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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 2020

The board of directors (the “Directors”) of Perennial International Limited (the “Company”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31st December 2020.

#### CONSOLIDATED INCOME STATEMENT

*For the year ended 31st December 2020*

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	<b>2019</b> <b>HK\$'000</b>
Revenue	3	<b>282,342</b>	301,357
Cost of sales		<b>(229,573)</b>	(245,570)
Gross profit		<b>52,769</b>	55,787
Other income	4	<b>6,869</b>	7,086
Distribution expenses		<b>(8,323)</b>	(7,305)
Administrative expenses		<b>(51,825)</b>	(53,976)
Other operating expenses, net	5	<b>(3,468)</b>	(12,754)
Impairment loss on financial assets	15	<b>(15,719)</b>	(754)
Operating loss	6	<b>(19,697)</b>	(11,916)
Finance costs	7	<b>(1,675)</b>	(2,468)
Loss before taxation		<b>(21,372)</b>	(14,384)
Income tax credit	8	<b>2,141</b>	1,186
Loss for the year attributable to shareholders of the Company		<b>(19,231)</b>	(13,198)
Basic and diluted loss per share ( <i>cents</i> )	9	<b>(9.7)</b>	(6.6)

\* For identification purposes only

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year	<u>(19,231)</u>	<u>(13,198)</u>
Other comprehensive income/(loss):		
<u>Item that will not be reclassified subsequently</u> <u>to profit or loss</u>		
Revaluation deficit on land and buildings, net of tax	(9,920)	(160)
<u>Items that may be reclassified to profit or loss</u>		
Exchange difference arising from translation of financial statements of subsidiaries	<u>15,907</u>	<u>(2,203)</u>
Other comprehensive income/(loss) for the year	<u>5,987</u>	<u>(2,363)</u>
Total comprehensive loss for the year attributable to shareholders of the Company	<u><u>(13,244)</u></u>	<u><u>(15,561)</u></u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*As at 31st December 2020*

		<b>2020</b>	<b>2019</b>
			(restated)
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	12	<b>419,948</b>	421,571
Investment properties	13	<b>42,980</b>	47,200
Non-current deposits		<b>652</b>	430
Deferred tax assets		<b>9,726</b>	6,296
		<hr/>	<hr/>
		<b>473,306</b>	475,497
		<hr/>	<hr/>
Current assets			
Inventories	14	<b>117,352</b>	110,061
Trade and bill receivables	15	<b>58,642</b>	81,163
Derivative financial instruments	16	<b>2,592</b>	495
Other receivables, deposits and prepayments		<b>10,939</b>	10,404
Taxation recoverable		<b>777</b>	711
Cash and cash equivalents		<b>22,370</b>	36,548
		<hr/>	<hr/>
		<b>212,672</b>	239,382
		<hr/>	<hr/>
Total assets		<b>685,978</b>	714,879
		<hr/>	<hr/>

		2020	2019
			(restated)
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>EQUITY</b>			
Equity attributable to shareholders of the Company			
Share capital	17	19,896	19,896
Reserves		529,384	542,628
		<u>549,280</u>	<u>562,524</u>
Total equity		<u>549,280</u>	<u>562,524</u>
<b>LIABILITIES</b>			
Non-current liabilities			
Lease liabilities		–	77
Deferred tax liabilities		40,289	43,835
		<u>40,289</u>	<u>43,912</u>
Current liabilities			
Trade payables	18	23,737	17,749
Other payables, accruals and contract liabilities		22,630	18,971
Lease liabilities		77	451
Taxation payable		4,238	2,837
Bank loans	19	37,200	37,000
Trust receipt loans	19	8,527	31,435
		<u>96,409</u>	<u>108,443</u>
Total liabilities		<u>136,698</u>	<u>152,355</u>
Total equity and liabilities		<u>685,978</u>	<u>714,879</u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2020

	Reserves					Retained earnings	Total reserves	Total equity
	Share capital	Share premium	Exchange fluctuation reserve	Land and building revaluation reserve	Capital redemption reserve			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1st January 2020	19,896	15,885	(785)	244,414	104	283,010	542,628	562,524
Comprehensive loss								
Loss for the year	-	-	-	-	-	(19,231)	(19,231)	(19,231)
Other comprehensive income/(loss)								
Revaluation deficit on land and building	-	-	-	(11,934)	-	-	(11,934)	(11,934)
Deferred tax credited to revaluation reserve	-	-	-	2,014	-	-	2,014	2,014
Exchange difference arising from translation of foreign operations	-	-	15,907	-	-	-	15,907	15,907
Total comprehensive income/(loss) for the year	-	-	15,907	(9,920)	-	(19,231)	(13,244)	(13,244)
As at 31st December 2020	19,896	15,885	15,122	234,494	104	263,779	529,384	549,280

