identification purposes only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loss for the year	<u>(13,198)</u>	<u>(1,760)</u>
Other comprehensive (loss)/income:		
<u>Item that will not be reclassified subsequently</u> <u>to profit or loss</u>		
Revaluation (deficit)/surplus on land and buildings, net of tax	(160)	30,789
<u>Items that may be reclassified to profit or loss</u>		
Exchange difference arising from translation of financial statements of subsidiaries	<u>(2,203)</u>	<u>(13,361)</u>
Other comprehensive (loss)/income for the year	<u>(2,363)</u>	<u>17,428</u>
Total comprehensive (loss)/income for the year attributable to shareholders of the Company	<u>(15,561)</u>	<u>15,668</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2019

	Note	2019 HK\$'000	2018 HK\$'000
ASSETS			
Non-current assets			
Land use rights	12	–	26,696
Right-of-use assets	13	26,496	–
Property, plant and equipment	14	395,075	402,067
Investment properties	15	47,200	55,290
Non-current deposits		430	1,101
Deferred tax assets		6,296	3,832
		<u>475,497</u>	<u>488,986</u>
Current assets			
Inventories	16	110,061	90,934
Trade and bill receivables	17	81,163	90,330
Derivative financial instruments	18	495	–
Other receivables, deposits and prepayments		10,404	11,442
Taxation recoverable		711	1,262
Cash and cash equivalents		36,548	49,996
		<u>239,382</u>	<u>243,964</u>
Total assets		<u>714,879</u>	<u>732,950</u>
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	19	19,896	19,896
Other reserves	20	259,618	261,981
Retained earnings	20	283,010	296,208
Total equity		<u>562,524</u>	<u>578,085</u>

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities	<i>13</i>	77	–
Deferred tax liabilities		<u>43,835</u>	<u>44,047</u>
		<u>43,912</u>	<u>44,047</u>
Current liabilities			
Trade payables	<i>21</i>	17,749	17,387
Other payables and accruals		18,971	29,783
Lease liabilities	<i>13</i>	451	–
Taxation payable		2,837	2,114
Bank loans	<i>22</i>	37,000	36,800
Trust receipt loans	<i>22</i>	<u>31,435</u>	<u>24,734</u>
		<u>108,443</u>	<u>110,818</u>
Total liabilities		<u>152,355</u>	<u>154,865</u>
Total equity and liabilities		<u>714,879</u>	<u>732,950</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2019

	Share capital <i>HK\$'000</i>	Other reserves <i>(note 20)</i> <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
As at 1st January 2019	<u>19,896</u>	<u>261,981</u>	<u>296,208</u>	<u>578,085</u>
<u>Comprehensive loss</u>				
Loss for the year	–	–	(13,198)	(13,198)
<u>Other comprehensive (loss)/income</u>				
Revaluation surplus on land and buildings	–	181	–	181
Deferred tax charged to revaluation reserve	–	(341)	–	(341)
Exchange difference arising from translation of financial statements of subsidiaries	–	(2,203)	–	(2,203)
Total comprehensive loss for the year	<u>–</u>	<u>(2,363)</u>	<u>(13,198)</u>	<u>(15,561)</u>
At 31st December 2019	<u><u>19,896</u></u>	<u><u>259,618</u></u>	<u><u>283,010</u></u>	<u><u>562,524</u></u>

	Share capital <i>HK\$'000</i>	Other reserves <i>(note 20)</i> <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
As at 1st January 2018	19,896	244,553	297,968	562,417
<u>Comprehensive loss</u>				
Loss for the year	–	–	(1,760)	(1,760)
<u>Other comprehensive income/(loss)</u>				
Revaluation surplus on land and buildings	–	37,304	–	37,304
Deferred tax charged to revaluation reserve	–	(6,515)	–	(6,515)
Exchange difference arising from translation of financial statements of subsidiaries	–	(13,361)	–	(13,361)
Total comprehensive income/(loss) for the year	–	17,428	(1,760)	15,668
At 31st December 2018	19,896	261,981	296,208	578,085

