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## 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 2020

#### INTERIM RESULTS

The board (the “Board”) of directors (the “Director(s)”) of Perennial International Limited (the “Company”) hereby presents 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 2020 together with comparative figures as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

*for the six months ended 30th June 2020*

	Notes	Six months ended 30th June	
		2020 HK\$'000	2019 HK\$'000
Revenue	5	124,402	165,623
Cost of sales		<u>(103,685)</u>	<u>(131,868)</u>
Gross profit		20,717	33,755
Other income	6	1,438	3,953
Distribution expenses		(3,634)	(3,208)
Administrative expenses		(25,365)	(26,590)
Other operating income/(expenses), net		145	(1,723)
Impairment loss on financial assets	16	<u>(4,465)</u>	–
Operating (loss)/profit	7	(11,164)	6,187
Finance costs	8	<u>(1,102)</u>	<u>(1,032)</u>
(Loss)/profit before taxation		(12,266)	5,155
Income tax credit/(charge)	9	<u>2,120</u>	<u>(935)</u>
(Loss)/profit for the period attributable to shareholders of the Company		<u><u>(10,146)</u></u>	<u><u>4,220</u></u>
Basic and diluted (loss)/ earnings per share (cents)	11	<u><u>(5.1)</u></u>	<u><u>2.1</u></u>

\* For identification purposes only

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

*for the six months ended 30th June 2020*

	<b>Six months ended 30th June</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
(Loss)/profit for the period	<b>(10,146)</b>	4,220
Other comprehensive (loss)/income:		
Items that may be subsequently reclassified to profit or loss		
Exchange difference arising from translation of financial information of subsidiaries	<b>(7,232)</b>	3,800
Other comprehensive (loss)/income for the period, net of tax	<b>(7,232)</b>	3,800
Total comprehensive (loss)/income for the period attributable to shareholders of the Company	<b>(17,378)</b>	8,020

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

as at 30th June 2020

		<b>30th June 2020</b>	31st December 2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>			
Non-current assets			
Right-of-use assets	12(a)	<b>25,637</b>	26,496
Property, plant and equipment	13	<b>384,476</b>	395,075
Investment properties	14	<b>47,200</b>	47,200
Non-current deposits		<b>195</b>	430
Deferred tax assets		<b>7,778</b>	6,296
		<hr/> <b>465,286</b> <hr/>	<hr/> 475,497 <hr/>
Current assets			
Inventories	15	<b>103,923</b>	110,061
Trade and bill receivables	16	<b>64,739</b>	81,163
Derivative financial Instruments	17	–	495
Other receivables, deposits and prepayments		<b>10,405</b>	10,404
Taxation recoverable		<b>751</b>	711
Cash and cash equivalents		<b>38,708</b>	36,548
		<hr/> <b>218,526</b> <hr/>	<hr/> 239,382 <hr/>
Total assets		<hr/> <b>683,812</b> <hr/>	<hr/> 714,879 <hr/>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to shareholders of the Company			
Share capital	18	<b>19,896</b>	19,896
Other reserves	19	<b>252,386</b>	259,618
Retained earnings		<b>272,864</b>	283,010
Total equity		<hr/> <b>545,146</b> <hr/>	<hr/> 562,524 <hr/>

		<b>30th June</b>	31st December
		<b>2020</b>	2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>LIABILITIES</b>			
Non-current liabilities			
Lease liabilities	12(b)	–	77
Deferred tax liabilities		<b>42,652</b>	43,835
		<b>42,652</b>	43,912
Current liabilities			
Trade and bill payables	20	<b>14,073</b>	17,749
Other payables and accruals		<b>16,643</b>	18,971
Derivative financial instruments	17	<b>162</b>	–
Lease liabilities	12(b)	<b>305</b>	451
Taxation payable		<b>2,437</b>	2,837
Bank loans	21	<b>44,600</b>	37,000
Trust receipt loans	21	<b>17,794</b>	31,435
		<b>96,014</b>	108,443
Total liabilities		<b>138,666</b>	152,355
Total equity and liabilities		<b>683,812</b>	714,879