	Reserves							
	Share capital <i>HK\$'000</i>	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>	Retained earnings <i>HK\$'000</i>	Total reserves <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
As at 1st January 2019	<u>19,896</u>	<u>15,885</u>	<u>1,418</u>	<u>244,574</u>	<u>104</u>	<u>296,208</u>	<u>558,189</u>	<u>578,085</u>
<u>Comprehensive loss</u>								
Loss for the year	-	-	-	-	-	(13,198)	(13,198)	(13,198)
<u>Other comprehensive income/(loss)</u>								
Revaluation surplus on land and building	-	-	-	181	-	-	181	181
Deferred tax charged to revaluation reserve	-	-	-	(341)	-	-	(341)	(341)
Exchange difference arising from translation of foreign operations	<u>-</u>	<u>-</u>	<u>(2,203)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,203)</u>	<u>(2,203)</u>
Total comprehensive loss for the year	<u>-</u>	<u>-</u>	<u>(2,203)</u>	<u>(160)</u>	<u>-</u>	<u>(13,198)</u>	<u>(15,561)</u>	<u>(15,561)</u>
As at 31st December 2019	<u><u>19,896</u></u>	<u><u>15,885</u></u>	<u><u>(785)</u></u>	<u><u>244,414</u></u>	<u><u>104</u></u>	<u><u>283,010</u></u>	<u><u>542,628</u></u>	<u><u>562,524</u></u>

**CONSOLIDATED STATEMENT OF CASH FLOWS***For the year ended 31st December 2020*

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Cash flows from operating activities</b>		
Net cash generated from/(used in) operations	<b>28,460</b>	(3,220)
Hong Kong profits tax (paid)/refunded, net	<b>(127)</b>	183
Overseas income tax paid, net	<b>(1,738)</b>	(1,446)
Interest paid	<b>(1,675)</b>	(2,468)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	<b>24,920</b>	(6,951)
	<hr style="border-top: 1px dashed;"/>	<hr style="border-top: 1px dashed;"/>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	<b>(16,416)</b>	(14,114)
(Increase)/decrease in deposits paid for additions of property, plant and equipment	<b>(452)</b>	671
Interest received	<b>27</b>	98
Proceeds from sale of property, plant and equipment	<b>43</b>	524
	<hr/>	<hr/>
Net cash used in investing activities	<b>(16,798)</b>	(12,821)
	<hr style="border-top: 1px dashed;"/>	<hr style="border-top: 1px dashed;"/>
<b>Cash flows from financing activities</b>		
Additions of bank loans	<b>10,000</b>	35,000
Repayments of bank loans	<b>(9,800)</b>	(34,800)
Net (repayment)/addition of trust receipt loans	<b>(22,908)</b>	6,701
Payments for principal portion of the lease liability	<b>(451)</b>	(364)
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	<b>(23,159)</b>	6,537
	<hr style="border-top: 1px dashed;"/>	<hr style="border-top: 1px dashed;"/>
<b>Net decrease in cash and cash equivalents</b>	<b>(15,037)</b>	(13,235)
Cash and cash equivalents at 1st January	<b>36,548</b>	49,996
Exchange difference on cash and cash equivalents	<b>859</b>	(213)
	<hr/>	<hr/>
<b>Cash and cash equivalents at 31st December</b>	<b>22,370</b>	36,548
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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December 2020*

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 standards and amendments to standards adopted by the Group**

The following new standard and amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 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.



### 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 2020 and have not been early adopted.

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	1st January 2023
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 HKFRSs	Annual Improvements to HKFRSs 2018–2020	1st January 2021
Amendments to HKFRS 16	COVID-19 Related Rent Concession	1st June 2020
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope Amendments	1st January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1st January 2023

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.

### Changes in presentation of right-of-use assets

The Group presented its right-of-use assets, except for leasehold land in Hong Kong, separately in the consolidated statement of financial position in previous year. In the consolidated statement of financial position as at 31st December 2020, the Group presented its right-of-use assets within the line items 'Property, plant and equipment'.

The change in presentation has been applied retrospectively by restating the balance as at 1st January 2019 and 31st December 2019.