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Cash flows from operating activities		
Net cash (used in)/generated from operations	(3,220)	2,034
Hong Kong profits tax refunded, net	183	1,278
Overseas tax paid, net	(1,446)	(1,434)
Interest paid	(2,468)	(1,523)
	(6,951)	355
Cash flows from investing activities		
Purchase of property, plant and equipment	(14,114)	(42,580)
Decrease in deposits paid for additions of property, plant and equipment	671	4
Interest received	98	62
Proceeds from sale of property, plant and equipment	524	101
	(12,821)	(42,413)
Cash flows from financing activities		
Additions of bank loans	35,000	40,000
Repayment of bank loans	(34,800)	(3,200)
Net additions/(repayment) of trust receipt loans	6,701	(12,887)
Payments for principal portion of the lease liability	(364)	–
	6,537	23,913
Net decrease in cash and cash equivalents		
Cash and cash equivalents at 1st January	49,996	68,621
Exchange difference on cash and cash equivalents	(213)	(480)
	36,548	49,996
Cash and cash equivalents at 31st December	36,548	49,996

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2019

These consolidated financial statements are presented in Hong Kong dollars (“HK\$”) unless otherwise stated.

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. They have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and investment properties and certain financial assets and liabilities (including derivative instruments), which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretation adopted by the Group

The following new standard and amendments to standards and interpretation have been adopted by the Group for the first time for the financial year beginning on or after 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
Annual Improvements Project	Annual Improvements to HKFRSs 2015–2017 Cycle

Of these, only HKFRS 16 is relevant to the Group’s consolidated financial statements. 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.

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 arising from the new leasing rules are therefore recognised in the opening balances 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 low value leases and 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:

	31st December 2019	1st January 2019
	HK\$'000	HK\$'000
Land use rights	25,938	26,696
Property	558	–
	<hr/>	<hr/>
Total right-of-use assets	26,496	26,696
	<hr/> <hr/>	<hr/> <hr/>

(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 or low value 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) Measurement of lease liabilities

	2019
	HK\$'000
Operating lease commitments disclosed as at 31st December 2018	285
Less: short-term leases not recognised as a liability	(188)
Less: low-value leases not recognised as a liability	(97)
	<hr/>
Lease liability recognised as at 1st January 2019	–
	<hr/> <hr/>

(iii) 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 consolidated statement of financial position and the corresponding liabilities are recognised at the date at which the leased asset is 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.

(iv) Lessor accounting

The Group does not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of adoption of HKFRS 16.

New and amended standards not yet adopted

Certain new and amended standards have been issued but are not effective for the financial year beginning on 1st January 2019 and have not been early adopted.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 3	Definition of Business	1st January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1st January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1st January 2020
HKFRS 17	Insurance Contracts	1st January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge Accounting	1st January 2020

The Group will adopt the new and amended standards when they become effective. The Group has already commenced an assessment of the related impact of adopting the above new and amended standards, none of which is expected to have a significant effect on the consolidated financial statements of the Group.

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading of electric cable and wire products. Revenue recognised during the year is as follows:

	2019 HK\$'000	2018 HK\$'000
Sale of goods – at a point in time	<u>301,357</u>	<u>355,744</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 the electric cable and wire products business, including Hong Kong, 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 others.

The segment information for the reportable segments for 2019 and 2018 are as follows:

	Revenue (external sales) 2019 <i>HK\$'000</i>	Segment results 2019 <i>HK\$'000</i>	Total segment assets 2019 <i>HK\$'000</i>	Capital expenditure 2019 <i>HK\$'000</i>	Depreciation 2019 <i>HK\$'000</i>
Hong Kong	85,432	(7,668)	176,593	1,514	6,195
Mainland China	41,508	(2,555)	309,245	609	12,431
America	171,754	686	93,495	–	–
Europe	445	(41)	118	–	–
Other countries	2,218	(158)	81,932	13,326	2,377
Reportable segment	<u>301,357</u>	<u>(9,736)</u>	<u>661,383</u>	<u>15,449</u>	<u>21,003</u>
Unallocated costs		<u>(2,180)</u>			
Operating loss		<u>(11,916)</u>			