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

*for the six months ended 30th June 2020*

	<b>Share capital</b> <i>HK\$'000</i>	<b>Other reserves</b> <i>HK\$'000</i>	<b>Retained earnings</b> <i>HK\$'000</i>	<b>Total equity</b> <i>HK\$'000</i>
At 1st January 2020	<b>19,896</b>	<b>259,618</b>	<b>283,010</b>	<b>562,524</b>
Total comprehensive loss for the period	<u>–</u>	<u>(7,232)</u>	<u>(10,146)</u>	<u>(17,378)</u>
At 30th June 2020	<b><u>19,896</u></b>	<b><u>252,386</u></b>	<b><u>272,864</u></b>	<b><u>545,146</u></b>
	<b>Share capital</b> <i>HK\$'000</i>	<b>Other reserves</b> <i>HK\$'000</i>	<b>Retained earnings</b> <i>HK\$'000</i>	<b>Total equity</b> <i>HK\$'000</i>
At 1st January 2019	19,896	261,981	296,208	578,085
Total comprehensive income for the period	<u>–</u>	<u>3,800</u>	<u>4,220</u>	<u>8,020</u>
At 30th June 2019	<b><u>19,896</u></b>	<b><u>265,781</u></b>	<b><u>300,428</u></b>	<b><u>586,105</u></b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)***for the six months ended 30th June 2020*

	<b>Six months ended 30th June</b>	
	<b>2020</b>	2019
		(restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cash flows from operating activities</b>		
Net cash generated from operations	<b>14,526</b>	1,109
Hong Kong profits and overseas tax paid, net	<b>(418)</b>	(367)
Interest paid	<b>(1,102)</b>	(1,032)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	<b>13,006</b>	(290)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	<b>(4,124)</b>	(10,888)
Decrease in deposits paid for additions of property, plant and equipment	<b>235</b>	919
Interest received	<b>16</b>	94
Proceeds from sale of property, plant and equipment	<b>9</b>	241
	<hr/>	<hr/>
Net cash used in investing activities	<b>(3,864)</b>	(9,634)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Cash flows from financing activities</b>		
Net additions of bank loans	<b>7,600</b>	17,600
Net (repayment)/additions of trust receipt loans	<b>(13,641)</b>	1,228
Payments for principal portion of the lease liability	<b>(231)</b>	(144)
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	<b>(6,272)</b>	18,684
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Net increase in cash and cash equivalents</b>	<b>2,870</b>	8,760
Cash and cash equivalents at the beginning of the period	<b>36,548</b>	49,996
Exchange difference on cash and cash equivalents	<b>(710)</b>	735
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	<b>38,708</b>	59,491
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# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 GENERAL INFORMATION

The Company is an investment holding company. The Group is 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 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.

## 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 and amendments to Hong Kong Financial Reporting Standards (“HKFRS”) are mandatory for the financial year beginning 1st January 2020:

Amendments to HKFRS 3	Definition of Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge Accounting

The adoption of the new and amended standards listed above did not have material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future period.

- (b) New and amended standards have been issued but are not effective for the financial year beginning 1st January 2020 and have not been early adopted:

		<b>Effective for annual periods beginning on or after</b>
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

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.

#### 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 2019.

##### **Fair value estimation**

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, trade and bill receivables, other receivables and deposits, derivative financial instruments, trade payables, other payables and accruals 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, unless the discounting effect is insignificant.

#### 5 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:

	<b>Six months ended 30th June</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
Sale of goods – at a point in time	<b>124,402</b>	165,623

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 2020 are as follows:

	Six months ended 30th June 2020				
	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	34,186	(5,205)	159,627	349
Mainland China	19,782	(4,200)	299,085	184	6,374
America	68,772	(327)	79,294	–	–
Europe	189	(24)	79	–	–
Other Countries	1,473	(80)	90,749	3,591	1,507
Reportable segment	<u>124,402</u>	<u>(9,836)</u>	<u>628,834</u>	<u>4,124</u>	<u>10,717</u>
Unallocated costs, net of income		<u>(1,328)</u>			
Operating loss		<u>(11,164)</u>			

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

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
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>			

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

	<b>30th June 2020 HK\$'000</b>	30th June 2019 HK\$'000
Total segment assets	628,834	692,758
Investment properties	47,200	55,290
Deferred tax assets	7,778	3,583
	<hr/>	<hr/>
Total assets	<b>683,812</b>	<b>751,631</b>
	<hr/> <hr/>	<hr/> <hr/>