## 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:

	2020 HK\$'000	2019 HK\$'000
Sale of goods – at a point in time	<u>282,342</u>	<u>301,357</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 2020 and 2019 are as follows:

	Revenue (external sales) 2020 HK\$'000	Segment results 2020 HK\$'000	Total segment assets 2020 HK\$'000	Capital expenditure 2020 HK\$'000	Depreciation 2020 HK\$'000
Hong Kong	80,101	(17,707)	135,755	735	5,809
Mainland China	39,794	(1,042)	302,067	690	11,163
America	159,168	1,577	94,300	–	–
Europe	530	16	172	–	–
Other countries	2,749	99	100,978	15,443	3,033
Reportable segment	<u>282,342</u>	<u>(17,057)</u>	<u>633,272</u>	<u>16,868</u>	<u>20,005</u>
Unallocated costs		<u>(2,640)</u>			
Operating loss		<u>(19,697)</u>			
	Revenue (external sales) 2019 HK\$'000	Segment results 2019 HK\$'000	Total segment assets 2019 HK\$'000	Capital expenditure 2019 HK\$'000	Depreciation 2019 HK\$'000
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>			

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Total segment assets	633,272	661,383
Investment properties	42,980	47,200
Deferred tax assets	9,726	6,296
	<u>685,978</u>	<u>714,879</u>
Total assets	<u><u>685,978</u></u>	<u><u>714,879</u></u>

Unallocated costs represent corporate expenses.

Revenue of approximately HK\$151,130,000 (2019: HK\$153,484,000) are derived from two (2019: two) major customers contributing 10% or more of the total revenue. These revenues are attributable to the America segment (2019: America segment).

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A	76,437	80,484
Customer B	74,693	73,000
	<u>151,130</u>	<u>153,484</u>
	<u><u>151,130</u></u>	<u><u>153,484</u></u>

#### 4. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Scrap sales	714	3,169
Interest income	27	98
Rental income from investment properties	1,106	892
Government subsidy	2,589	423
Compensation and storage income and freight charges received from customers	1,463	990
Other income from customers	970	1,514
	<u>6,869</u>	<u>7,086</u>
	<u><u>6,869</u></u>	<u><u>7,086</u></u>

## 5. OTHER OPERATING EXPENSES, NET

	2020 HK\$'000	2019 HK\$'000
Revaluation (deficit)/surplus of buildings	(221)	138
Loss on revaluation of investment properties	(4,220)	(8,090)
Charitable donations	(905)	(1,465)
Net gain/(loss) on derivatives financial instruments	3,690	(1,083)
Net exchange losses	(614)	(996)
Gain/(loss) on disposal/write-off of property, plant and equipment	3	(57)
Other expenses	(1,201)	(1,201)
	<u>(3,468)</u>	<u>(12,754)</u>

## 6. OPERATING LOSS

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

	2020 HK\$'000	2019 HK\$'000
Depreciation	20,005	21,003
Auditor's remuneration		
– Audit services	1,436	1,648
– Non-audit services	1,121	1,076
Cost of inventories	148,564	148,684
Net exchange losses	614	996
Lease payments for short-term and low-value leases	29	113
Direct expenses for investment properties	219	211
Provision/(reversal of provision) for slow-moving inventories	154	(705)
Staff costs (including directors' emoluments) (note 11)	77,935	93,002
	<u>77,935</u>	<u>93,002</u>

## 7. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Finance expenses on lease liabilities	11	21
Interest expenses on bank borrowings	1,664	2,793
Less: finance costs capitalised on qualifying assets	–	(346)
	<u>–</u>	<u>(346)</u>
Net finance cost	<u>1,675</u>	<u>2,468</u>

*Note:* For the year ended 31st December 2019, the capitalisation rate used to determine the amount of borrowing costs to be capitalised in construction-in-progress was the weighted average interest rate applicable to the entity's borrowing during the year of 3.68%.

## 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 (2019: 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 profits for the year at the applicable rates of taxation prevailing in the jurisdictions in which the Group operates.

The amount of taxation credited to the consolidated income statement represents:

	2020 HK\$'000	2019 HK\$'000
Hong Kong profits tax	77	163
Overseas taxation	2,446	1,670
Under-provision/(over-provision) in prior year	298	(2)
Deferred tax relating to the origination and reversal of temporary differences	(4,962)	(3,017)
	<u>(2,141)</u>	<u>(1,186)</u>

## 9. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss for the year of HK\$19,231,000 (2019: HK\$13,198,000) divided by the weighted average number of 198,958,000 (2019: 198,958,000) ordinary shares in issue during the year.