	Revenue (external sales) 2018 <i>HK\$'000</i>	Segment results 2018 <i>HK\$'000</i>	Total segment assets 2018 <i>HK\$'000</i>	Capital expenditure 2018 <i>HK\$'000</i>	Depreciation 2018 <i>HK\$'000</i>	Amortisation 2018 <i>HK\$'000</i>
Hong Kong	113,641	3,503	205,796	147	5,255	–
Mainland China	50,246	1,390	314,697	3,579	10,176	585
America	182,475	(1,397)	89,071	–	–	–
Europe	710	(20)	159	–	–	–
Other countries	8,672	(234)	64,105	42,429	–	130
Reportable segment	<u>355,744</u>	<u>3,242</u>	<u>673,828</u>	<u>46,155</u>	<u>15,431</u>	<u>715</u>
Unallocated costs		<u>(1,516)</u>				
Operating profit		<u>1,726</u>				

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Total segment assets	661,383	673,828
Investment properties	47,200	55,290
Deferred tax assets	6,296	3,832
Total assets	<u>714,879</u>	<u>732,950</u>

Unallocated costs represent corporate expenses.

Revenue of approximately HK\$153,484,000 (2018: HK\$158,635,000) are derived from two (2018: two) major customers contributing 10% or more of the total revenue. These revenues are attributable to the America segment (2018: America segment).

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Customer A	80,484	88,106
Customer B	73,000	70,529
	<u>153,484</u>	<u>158,635</u>

4. OTHER INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Scrap sales	3,169	4,286
Interest income	98	62
Rental income from investment properties	892	1,291
Government subsidy	423	360
Compensation and storage income from customers	990	765
Other income from customers	1,514	364
	<u>7,086</u>	<u>7,128</u>

5. OTHER OPERATING (EXPENSES)/INCOME, NET

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revaluation surplus of buildings	138	1,738
(Loss)/gain on revaluation of investment properties	(8,090)	3,140
Charitable donations	(1,465)	(690)
Net loss on derivatives financial instruments	(1,083)	–
Net exchange losses	(996)	(1,092)
Loss on disposal/write-off of property, plant and equipment	(57)	(29)
Other expenses	(1,201)	(1,269)
	<u>(12,754)</u>	<u>1,798</u>

6. OPERATING (LOSS)/PROFIT

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Amortisation and depreciation:		
Amortisation of land use rights	–	715
Depreciation of right-of-use assets	1,030	–
Depreciation of property, plant and equipment	19,973	15,431
Auditor's remuneration		
– Audit services	1,648	1,525
– Non-audit services	1,076	764
Cost of inventories	148,684	206,704
Net exchange losses	996	1,092
Operating lease rentals in respect of land and buildings	77	438
Operating lease rentals in respect of office equipment	36	339
Direct expenses for investment properties	211	129
(Reversal of provision)/provision for slow-moving inventories	(705)	298
Staff costs (including directors' emoluments) (<i>note 11</i>)	<u>93,002</u>	<u>98,252</u>

7. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Finance expenses on lease liabilities	21	–
Interest expenses on bank borrowings	2,793	1,523
Less: finance costs capitalised on qualifying assets	<u>(346)</u>	<u>(419)</u>
Net finance cost	<u>2,468</u>	<u>1,104</u>

Note:

The capitalisation rate used to determine the amount of borrowing costs to be capitalised in construction in progress is the weighted average interest rate applicable to the entity's borrowing during the year of 3.68% (2018: 3.15%).

8. TAXATION

Hong Kong profits tax provided at the two-tiered rate of 8.25% for the first HK\$2 million of the estimated assessable profits for one of the Group's Hong Kong subsidiaries for the year and 16.5% on the remaining estimated assessable profits for the year (2018: 8.25% for the first HK\$2 million and 16.5% for the remaining).

Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the applicable rates of taxation prevailing in the jurisdictions in which the Group operates.

