

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

**恒**  
*Perennial*  
**都**

**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 2021**

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 2021.

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31st December 2021*

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
Revenue	3	<b>373,472</b>	282,342
Cost of sales		<b>(293,554)</b>	(229,573)
Gross profit		<b>79,918</b>	52,769
Other income	4	<b>7,735</b>	6,869
Distribution expenses		<b>(9,084)</b>	(8,323)
Administrative expenses		<b>(58,032)</b>	(51,825)
Other operating expenses, net	5	<b>(4,906)</b>	(3,468)
Reversal of impairment loss/ (impairment loss) on trade receivables		<b>727</b>	(15,719)
Operating profit/(loss)	6	<b>16,358</b>	(19,697)
Finance costs	7	<b>(1,262)</b>	(1,675)
Profit/(loss) before taxation		<b>15,096</b>	(21,372)
Income tax (expense)/credit	8	<b>(1,407)</b>	2,141
Profit/(loss) for the year attributable to shareholders of the Company		<b>13,689</b>	(19,231)
Basic and diluted earnings/(loss) per share (cents)	9	<b>6.9</b>	(9.7)

\* For identification purposes only

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2021

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit/(loss) for the year	<u>13,689</u>	<u>(19,231)</u>
Other comprehensive income/(loss):		
<u>Item that will not be reclassified subsequently to</u> <u>profit or loss</u>		
Revaluation deficit on land and buildings, net of tax	<b>(5,891)</b>	(9,920)
<u>Item that may be reclassified to</u> <u>profit or loss</u>		
Exchange difference arising from translation of financial statements of subsidiaries	<u>11,980</u>	<u>15,907</u>
Other comprehensive income for the year	<u>6,089</u>	<u>5,987</u>
Total comprehensive income/(loss) for the year attributable to shareholders of the Company	<u><b>19,778</b></u>	<u>(13,244)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2021

	<i>Note</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	12	<b>406,112</b>	419,948
Investment properties	13	<b>43,100</b>	42,980
Non-current deposits		<b>234</b>	652
Deferred tax assets		<b>7,443</b>	9,726
		<hr/> <b>456,889</b>	<hr/> 473,306
Current assets			
Inventories	14	<b>161,542</b>	117,352
Trade and bill receivables	15	<b>78,010</b>	58,642
Derivative financial instruments	16	<b>28</b>	2,592
Other receivables, deposits and prepayments		<b>11,551</b>	10,939
Taxation recoverable		<b>405</b>	777
Cash and cash equivalents		<b>19,308</b>	22,370
		<hr/> <b>270,844</b>	<hr/> 212,672
Total assets		<hr/> <b>727,733</b>	<hr/> 685,978

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
<b>EQUITY</b>			
Equity attributable to shareholders of the Company			
Share capital	17	<b>19,896</b>	19,896
Reserves		<b>549,162</b>	529,384
		<hr/>	<hr/>
Total equity		<b>569,058</b>	549,280
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>LIABILITIES</b>			
Non-current liabilities			
Lease liabilities		<b>77</b>	–
Deferred tax liabilities		<b>37,650</b>	40,289
		<hr/>	<hr/>
		<b>37,727</b>	40,289
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade payables	18	<b>22,714</b>	23,737
Other payables, accruals and contract liabilities		<b>19,337</b>	22,630
Lease liabilities		<b>454</b>	77
Taxation payable		<b>4,071</b>	4,238
Bank loans	19	<b>60,000</b>	37,200
Trust receipt loans	19	<b>14,372</b>	8,527
		<hr/>	<hr/>
		<b>120,948</b>	96,409
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total liabilities		<b>158,675</b>	136,698
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total equity and liabilities		<b>727,733</b>	685,978
		<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2021

	Reserves						Total reserves	Total equity
	Share capital	Share premium	Exchange fluctuation reserve	Land and building revaluation reserve	Capital redemption reserve	Retained earnings		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 1st January 2021	19,896	15,885	15,122	234,494	104	263,779	529,384	549,280
<u>Comprehensive income</u>								
Profit for the year	-	-	-	-	-	13,689	13,689	13,689
<u>Other comprehensive income/(loss)</u>								
Revaluation deficit on land and building	-	-	-	(6,978)	-	-	(6,978)	(6,978)
Deferred tax credited to revaluation reserve	-	-	-	1,087	-	-	1,087	1,087
Exchange difference arising from translation of foreign operations	-	-	11,980	-	-	-	11,980	11,980
Total comprehensive income/(loss) for the year	-	-	11,980	(5,891)	-	13,689	19,778	19,778
As at 31st December 2021	<u>19,896</u>	<u>15,885</u>	<u>27,102</u>	<u>228,603</u>	<u>104</u>	<u>277,468</u>	<u>549,162</u>	<u>569,058</u>