Revenue of approximately HK\$64,935,000 (six months ended 30th June 2019: HK\$82,223,000) are derived from two (six months ended 30th June 2019: two) major customers contributing 10% or more of the total revenue as below:

	<b>Six months ended 30th June</b>	
	<b>2020 HK\$'000</b>	2019 HK\$'000
Customer A <sup>1</sup>	34,562	41,415
Customer B <sup>1</sup>	30,373	40,808
	<hr/>	<hr/>
	<b>64,935</b>	<b>82,223</b>
	<hr/> <hr/>	<hr/> <hr/>

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

## 6 OTHER INCOME

	<b>Six months ended 30th June</b>	
	<b>2020 HK\$'000</b>	2019 HK\$'000
Scrap sales	4	1,712
Interest income	16	94
Government subsidy	112	186
Rental income from investment properties	406	423
Other income from customers	900	1,538
	<hr/>	<hr/>
	<b>1,438</b>	<b>3,953</b>
	<hr/> <hr/>	<hr/> <hr/>

## 7 OPERATING (LOSS)/PROFIT

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

	Six months ended 30th June	
	2020	2019
	HK\$'000	HK\$'000
Depreciation of right-of-use assets	562	463
Depreciation of property, plant and equipment	10,155	9,106
Auditor's remuneration	800	880
Cost of inventories	66,889	86,779
Net loss on derivative financial instruments	801	–
Net exchange (gain)/loss	(1,604)	697
Operating lease rentals in respect of land and buildings	–	73
Direct expenses for investment properties	76	38
(Gain)/loss on disposal of property, plant and equipment	(1)	93
Provision for slow-moving inventories	183	1,289
Staff costs (including directors' emoluments) (note 10)	37,470	44,489
	<u>37,470</u>	<u>44,489</u>

## 8 FINANCE COSTS

	Six months ended 30th June	
	2020	2019
	HK\$'000	HK\$'000
Interest expenses on bank borrowings	1,095	1,022
Interest expenses on lease liabilities	7	10
	<u>1,102</u>	<u>1,032</u>

## 9 INCOME TAX

Hong Kong profits tax is 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 (2019: 16.5%).

Income tax 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	
	2020	2019
	HK\$'000	HK\$'000
Hong Kong profits tax	22	124
Overseas taxation	486	474
Deferred tax relating to the origination and reversal of temporary differences	(2,628)	337
	<u>(2,120)</u>	<u>935</u>

## 10 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Six months ended 30th June	
	2020	2019
	HK\$'000	HK\$'000
Wages, salaries and fringe benefits	34,765	40,702
Social security costs	2,130	3,153
Pension costs		
– contributions to MPF scheme	217	192
Others	358	442
	<u>37,470</u>	<u>44,489</u>

### (a) Directors' Emoluments

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

	Six months ended 30th June	
	2020	2019
	HK\$'000	HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	4,608	4,287
Pension costs		
– contributions to MPF scheme	27	27
	<u>4,635</u>	<u>4,314</u>

### (b) Key Management Compensation

The compensation paid or payable to key management including all directors and three (six months ended 30th June 2019: four) senior management for employee services is shown below:

	Six months ended 30th June	
	2020	2019
	HK\$'000	HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	5,920	6,164
Pension costs		
– contributions to MPF scheme	54	61
	<u>5,974</u>	<u>6,225</u>

## 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 2020 of HK\$ 10,146,000 (earnings per share for the six months ended 30th June 2019: profit of HK\$4,220,000) divided by the number of 198,958,000 (30th June 2019: 198,958,000) ordinary shares in issue during the period.