The subsidiary established and operating in Vietnam during the year is subject to corporate income tax at a rate of 20%. In accordance with the applicable tax regulations, the subsidiary is subject to a lower tax rate of 10% for fifteen consecutive years, commencing from the first year of making revenue. In addition, the subsidiary is entitled to full exemption from corporate income tax for the first four years from the earlier of (i) the year when profit is generated for the first time or (ii) the fourth year of commencing operations; and a 50% reduction in corporate income tax for the next nine years. The Vietnam subsidiary of the Group was exempted from corporate income tax for the first year for the year ended 31st December 2019 (2018: no taxable profit).

The amount of taxation (credited)/charged to the consolidated income statement represents:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Hong Kong profits tax	163	265
Overseas taxation	1,670	3,084
Over-provision in prior year	(2)	(317)
Deferred tax relating to the origination and reversal of temporary differences	(3,017)	(650)
	<u>(1,186)</u>	<u>2,382</u>

9. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss for the year of HK\$13,198,000 (2018: HK\$1,760,000) divided by the weighted average number of 198,958,000 (2018: 198,958,000) ordinary shares in issue during the year.

In both 2019 and 2018, diluted loss per share is the same as basic loss per share due to the absence of dilutive potential ordinary shares during the reporting period.

10. DIVIDEND

At a meeting held on 24th March 2020, the Board does not recommend the payment of final dividend for the year ended 31st December 2019. The Group did not pay any dividend for the year ended 31st December 2018.

11. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Wages, salaries and fringe benefits (<i>Note</i>)	87,229	91,942
Social security costs	4,707	5,497
Pension costs – contribution to MPF scheme	428	450
Others	638	363
	<u>93,002</u>	<u>98,252</u>

Note: Including employment termination compensation of approximately HK\$6,322,000 (2018: HK\$2,735,000).

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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
At 1st January	26,696	28,470
Reclassified to right-of-use assets upon adoption of HKFRS 16	<u>(26,696)</u>	<u>–</u>
Amortisation of land use rights	–	(715)
Exchange adjustment	<u>–</u>	<u>(1,059)</u>
At 31st December	<u>–</u>	<u>26,696</u>

13. LEASES

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

(a) *Right-of-use assets*

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

	Land use rights outside HK <i>HK\$'000</i>	Property <i>HK\$'000</i>	Total <i>HK\$'000</i>
Net book value as 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	(696)	(334)	(1,030)
Exchange adjustment	<u>(62)</u>	<u>–</u>	<u>(62)</u>
Net book value at 31st December 2019	<u><u>25,938</u></u>	<u><u>558</u></u>	<u><u>26,496</u></u>

(b) *Lease liabilities*

	31st December 2019 <i>HK\$'000</i>	1st January 2019 <i>HK\$'000</i>
Current	451	–
Non-current	<u>77</u>	<u>–</u>
	<u><u>528</u></u>	<u><u>–</u></u>

In the previous year, the Group only recognised lease assets and lease liabilities in relation to leases that were classified as ‘finance leases’ under HKAS 17 “Leases”.

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	31st December 2019 HK\$'000
Depreciation charge of right-of-use assets	
– Land use rights outside Hong Kong	696
– Property	334
	<u>1,030</u>
Interest expense (included in finance costs)	<u>21</u>
Expense relating to short-term leases and low-value leases (included in cost of sales and general administrative expenses)	<u>113</u>

The total cash outflow for leases in 2019 was HK\$498,000.