	Reserves							Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Exchange fluctuation reserve HK\$'000	Land and building revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Retained earnings HK\$'000	Total reserves HK\$'000	
As at 1st January 2020	19,896	15,885	(785)	244,414	104	283,010	542,628	562,524
<u>Comprehensive loss</u>								
Loss for the year	-	-	-	-	-	(19,231)	(19,231)	(19,231)
<u>Other comprehensive income/(loss)</u>								
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	<u>19,896</u>	<u>15,885</u>	<u>15,122</u>	<u>234,494</u>	<u>104</u>	<u>263,779</u>	<u>529,384</u>	<u>549,280</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Cash flows from operating activities</b>		
Net cash (used in)/generated from operations	(21,044)	28,460
Hong Kong profits tax refunded/(paid), net	327	(127)
Overseas income tax paid, net	(1,118)	(1,738)
Interest paid	(1,262)	(1,675)
	<hr/>	<hr/>
Net cash (used in)/generated from operating activities	(23,097)	24,920
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(9,190)	(16,416)
Deposits paid for additions of property, plant and equipment	(20)	(452)
Interest received	13	27
Proceeds from sale of property, plant and equipment	801	43
	<hr/>	<hr/>
Net cash used in investing activities	(8,396)	(16,798)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Cash flows from financing activities</b>		
Additions of bank loans	35,000	10,000
Repayments of bank loans	(12,200)	(9,800)
Net addition/(repayment) of trust receipt loans	5,845	(22,908)
Payments for principal portion of the lease liabilities	(445)	(451)
	<hr/>	<hr/>
Net cash generated from/(used in) financing activities	28,200	(23,159)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Net decrease in cash and cash equivalents</b>	(3,293)	(15,037)
Cash and cash equivalents at 1st January	22,370	36,548
Exchange difference on cash and cash equivalents	231	859
	<hr/>	<hr/>
<b>Cash and cash equivalents at 31st December</b>	<b>19,308</b>	<b>22,370</b>
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

*For the year ended 31st December 2021*

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 adopted by the Group**

The following new and amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1st January 2021:

Amendments to HKFRS 16	COVID-19 Related Rent Concession
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest rate benchmark reform phase 2

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 standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31st December 2021 reporting period and have not been early adopted by the group.

		<b>Effective for annual periods beginning on or after</b>
HKFRS 17	Insurance contracts	1st January 2023 (deferred from 1st January 2021)
Amendments to HKAS 16	Property, plant and equipment: proceeds before intended use	1st January 2022
Amendments to HKFRS 3	Reference to the conceptual framework	1st January 2022
Amendments to HKAS 37	Onerous contracts – cost of fulfilling a contract	1st January 2022
Amendments to Annual Improvements Project	Annual improvements of HKFRSs 2018–2020	1st January 2022
Accounting Guideline 5 (Amendments)	Revised accounting guideline 5 merger accounting for common control combinations (AG 5)	1st January 2022
Amendments to HKAS 1	Classification of liabilities as current or non-current	1st January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies	1st January 2023
Amendments to HKAS 8	Definition of accounting estimates	1st January 2023
Amendments to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction	1st January 2023
Amendments to Hong Kong Interpretation 5	Classification by the borrower of a term loan that contains a repayment on demand clause	Applied when an entity applies “Classification of liabilities as current or non-current – amendments to HKAS 1
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be confirmed by the HKICPA

The Group will adopt the new standards, amendments or interpretations when they become effective. The Group has already commenced an assessment of the related impact of adopting the above new standards, amendments or interpretations, 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Sale of goods – at a point in time	<u>373,472</u>	<u>282,342</u>

The Chief Executive Officer (the chief operation decision maker (“CODM”)) 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, Japan and Other countries (2020: Hong Kong, Mainland China, America, Europe and Other countries). CODM considered from both quantitative and qualitative perspectives and disclosed Japan separately and grouped Europe into Other countries for 2021. 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 2021 and 2020 is as follows:

	Revenue (external sales) 2021 <i>HK\$'000</i>	Segment results 2021 <i>HK\$'000</i>	Total segment assets 2021 <i>HK\$'000</i>	Capital expenditure 2021 <i>HK\$'000</i>	Depreciation 2021 <i>HK\$'000</i>
Hong Kong	48,915	2,886	127,577	3	5,208
Mainland China	78,295	7,111	317,828	387	12,440
America	210,351	6,021	113,841	9	1
Japan	32,755	2,029	1,104	–	–
Other countries	<u>3,156</u>	<u>225</u>	<u>116,840</u>	<u>8,811</u>	<u>3,267</u>
Reportable segment	<u>373,472</u>	<u>18,272</u>	<u>677,190</u>	<u>9,210</u>	<u>20,916</u>
Unallocated costs		<u>(1,914)</u>			
Operating profit		<u>16,358</u>			

	Revenue (external sales) 2020 <i>HK\$'000</i>	Segment results 2020 <i>HK\$'000</i>	Total segment assets 2020 <i>HK\$'000</i>	Capital expenditure 2020 <i>HK\$'000</i>	Depreciation 2020 <i>HK\$'000</i>
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>			

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Total segment assets	677,190	633,272
Investment properties	43,100	42,980
Deferred tax assets	<u>7,443</u>	<u>9,726</u>
Total assets	<u>727,733</u>	<u>685,978</u>

Unallocated costs represent corporate expenses.