For the six months ended 30th June 2020 and 2019, diluted (loss)/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 LEASE

### (a) Right-of-use assets

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

	<b>Land use rights outside HK HK\$'000</b>	<b>Property HK\$'000</b>	<b>Total HK\$'000</b>
Net book value at 1st January 2020	25,938	558	26,496
Depreciation	(339)	(223)	(562)
Exchange adjustment	(297)	–	(297)
	<u>25,302</u>	<u>335</u>	<u>25,637</u>
Net book value at 30th June 2020	<u>25,302</u>	<u>335</u>	<u>25,637</u>

### (b) Lease liabilities

	<b>30th June 2020 HK\$'000</b>	<b>31st December 2019 HK\$'000</b>
Current	305	451
Non-current	–	77
	<u>305</u>	<u>528</u>

### (c) Amounts recognised in the condensed consolidated income statement

	<b>Six months ended 30th June</b>	
	<b>2020 HK\$'000</b>	<b>2019 HK\$'000</b>
Depreciation charge of right-of-use assets		
– Land use rights outside Hong Kong	339	351
– Property	223	112
Interest expense	7	10
Expenses relating to short-term leases and low-value leases	81	73
Rental income from investment properties	406	423
	<u>406</u>	<u>423</u>

The total cash outflows for leases for the six months ended 30th June 2020 was HK\$312,000.

## 13 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings		Leasehold	Plant and machinery	Furniture and fixtures	Office equipment	Motor vehicles	Pleasure boats	Construction in progress	Total
	In HK	Outside HK	improve-ments							
	HK\$'000	HK\$'000	HK\$'000							
Net book value										
at 1st January 2020	117,430	249,579	4,312	12,382	678	4,138	2,687	3,871	-	395,077
Additions	-	-	-	283	-	362	-	-	3,479	4,124
Disposals	-	-	-	(9)	-	-	-	-	-	(9)
Depreciation	(2,135)	(4,227)	(553)	(1,047)	(339)	(1,382)	(279)	(193)	-	(10,155)
Exchange adjustment	-	(4,291)	(35)	(198)	-	(20)	(17)	-	-	(4,561)
	<u>115,295</u>	<u>241,061</u>	<u>3,724</u>	<u>11,411</u>	<u>339</u>	<u>3,098</u>	<u>2,391</u>	<u>3,678</u>	<u>3,479</u>	<u>384,476</u>
Net book value										
at 30th June 2020	<u>115,295</u>	<u>241,061</u>	<u>3,724</u>	<u>11,411</u>	<u>339</u>	<u>3,098</u>	<u>2,391</u>	<u>3,678</u>	<u>3,479</u>	<u>384,476</u>
At 30th June 2020										
At cost	-	-	15,044	90,836	4,985	14,882	6,889	14,421	3,479	150,536
At valuation	117,430	245,262	-	-	-	-	-	-	-	362,692
Accumulated depreciation	(2,135)	(4,201)	(11,320)	(79,425)	(4,646)	(11,784)	(4,498)	(10,743)	-	(128,752)
	<u>115,295</u>	<u>241,061</u>	<u>3,724</u>	<u>11,411</u>	<u>339</u>	<u>3,098</u>	<u>2,391</u>	<u>3,678</u>	<u>3,479</u>	<u>384,476</u>
Net book value										
at 30th June 2019	<u>136,630</u>	<u>237,073</u>	<u>4,959</u>	<u>14,037</u>	<u>715</u>	<u>4,643</u>	<u>3,041</u>	<u>4,070</u>	<u>1,239</u>	<u>406,407</u>
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	-	-	-	3,314	-	574	409	-	6,591	10,888
Disposals	-	-	-	(165)	-	-	(169)	-	-	(334)
Depreciation	(2,440)	(3,749)	(476)	(1,674)	-	(255)	(303)	(209)	-	(9,106)
Transfer	-	41,499	2,894	-	-	-	-	-	(44,393)	-
Exchange adjustment	-	2,140	348	116	7	39	10	-	232	2,892
	<u>136,630</u>	<u>237,073</u>	<u>4,959</u>	<u>14,037</u>	<u>715</u>	<u>4,643</u>	<u>3,041</u>	<u>4,070</u>	<u>1,239</u>	<u>406,407</u>
Net book value										
at 30th June 2019	<u>136,630</u>	<u>237,073</u>	<u>4,959</u>	<u>14,037</u>	<u>715</u>	<u>4,643</u>	<u>3,041</u>	<u>4,070</u>	<u>1,239</u>	<u>406,407</u>
At 30th June 2019										
At cost	-	41,499	15,316	92,454	5,128	14,862	7,258	14,421	1,239	192,177
At valuation	139,070	199,305	-	-	-	-	-	-	-	338,375
Accumulated depreciation	(2,440)	(3,731)	(10,357)	(78,417)	(4,413)	(10,219)	(4,217)	(10,351)	-	(124,145)
	<u>136,630</u>	<u>237,073</u>	<u>4,959</u>	<u>14,037</u>	<u>715</u>	<u>4,643</u>	<u>3,041</u>	<u>4,070</u>	<u>1,239</u>	<u>406,407</u>
Net book value										
at 30th June 2019	<u>136,630</u>	<u>237,073</u>	<u>4,959</u>	<u>14,037</u>	<u>715</u>	<u>4,643</u>	<u>3,041</u>	<u>4,070</u>	<u>1,239</u>	<u>406,407</u>