14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings		Leasehold	Plant and	Furniture	Office	Motor	Pleasure	Construction	Total
	In HK	Outside HK	improvements	machinery	and fixtures	equipment	vehicles	boats	in progress	
	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 2019	139,070	197,183	2,193	12,446	708	4,285	3,094	4,279	38,809	402,067
Additions	-	-	-	5,058	-	669	409	-	8,421	14,557
Disposals/write-off	-	-	-	(377)	-	(28)	(176)	-	(84)	(665)
Depreciation	(4,880)	(7,592)	(1,100)	(4,633)	(25)	(705)	(630)	(408)	-	(19,973)
Revaluation	(16,760)	17,077	-	-	-	-	-	-	-	317
Transfer	-	44,484	2,894	-	-	-	-	-	(47,378)	-
Exchange adjustment	-	(1,573)	325	(112)	(6)	(84)	(10)	-	232	(1,228)
Net book value at										
31st December 2019	<u>117,430</u>	<u>249,579</u>	<u>4,312</u>	<u>12,382</u>	<u>677</u>	<u>4,137</u>	<u>2,687</u>	<u>3,871</u>	<u>-</u>	<u>395,075</u>
At 31st December 2019										
At cost	-	-	15,194	91,634	5,041	14,659	6,920	14,421	-	147,869
At valuation – 2019	117,430	249,579	-	-	-	-	-	-	-	367,009
Accumulated depreciation	-	-	(10,882)	(79,252)	(4,364)	(10,522)	(4,233)	(10,550)	-	(119,803)
Net book value	<u>117,430</u>	<u>249,579</u>	<u>4,312</u>	<u>12,382</u>	<u>677</u>	<u>4,137</u>	<u>2,687</u>	<u>3,871</u>	<u>-</u>	<u>395,075</u>

	Land and buildings		Leasehold	Plant and	Furniture	Office	Motor	Pleasure	Construction	Total
	In HK	Outside HK	improvements	machinery	and fixtures	equipment	vehicles	boats	in progress	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	-	-	-	4,882	-	453	842	45	39,933	46,155
Disposals	-	-	-	-	-	(1)	(131)	-	-	(132)
Depreciation	(4,267)	(6,325)	(648)	(2,606)	(18)	(547)	(570)	(450)	-	(15,431)
Revaluation	17,467	21,575	-	-	-	-	-	-	-	39,042
Exchange adjustment	-	(11,065)	(91)	(757)	(3)	(126)	(41)	-	(1,139)	(13,222)
	<u>139,070</u>	<u>197,183</u>	<u>2,193</u>	<u>12,446</u>	<u>708</u>	<u>4,285</u>	<u>3,094</u>	<u>4,279</u>	<u>38,809</u>	<u>402,067</u>
Net book value at										
31st December 2018	139,070	197,183	2,193	12,446	708	4,285	3,094	4,279	38,809	402,067
At 31st December 2018										
At cost	-	-	12,345	88,545	5,079	14,166	7,120	14,421	38,809	180,485
At valuation - 2018	139,070	197,183	-	-	-	-	-	-	-	336,253
Accumulated depreciation	-	-	(10,152)	(76,099)	(4,371)	(9,881)	(4,026)	(10,142)	-	(114,671)
	<u>139,070</u>	<u>197,183</u>	<u>2,193</u>	<u>12,446</u>	<u>708</u>	<u>4,285</u>	<u>3,094</u>	<u>4,279</u>	<u>38,809</u>	<u>402,067</u>

15. INVESTMENT PROPERTIES

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
At fair value		
Opening balance at 1st January	55,290	52,150
Revaluation (loss)/gain credited to the consolidated income statement	(8,090)	3,140
	<u>47,200</u>	<u>55,290</u>
Closing balance at 31st December	47,200	55,290

16. INVENTORIES

	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	31,235	20,138
Work in progress	16,720	23,251
Finished goods	68,008	54,152
	<u>115,963</u>	<u>97,541</u>
Provision for slow-moving inventories	(5,902)	(6,607)
	<u>110,061</u>	<u>90,934</u>

17. TRADE AND BILL RECEIVABLES

At 31st December 2019, the ageing analysis of trade and bill receivables based on invoice date is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Up to 3 months	57,501	76,900
4-6 months	16,068	12,584
Over 6 months	8,348	846
	<u>81,917</u>	<u>90,330</u>
Provision for impairment loss	(754)	—
	<u><u>81,163</u></u>	<u><u>90,330</u></u>

18. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Financial assets at fair value through profit or loss and included in the Group's consolidated statement of financial position as current assets		
Foreign exchange forward contracts	<u>495</u>	<u>—</u>

As at 31st December 2019, the Group has certain outstanding foreign exchange forward contract (2018: Nil) with external reputable bank with long positions in RMB (2018: Nil) for hedging its purchase transaction denominated in RMB.