In both 2020 and 2019, 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 23rd March 2021, the Board does not recommend the payment of final dividend for the year ended 31st December 2020. The Group did not pay any dividend for the year ended 31st December 2019.

## 11. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2020 HK\$'000	2019 HK\$'000
Wages, salaries and fringe benefits	73,883	87,229
Social security costs	3,068	4,707
Pension costs – contribution to MPF scheme	428	428
Others	556	638
	<u>77,935</u>	<u>93,002</u>

## 12. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Pleasure boats HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Net book value at										
1st January 2020	131,216	262,289	4,312	12,382	677	4,137	2,687	3,871	-	421,571
Addition	-	-	-	854	-	476	371	-	14,944	16,645
Disposals/write-off	-	-	-	(35)	-	(5)	-	-	-	(40)
Depreciation	(4,929)	(9,057)	(1,175)	(2,782)	(158)	(937)	(580)	(387)	-	(20,005)
Revaluation	(12,392)	237	-	-	-	-	-	-	-	(12,155)
Exchange adjustment	770	12,653	26	385	-	56	42	-	-	13,932
Net book value at										
31st December 2020	<u>114,665</u>	<u>266,122</u>	<u>3,163</u>	<u>10,804</u>	<u>519</u>	<u>3,727</u>	<u>2,520</u>	<u>3,484</u>	<u>14,944</u>	<u>419,948</u>
At 31st December 2020										
At cost	34,484	-	15,616	95,579	5,219	15,549	7,388	14,421	14,944	203,200
At valuation - 2020	88,520	266,122	-	-	-	-	-	-	-	354,642
Accumulated depreciation	<u>(8,339)</u>	<u>-</u>	<u>(12,453)</u>	<u>(84,775)</u>	<u>(4,700)</u>	<u>(11,822)</u>	<u>(4,868)</u>	<u>(10,937)</u>	<u>-</u>	<u>(137,894)</u>
Net book value	<u>114,665</u>	<u>266,122</u>	<u>3,163</u>	<u>10,804</u>	<u>519</u>	<u>3,727</u>	<u>2,520</u>	<u>3,484</u>	<u>14,944</u>	<u>419,948</u>
	Right-of-use assets HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Pleasure boats HK\$'000	Construction in progress HK\$'000	Total (restated) HK\$'000
Net book value at										
31st December 2018	-	336,253	2,193	12,446	708	4,285	3,094	4,279	38,809	402,067
Reclassified from land use rights upon adoption of HKFRS 16	<u>152,156</u>	<u>(125,460)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,696</u>
Net book value at										
1st January 2019	152,156	210,793	2,193	12,446	708	4,285	3,094	4,279	38,809	428,763
Addition	892	-	-	5,058	-	669	409	-	8,421	15,449
Disposals/write-off	-	-	-	(377)	-	(28)	(176)	-	-	(581)
Depreciation	(5,432)	(8,070)	(1,100)	(4,633)	(25)	(705)	(630)	(408)	-	(21,003)
Revaluation	(16,338)	16,655	-	-	-	-	-	-	-	317
Transfer	-	44,484	2,894	-	-	-	-	-	(47,378)	-
Exchange adjustment	<u>(62)</u>	<u>(1,573)</u>	<u>325</u>	<u>(112)</u>	<u>(6)</u>	<u>(84)</u>	<u>(10)</u>	<u>-</u>	<u>148</u>	<u>(1,374)</u>
Net book value at										
31st December 2019	<u>131,216</u>	<u>262,289</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>421,571</u>
At 31st December 2019										
At cost	33,604	-	15,194	91,634	5,041	14,659	6,920	14,421	-	181,473
At valuation - 2019	104,720	262,289	-	-	-	-	-	-	-	367,009
Accumulated depreciation	<u>(7,108)</u>	<u>-</u>	<u>(10,882)</u>	<u>(79,252)</u>	<u>(4,364)</u>	<u>(10,522)</u>	<u>(4,233)</u>	<u>(10,550)</u>	<u>-</u>	<u>(126,911)</u>
Net book value	<u>131,216</u>	<u>262,289</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>421,571</u>