At 30th June 2020, the net book value of land and buildings pledged as security for the Group's bank loans amounted to HK\$115,295,000 (31st December 2019: HK\$117,430,000).

## 14 INVESTMENT PROPERTIES

	<b>30th June 2020 and 31st December 2019 HK\$'000</b>
At fair value	<b>47,200</b>

- (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 2019.
- (b) As at 30th June 2020, the fair value of the investment properties, as determined by the directors, approximates to the fair value as at 31st December 2019.
- (c) At 30th June 2020 and 31st December 2019, the net book value of investment properties pledged as security for the Group's bank borrowings amounts to HK\$27,100,000.

## 15 INVENTORIES

	<b>30th June 2020 HK\$'000</b>	31st December 2019 HK\$'000
Raw materials	<b>36,453</b>	31,235
Work in progress	<b>16,605</b>	16,720
Finished goods	<b>56,950</b>	68,008
	<b>110,008</b>	115,963
Provision for slow-moving inventories	<b>(6,085)</b>	(5,902)
At 30th June	<b>103,923</b>	110,061

## 16 TRADE AND BILL RECEIVABLES

At 30th June 2020 and 31st December 2019, the ageing analysis of trade and bill receivables based on invoice date were as follows:

	<b>30th June 2020 HK\$'000</b>	31st December 2019 HK\$'000
Current – 3 months	<b>50,826</b>	57,501
4–6 months	<b>8,449</b>	16,068
Over 6 months	<b>10,684</b>	8,348
	<b>69,959</b>	81,917
Provision for impairment loss	<b>(5,220)</b>	(754)
	<b>64,739</b>	81,163

The Group applies the HKFRS 9 simplified approach to measure expected credit losses using a lifetime expected loss allowance for all trade receivables. There were no historical credit losses incurred over existing customers and the overall default rate of corporate remained relatively stable and low. However, as at 30th June 2020, the Directors were of the opinion that a provision for impairment loss of HK\$5,220,000 (31st December 2019: HK\$754,000) was necessary for a particular customer.

The net increase in provision for impairment loss for the period was HK\$4,465,000 (2019: Nil).

## 17 DERIVATIVE FINANCIAL INSTRUMENTS

	<b>30th June 2020 HK\$'000</b>	31st December 2019 HK\$'000
Financial assets at fair value through profit or loss and included in the unaudited condensed consolidated statement of financial position as current (liabilities)/assets		
– Foreign exchange forward contracts	<b>(162)</b>	495

The Group has certain outstanding foreign exchange forward contracts with an external reputable bank with long positions in RMB for hedging its purchase transactions denominated in RMB.

The notional principal amounts of the outstanding foreign exchange forward contracts at 30th June 2020 were approximately US\$3,000,000 (31st December 2019: US\$4,000,000).

## 18 SHARE CAPITAL

	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:		
At 30th June 2020 and 31st December 2019, ordinary shares of HK\$0.10 each	<b>500,000,000</b>	<b>50,000</b>
Issued and fully paid:		
At 30th June 2020 and 31st December 2019, ordinary shares of HK\$0.10 each	<b>198,958,000</b>	<b>19,896</b>



## 19 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 2020	15,886	(786)	244,414	104	259,618
Exchange difference arising from translation of financial information of subsidiaries	—	(7,232)	—	—	(7,232)
At 30th June 2020	<u>15,886</u>	<u>(8,018)</u>	<u>244,414</u>	<u>104</u>	<u>252,386</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 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>

## 20 TRADE AND BILL PAYABLES

At 30th June 2020 and 31st December 2019, the ageing analysis of trade and bill payables based on invoice date were as follows:

	30th June 2020 <i>HK\$'000</i>	31st December 2019 <i>HK\$'000</i>
Current – 3 months	13,792	15,709
4–6 months	215	1,907
Over 6 months	66	133
	<u>14,073</u>	<u>17,749</u>

## 21 BORROWINGS

	<b>30th June 2020 HK\$'000</b>	31st December 2019 HK\$'000
<b>Current liabilities</b>		
Trust receipt loans	<b>17,794</b>	31,435
Bank loans	<b>44,600</b>	37,000
	<hr/>	<hr/>
Total borrowings	<b>62,394</b>	68,435
	<hr/> <hr/>	<hr/> <hr/>

Movements in borrowings are analysed as follows:

	<i>HK\$'000</i>
Six months ended 30th June 2020	
Opening amount as at 1st January 2020	<b>68,435</b>
Proceeds from borrowings	<b>39,059</b>
Repayments of borrowings	<b>(45,100)</b>
	<hr/>
Closing amount as at 30th June 2020	<b>62,394</b>
	<hr/> <hr/>

Total borrowings included secured liabilities of HK\$52,794,000 (31st December 2019: HK\$56,435,000), 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 2020 HK\$'000</b>	31st December 2019 HK\$'000	<b>30th June 2020 HK\$'000</b>	31st December 2019 HK\$'000
Within 1 year	<b>44,600</b>	29,800	<b>17,794</b>	31,435
Between 1 and 2 years	–	7,200	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	<b>44,600</b>	37,000	<b>17,794</b>	31,435
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 22 FINANCIAL GUARANTEES AND PLEDGE

At 30th June 2020, the Group has the following banking facilities, of which HK\$193,040,000 (31st December 2019: HK\$173,040,000) 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\$142,395,000 (31st December 2019: HK\$144,530,000).

	<b>30th June 2020 HK\$'000</b>	31st December 2019 HK\$'000
Trade and loan finance facilities	<b>193,040</b>	185,040
Forward exchange contract line	<b>62,000</b>	62,312

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.

## 23 COMMITMENTS

### (a) Capital commitments

At 30 the June 2020 and 31st December 2019, the Group had the following capital commitments for buildings, plant and equipment:

	<b>30th June 2020 HK\$'000</b>	31st December 2019 HK\$'000
Contracted for but not provided for	<b>12,255</b>	–

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

At 30th June 2020 and 31st December 2019, the Group had future aggregate minimum rental receivables under non-cancellable operating leases as follows:

	<b>Land and buildings</b>	
	<b>30th June 2020 HK\$'000</b>	31st December 2019 HK\$'000
Not later than one year	<b>1,027</b>	920
Later than one year and not later than five years	<b>1,284</b>	1,797
	<b>2,311</b>	2,717

## 24 DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31st December 2019.

The Board does not recommend the payment of an interim dividend for the six months ended 30th June 2020 (2019: Nil).

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

The unaudited condensed consolidated interim financial information was approved by the Board on 18th August 2020.

## **FINANCIAL REVIEW**

### **Results**

The Group's revenue for the six months ended 30th June 2020 was approximately HK\$124,402,000 (2019: approximately HK\$165,623,000). Unaudited consolidated loss attributable to shareholders was approximately HK\$10,146,000 (2019: unaudited consolidated profit attributable to shareholders: approximately HK\$4,220,000). Loss per share was HK5.1 cents (2019: Profit per share HK2.1 cents).

The Board does not recommend the payment of interim dividend (2019: Nil).

### **Liquidity and Financial Resources**

As at 30th June 2020, the Group's bank balances and cash was approximately HK\$38,708,000 (31st December 2019: HK\$36,548,000). The consolidated indebtedness of the Group was approximately HK\$62,699,000 which included short-term borrowings and lease liabilities. The borrowings were denominated in Hong Kong dollars and US dollars and bore interest at floating rates.

The amount of the Group's current working capital was approximately HK\$122,512,000 (31st December 2019: approximately HK\$130,939,000). The current ratio was 2.28. The Group's trade and bill receivables were approximately HK\$64,739,000 (31st December 2019: HK\$81,163,000), representing approximately 52.0% of the period's revenue of approximately HK\$124,402,000.