19. SHARE CAPITAL

	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised		
At 1st January 2018 and 31st December 2018 and 2019, ordinary shares of HK\$0.10 each	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid		
At 1st January 2018 and 31st December 2018 and 2019, ordinary shares of HK\$0.10 each	<u>198,958,000</u>	<u>19,896</u>

20. RESERVES

	Share premium <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Land and buildings revaluation reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Total other reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 2019	15,885	1,418	244,574	104	261,981	296,208	558,189
Loss for the year	-	-	-	-	-	(13,198)	(13,198)
Revaluation surplus on land and buildings	-	-	181	-	181	-	181
Deferred tax charged to revaluation reserve	-	-	(341)	-	(341)	-	(341)
Currency translation difference	-	(2,203)	-	-	(2,203)	-	(2,203)
At 31st December 2019	<u>15,885</u>	<u>(785)</u>	<u>244,414</u>	<u>104</u>	<u>259,618</u>	<u>283,010</u>	<u>542,628</u>
At 1st January 2018	15,885	14,779	213,785	104	244,553	297,968	542,521
Profit for the year	-	-	-	-	-	(1,760)	(1,760)
Revaluation surplus on land and buildings	-	-	37,304	-	37,304	-	37,304
Deferred tax charged to revaluation reserve	-	-	(6,515)	-	(6,515)	-	(6,515)
Currency translation difference	-	(13,361)	-	-	(13,361)	-	(13,361)
At 31st December 2018	<u>15,885</u>	<u>1,418</u>	<u>244,574</u>	<u>104</u>	<u>261,981</u>	<u>296,208</u>	<u>558,189</u>

21. TRADE PAYABLES

At 31st December 2019, the ageing analysis of trade payables based on invoice date is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Up to 3 months	15,709	15,030
4-6 months	1,907	2,096
Over 6 months	133	261
	<u>17,749</u>	<u>17,387</u>

22. BORROWINGS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current liabilities		
Trust receipt loans	31,435	24,734
Bank loans	<u>37,000</u>	<u>36,800</u>
Total borrowings	<u><u>68,435</u></u>	<u><u>61,534</u></u>

Total borrowings included secured liabilities of HK\$56,435,000 (2018: HK\$44,734,000), which are secured by certain land and buildings and investment properties of the Group (notes 14 and 15). The borrowings of HK\$68,435,000 are also supported by guarantees given by the Company and certain subsidiaries.

23. COMMITMENTS

(a) Capital commitments

At 31st December 2019, the Group had the following capital commitments for property, plant and equipment:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Contracted but not provided for	<u><u>–</u></u>	<u><u>5,858</u></u>

(b) Commitments under operating leases as lessee

The Group had future aggregate minimum lease payments under non-cancellable operating leases on an office and office equipment for the year ended 31st December 2019 (2018: land and buildings and office equipment) as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Not later than one year	36	235
Later than one year and no later than five years	<u>29</u>	<u>50</u>
	<u><u>65</u></u>	<u><u>285</u></u>

(c) **Commitments under operating lease as lessor**

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

	Land and buildings	
	2019	2018
	HK\$'000	HK\$'000
Not later than one year	920	700
Later than one year and not later than five years	1,797	–
	2,717	700

24. FINANCIAL GUARANTEES AND PLEDGE OF ASSETS

At 31st December 2019, the Group had the following banking facilities, of which approximately HK\$173,040,000 (2018: HK\$186,000,000) were secured by legal charges over certain land and buildings and investment properties of the Group with a total carrying value of approximately HK\$144,530,000 (2018: HK\$170,570,000).