### 13. INVESTMENT PROPERTIES

	2020 HK\$'000	2019 HK\$'000
At fair value		
Opening balance at 1st January	47,200	55,290
Revaluation loss charged to the consolidated income statement	(4,220)	(8,090)
Closing balance at 31st December	<u>42,980</u>	<u>47,200</u>

### 14. INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Raw materials	45,778	31,235
Work in progress	13,803	16,720
Finished goods	<u>64,242</u>	<u>68,008</u>
	123,823	115,963
Provision for inventories	<u>(6,471)</u>	<u>(5,902)</u>
	<u>117,352</u>	<u>110,061</u>

### 15. TRADE AND BILL RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Up to 3 months	54,502	55,003
4–6 months	2,957	16,068
Over 6 months	<u>16,395</u>	<u>8,348</u>
Trade receivables, gross ( <i>note (a)</i> )	73,854	79,419
Loss allowance	<u>(16,790)</u>	<u>(754)</u>
Trade receivables, net	57,064	78,665
Bill receivables	<u>1,578</u>	<u>2,498</u>
	<u>58,642</u>	<u>81,163</u>

*Note:*

- (a) At 31st December 2020, the ageing analysis of gross trade receivables is based on invoice date.

## 16. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 <i>HK\$'000</i>	2019 <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>2,592</u>	<u>495</u>

The Group has certain outstanding foreign exchange forward contracts with external reputable banks with long positions in RMB and VND for hedging its purchase transactions and operating expenses denominated in RMB and VND. The fair value of the foreign exchange forward contracts is determined by using valuation techniques. The valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. As all significant inputs regarded to fair value on instruments are observable, the instruments are included in level 2.

## 17. SHARE CAPITAL

	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised		
At 1st January 2019 and 31st December 2019 and 2020, ordinary shares of HK\$0.10 each	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid		
At 1st January 2019 and 31st December 2019 and 2020, ordinary shares of HK\$0.10 each	<u>198,958,000</u>	<u>19,896</u>

## 18. TRADE PAYABLES

At 31st December 2020, the ageing analysis of trade payables based on invoice date is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Up to 3 months	23,668	15,709
4–6 months	–	1,907
Over 6 months	<u>69</u>	<u>133</u>
	<u>23,737</u>	<u>17,749</u>



## 19. BORROWINGS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Current liabilities</b>		
Trust receipt loans	8,527	31,435
Bank loans	<u>37,200</u>	<u>37,000</u>
Total borrowings	<u><u>45,727</u></u>	<u><u>68,435</u></u>

Total borrowings included secured liabilities of HK\$38,527,000 (2019: HK\$56,435,000), which are secured by certain land and buildings and investment properties of the Group. The borrowings of HK\$45,727,000 (2019: HK\$68,435,000) are also supported by guarantees given by the Company and certain subsidiaries.

## 20. COMMITMENTS

### (a) Capital commitments

At 31st December 2020, the Group had the following capital commitments for property, plant and equipment:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contracted but not provided for	<u><u>2,561</u></u>	<u><u>–</u></u>

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

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

	<b>Land and buildings</b> 2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within one year	1,444	920
Between one year and two years	<u>1,169</u>	<u>1,797</u>
	<u><u>2,613</u></u>	<u><u>2,717</u></u>

## 21. FINANCIAL GUARANTEES AND PLEDGE

At 31st December 2020, the Group had the following banking facilities, of which approximately HK\$173,040,000 (2019: HK\$173,040,000) were secured by legal charges over certain land and buildings and investment properties of the Group with a total carrying value of approximately HK\$126,250,000 (2019: HK\$144,530,000).

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade and loan finance facilities	193,040	185,040
Forward exchange contract line	<u><u>62,024</u></u>	<u><u>62,312</u></u>

## **FINANCIAL REVIEW**

### **Results**

The Group's revenue was HK\$282,342,000 (2019: HK\$301,357,000). Loss for the year was HK\$19,231,000 compared to HK\$13,198,000 in 2019. Loss per share was HK\$0.097 (2019: HK\$0.066).

### **Final Dividend**

The Board does not recommend the final dividend for the year ended 31st December 2020. The Group did not pay any dividend for the year ended 31st December 2019.

### **Liquidity and Financial Resources**

As at 31st December 2020, the consolidated short-term borrowings of the Group was approximately HK\$45,727,000. The borrowings are mainly denominated in Hong Kong dollars. The bank balances and cash amounted to approximately HK\$22,370,000.