### **Capital Structure**

The equity of the Group was approximately HK\$545,146,000 (2019: HK\$586,105,000), representing a decrease of approximately 7.0% as compared with the last corresponding period. The gearing ratio, which is calculated by dividing total borrowings by total equity, was approximately 11.4%.

### **Pledge of Assets**

As at 30th June 2020, the Group's utilised banking facilities amounting to approximately HK\$62,394,000 (31st December 2019: approximately HK\$68,435,000) were secured by legal charges over certain land and buildings and investment properties of the Group with a total net book value of approximately HK\$162,495,000 (31st December 2019: approximately HK\$168,130,000), and corporate guarantee given by the Company and its certain subsidiaries.

### **Foreign Exchange Exposure**

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

## **Contingent liabilities**

As at 30th June 2020, the Group did not have any material contingent liabilities (2019: nil).

## **BUSINESS REVIEW**

The Group's revenue decreased by approximately 24.9% from approximately HK\$165,623,000 during the six months ended 30th June 2019 to approximately HK\$124,402,000 during the six months ended 30th June 2020. The drop in sales was mainly due to the outbreak of the coronavirus disease pandemic (the "COVID-19 Pandemic") which has an adverse effect to global economy including our customers.

Sales in power cords and plastic resins accounted for approximately 61% of the Group's revenue, and cables, wires and wire harness accounted for approximately 39% of the Group's revenue.

The gross profit margin decreased from approximately 20.4% for the six months ended 30th June 2019 to approximately 16.7% for the six months ended 30th June 2020. The decrease in gross profit margin was mainly due to higher depreciation charge as a result of the first and second phases of the factory constructions in Quang Ngai, Vietnam which commenced full operations in the second half of 2019.

The Group recorded a negative net profit margin of approximately 8.2% for the six months ended 30th June 2020 whereas it was a positive net profit margin of approximately 2.5% for the first half of 2019. The negative net profit margin was mainly due to the provision for impairment loss on trade receivables of approximately HK\$4.5 million, in addition to the above mentioned effect of the COVID-19 Pandemic.

As to the factory construction in Quang Ngai, Vietnam, the third phase construction of the factory has been ongoing and will be completed and test-run will start in the fourth quarter of 2020. Currently, approximately 50% of production has been shifted to the factory in Quang Ngai, Vietnam.

## **FUTURE PROSPECTS**

The Group has recovered quickly in response to the COVID-19 Pandemic and all operations of factories in Vietnam, Shenzhen City and Heyuan City in The People's Republic of China (the "PRC") have been fully resumed to the normal operation capacities. The global economy is still surrounded by the uncertainties arising from the COVID-19 Pandemic and is still unstable. However, the Group has confidence in its future development.

The Group is still maintaining close and stable business relationship with our renowned customers. The Group will shift our main business focus on high value-added products and under this new business approach, the Group has secured considerable amount of new business orders to strengthen the sales portfolios for 2020 and 2021.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30th June 2020, the Group employed approximately 1,030 (2019: 1,040) full time management, administrative and production staff in Hong Kong, the PRC 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 of the Company (the "Audit Committee") has reviewed with the management 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 2020 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, the Audit Committee, the remuneration committee and the nomination committee to adhere to best practices.

## **SOCIAL RESPONSIBILITY**

The Group holds a strong belief in corporate social responsibility. Hence we continue to participate in and support community activities in both Hong Kong and the PRC.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Directors confirm that during the six months ended 30th June 2020, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), and adopted recommended best practices as 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 six months ended 30th June 2020.

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

Neither the Company nor its subsidiaries has purchased, redeemed or sold any of the listed securities of the Company during the six months ended 30th June 2020.

## **EVENTS AFTER THE REPORTING PERIOD**

No significant events have taken place after the six months ended 30th June 2020 to the date of this announcement.

## **PUBLICATION OF INFORMATION ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This interim results announcement has been published on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://perennial.todayir.com>.

## **VOTE OF THANKS**

The Board would like to extend its sincere thanks to loyal shareholders, partners and customers of the Group for their continuous support and to the staff for their dedication.

By order of the Board  
**Perennial International Limited**  
**KOO Di An, Louise**  
*Chairman*

Hong Kong, 18th August 2020

*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.*