	2019	2018
	HK\$'000	HK\$'000
Trade and loan finance facilities	185,040	206,000
Forward exchange contract line	62,312	62,312

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

25. SUBSEQUENT EVENTS

- (a) After the outbreak of Coronavirus Disease 2019 (“**COVID-19 outbreak**”) in early 2020, a series of precautionary and control measures have been implemented across the regions including Hong Kong, China and Vietnam. Various emergency public health measures by the public authorities were introduced in the PRC and the Group’s factories in the PRC was initially suspended. At the date of the announcement, the factories in the PRC and Vietnam have been substantially restored to the normal operation capacities. The Group will monitor the situation and continuously engage relevant resources and adjust the purchase and production activities in a timely manner to mitigate the potential impact. Accordingly, the Directors consider the outbreak of COVID-19 has minimal impact on Group’s operations and were not aware of any material adverse effects on the consolidated financial statements.
- (b) On 11th March 2020, a wholly-owned subsidiary in Vietnam of the Group entered into a contract with a local contractor for the third phase construction works in Vietnam (the “**Third Phase Construction Works**”) with a consideration of approximately HK\$15,336,000. It is intended that the consideration will be funded by internal resources and banking facilities.

The Third Phase Construction Works shall consist of the construction of two factory buildings and one auxiliary warehouse, comprising a gross floor area of approximately 6,068 square metres, and are expected to be completed by the end of August 2020.

FINANCIAL REVIEW

Results

The Group's revenue was HK\$301,357,000 (2018: HK\$355,744,000). Loss for the year was HK\$13,198,000 compared to HK\$1,760,000 in 2018. Loss per share was HK\$0.066 (2018: HK\$0.009).

Final Dividend

The Board does not recommend the final dividend for the year ended 31st December 2019. The Group did not pay any dividend for the year ended 31st December 2018.

Liquidity and Financial Resources

As at 31st December 2019, the consolidated borrowings of the Group was approximately HK\$68,435,000. The borrowings are denominated in Hong Kong dollars. The bank balances and cash amounted to approximately HK\$36,548,000.

As at 31st December 2019, the Group's trade and bill receivables balance was approximately HK\$81,163,000, representing 26.9% of the year's revenue of approximately HK\$301,357,000. The Group adopted a stringent credit policy to minimize credit risk.

As at 31st December 2019, the Group's gearing ratio, which is calculated by dividing total borrowings to total equity was 12.2% (2018: 10.6%).

The Group's average cost of borrowings was 3.68% for the year ended 31st December 2019 (2018: 3.15%).

Capital Structure

As at 31st December 2019, the consolidated shareholders' equity of the Group was approximately HK\$562,524,000, representing a decrease of 2.7% over that of the previous year. The debt to equity ratio, which is calculated by dividing total liabilities to shareholders' equity, was approximately 27.1%.

Capital Expenditure and Material Acquisitions

During the year under review, capital expenditure approximate to HK\$15,449,000.

Pledge of Assets

As at 31st December 2019, the Group's trade and loan finance facilities amounted to approximately HK\$173,040,000, which were secured by legal charges over certain land and buildings and investment properties of the Group with a total carrying value of HK\$144,530,000.

Foreign Exchange Exposure

All foreseeable foreign exchange risks of the Group are appropriately managed and hedged, if necessary.

Contingent Liabilities

As at 31st December 2019, the Group did not have any material contingent liabilities.

BUSINESS REVIEW

The Group's revenue decreased by 15.3% to HK\$301 million in this financial year. The decrease in revenue was mainly due to reduction of sales as a result of continued intense market price competition escalated by the trade disputes between the United States and China. Revenue in terms of sales mix was relatively stable when compared with that of last year. Sales in power cords and plastic resins accounted for 63% of the Group's revenue, and cables, wires and wire harness accounted for 37% of the Group's revenue.

The gross margin increased from 15.8% in 2018 to 18.5% in 2019. The increase in gross margin was attributable to lower production costs and improved manufacturing efficiency by using accurate production planning and material usage system.

The Group recorded a negative net profit margin of 4.4% in 2019 compared to negative net profit margin 0.5% in 2018. The net loss was mainly due to a decrease in fair value of investment property in Hong Kong of approximately HK\$8.1 million; and redundancy compensation of approximately HK\$6.3 million during the year ended 31st December 2019.

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 during the first half of 2019. The first revenue was recorded in April 2019. Currently, approximately 40% of production has been shifted to factory Quang Ngai, Vietnam. The factory in Quang Ngai Vietnam will focus on the production of regular and mature products while factories in Shenzhen City and Heyuan City in China will focus on the production of unique products.