As at 31st December 2020, the Group's trade and bill receivables balance was approximately HK\$58,642,000, representing 20.8% of the year's revenue of approximately HK\$282,342,000. The Group adopted a stringent credit policy to minimize credit risk.

As at 31st December 2020, the Group's gearing ratio, which is calculated by dividing total borrowings to total equity was 8.3% (2019: 12.2%).

The Group's average cost of borrowings was 2.88% per annum for the year ended 31st December 2020 (2019: 3.68% per annum).

### **Capital Structure**

As at 31st December 2020, the consolidated shareholders' equity of the Group was approximately HK\$549,280,000, representing a decrease of 2.4% over that of the previous year. The debt to equity ratio, which is calculated by dividing total liabilities to shareholders' equity, was approximately 24.9%.

### **Capital Expenditure and Material Acquisitions**

During the year under review, capital expenditure was approximately HK\$16,868,000.

### **Pledge of Assets**

As at 31st December 2020, 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\$126,250,000.

## **Foreign Exchange Exposure**

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

## **Contingent Liabilities**

As at 31st December 2020, the Group did not have any material contingent liabilities.

## **BUSINESS REVIEW**

The Group's revenue decreased by 6.3% to HK\$282.3 million in this financial year. The decrease in revenue was mainly due to the outbreak of COVID-19 pandemic. The Group quickly adopted a series of proactive measures to respond to the pandemic.

Sales in power cords and plastic resins accounted for 65% of the Group's revenue, and cables, wires and wire harness accounted for 35% of the Group's revenue.

The gross margin increased slightly from 18.5% in 2019 to 18.7% in 2020. It has been an achievement of the Group to maintain operational efficiency while facing all the mounting uncertainties in the pandemic period.

The Group recorded a negative net profit margin of 6.8% in 2020 compared to negative net profit margin 4.4% in 2019. The net loss was mainly due to a decrease in fair value of investment property, land and buildings in Hong Kong and Vietnam of approximately HK\$4.4 million; and impairment of trade receivables of approximately HK\$15.7 million occurred for the year ended 31st December 2020.

The factory in Quang Ngai, Vietnam is operating very smoothly. As to the third phase factory construction in Quang Ngai, Vietnam, which consists of the construction of two factory buildings for cable manufacturing and one auxiliary warehouse, was completed in February 2021. The internal renovation and electrical installations work are ongoing. The cable manufacturing factory is expected to come into operations in June 2021.

## **FUTURE PROSPECT**

Although there are still many uncertainties in the road to global economic recovery, the Group is very positive that, with the recent development in COVID-19 vaccines, the adverse impact of COVID-19 pandemic will eventually come to an end and the global economy will recover in the coming years. The Group, with enlarged production capabilities in Vietnam and the launch of newly developed products, has attracted orders from new renowned customers. This has helped to ensure considerable amounts of sales orders in 2021 and the increase in sales is expected to occur in the second half of 2021.

The Group remains optimistic and confident in the future development of the Group and will continue to work closely with our customers to achieve future business opportunities. At the same time, the Group will remain cautious to maintain a proactive and conservative approach in cost controlling and financial strategy to improve the financial position and sustainable business growth.

## **EMPLOYEES' REMUNERATION POLICY**

As at 31st December 2020, the Group employed 997 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 the Mainland China.

## **AUDIT COMMITTEE**

The audit committee of the Company (the "Audit Committee") has reviewed the annual report and the audited financial results of the Group for the year ended 31st December 2020 and the accounting principles and practices adopted by the Group. The Audit Committee 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 of the Corporate Governance Code and Corporate Governance Report (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 set out in the Code whenever appropriate. During the year, Ms. Koo Di An, Louise, 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 (the “Model Code”) 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 Model 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 WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

The information required by Appendix 16 to the Listing Rules will be published on the Stock Exchange’s website <http://www.hkex.com.hk> and on the Company’s website <http://perennial.todayir.com> in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The forthcoming annual general meeting of the Company will be held on Tuesday, 18th May 2021 (“2021 AGM”).

The register of members of the Company will be closed during the periods from Thursday, 13th May 2021 to Tuesday, 18th May 2021, 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 2021 AGM. In order to be eligible to attend and vote at the 2021 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, 12th May 2021.

## EVENTS AFTER THE REPORTING PERIOD

No significant events have taken place after the year ended 31st December 2020 to the date of this announcement.

## 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**  
**MON CHUNG HUNG**  
*Chief Executive Officer*

Hong Kong, 23rd March 2021

*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 2020 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.*