The Group has entered into a construction contract on 11th March, 2020 as the Third Phase Construction Contract for the Third Phase Construction Works consisting of the construction of two factory buildings for cable manufacturing and one auxiliary warehouse on phase three development of the land in Quang Ngai. For details of the transaction, please refer to Company's announcement dated 11th March 2020. The Third Phase Construction Works are expected to be completed by the end of August 2020.

FUTURE PROSPECT

The global economic situation is complex and volatile, and economic growth is still relatively weak. The situation is further compounded by the outbreak of coronavirus disease (COVID-19) in the beginning of 2020. However, the Group has full confidence in the future development of the Group. The Group will continue to maintain close and stable business relationship with renowned customers in the United States and Japan and will further develop quality customers in Japan, Europe and the emerging markets.

Currently, the outbreak of coronavirus disease (COVID-19) has minimal impact on the operations of the factories in Vietnam, Shenzhen City and Heyuan City in China. The Group has responded quickly and adopted precautionary measures to maintain normal operations. At the moment, the operations of factories in Vietnam, Shenzhen City and Heyuan City in China have been substantially restored to the normal operation capacities. The Group will monitor the situation and continuously engage relevant resources and adjust the purchase and production activities in a timely manner to mitigate the potential impact.

The Group expects that a balanced development will be achieved through diversified factory development in Quang Ngai, Vietnam, the factories in Shenzhen City and Heyuan City in China with the existing business to increase the value of shareholders. It will also enhance the growth and sustainable development of the Group.

EMPLOYEES' REMUNERATION POLICY

As at 31st December 2019, the Group employed 1,115 full time management, administrative and production staff worldwide. The Group follows market practice on remuneration packages. Employee's 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 adopts policies of continuous professional training programs.

SOCIAL RESPONSIBILITY

The Group's factories are regularly subject to factory audit by multinational enterprises. The factory audit served as a catalyst to enhance the Group's standard on corporate social responsibility.

Moreover, the Group holds a strong belief in corporate social responsibility, so the Group continues to participate in and support community activities in both Hong Kong and Mainland China.

AUDIT COMMITTEE

The Audit Committee has reviewed the interim financial report and the audited financial results of the Group for the year ended 31st December 2019 and the accounting principles and practices adopted by the Group. The Audit Committee has also reviewed the adequacy and effectiveness of the Company's internal control and risk management systems and made recommendations to the Board. The Board has engaged an outsourced consultant to perform internal control review services for the Group.

The Audit Committee has full and direct access to the outsourced internal audit consultant, reviews the reports on all audits performed and monitors the audit performance. The Audit Committee also reviews the adequacy of the scope, functions, competency and resources of the outsourced internal audit functions.

THE CORPORATE GOVERNANCE CODE

The Directors confirm that the Company has fully complied with the code provisions set out in the Corporate Governance Code (the "Code") attached to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as Appendix 14, and adopted recommended best practices set out in the Code whenever appropriate. During the year, Ms. Koo Di An, Louise, the Chairman, was unable to hold a meeting with the independent non-executive Directors without the presence of the executive Directors due to other prior business engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' and employees' securities transactions on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all Directors, they had complied with the required standards of the said code during the year.

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

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANY

The information required by paragraphs 45(1) to 45(8) of Appendix 16 to the Listing Rules will be published on the website <http://www.hkex.com.hk> of the Stock Exchange and on the Company's website <http://perennial.todayir.com> in due course.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming Annual General Meeting to be held on Tuesday, 19th May 2020 (“2020 AGM”).

The register of members of the Company will be closed during the periods from Thursday, 14th May 2020 to Tuesday, 19th May 2020, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders’ eligibility to attend and vote at the 2020 AGM. In order to be eligible to attend and vote at the 2020 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 13th May 2020.

APPRECIATION

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, 24th March 2020

The figures set out in the preliminary announcement in respect of the Group’s consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31st December 2019 have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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.