Revenue of approximately HK\$195,464,000 (2020: HK\$151,130,000) are derived from two (2020: two) major customers contributing 10% or more of the total revenue. These revenues are attributable to the America segment (2020: America segment).

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	101,176	74,693
Customer B	<u>94,288</u>	<u>76,437</u>
	<u>195,464</u>	<u>151,130</u>

#### 4. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Scrap sales	4,016	714
Interest income	13	27
Rental income from investment properties	1,524	1,106
Government subsidy	99	2,589
Other income from customers	2,083	2,433
	<u>7,735</u>	<u>6,869</u>

#### 5. OTHER OPERATING EXPENSES, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revaluation deficit of buildings	(3,424)	(221)
Gain/(loss) on revaluation of investment properties	120	(4,220)
Charitable donations	(882)	(905)
Net gain on derivatives financial instruments	449	3,690
Net exchange losses	(375)	(614)
Net gain on disposal/write-off of property, plant and equipment	282	3
Other expenses	(1,076)	(1,201)
	<u>(4,906)</u>	<u>(3,468)</u>

#### 6. OPERATING PROFIT/(LOSS)

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Depreciation	20,916	20,005
Auditor's remuneration		
– Audit services	1,483	1,436
– Non-audit services	728	1,121
Cost of inventories	199,288	148,564
Net exchange losses	375	614
Lease payments for short-term and low-value leases	37	29
Direct expenses for investment properties	302	219
Provision for slow-moving inventories, net	80	154
Staff costs (including directors' emoluments) ( <i>note 11</i> )	89,997	77,935
	<u>89,997</u>	<u>77,935</u>

## 7. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Finance expenses on lease liabilities	17	11
Interest expenses on bank borrowings	<u>1,245</u>	<u>1,664</u>
Finance cost	<u><u>1,262</u></u>	<u><u>1,675</u></u>

## 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 (2020: 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 charged/(credited) to the consolidated income statement represents:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong profits tax	309	77
Overseas taxation	1,507	2,446
(Over-provision)/under-provision in prior year	(1,140)	298
Deferred tax relating to the origination and reversal of temporary differences	<u>731</u>	<u>(4,962)</u>
	<u><u>1,407</u></u>	<u><u>(2,141)</u></u>

## 9. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the Group's profit for the year of HK\$13,689,000 (2020: loss of HK\$19,231,000) divided by the weighted average number of 198,958,000 (2020: 198,958,000) ordinary shares in issue during the year.

In both 2021 and 2020, diluted earnings/(loss) per share is the same as basic earnings/(loss) per share due to the absence of dilutive potential ordinary shares during the reporting period.

## 10. DIVIDENDS

The Group did not pay any dividend for the year ended 31st December 2020. A final dividend in respect of the year ended 31st December 2021 of HK\$0.02 per ordinary share, amounting to a total dividend of HK\$3,979,160, is to be proposed at the 2022 AGM on 24th May 2022. These consolidated financial statements do not reflect this dividend payable.

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

	2021 HK\$'000	2020 HK\$'000
Wages, salaries and fringe benefits	83,123	73,883
Social security costs	5,400	3,068
Pension costs – contribution to MPF scheme	436	428
Others	1,038	556
	<u>89,997</u>	<u>77,935</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 2021	114,665	266,122	3,163	10,804	519	3,727	2,520	3,484	14,944	419,948
Addition	899	-	-	902	-	212	-	-	8,515	10,528
Reclassification upon completion	-	8,187	3,030	3,578	-	-	-	-	(14,795)	-
Disposals/write-off	-	(340)	-	(174)	-	(5)	-	-	-	(519)
Depreciation	(4,506)	(9,750)	(1,253)	(3,469)	(104)	(941)	(549)	(344)	-	(20,916)
Revaluation	(1,669)	(8,722)	-	-	-	-	-	-	-	(10,391)
Exchange adjustment	524	6,376	64	243	-	25	18	-	212	7,462
Net book value at 31st December 2021	<u>109,913</u>	<u>261,873</u>	<u>5,004</u>	<u>11,884</u>	<u>415</u>	<u>3,018</u>	<u>1,989</u>	<u>3,140</u>	<u>8,876</u>	<u>406,112</u>
At 31st December 2021										
At cost	35,124	-	18,937	97,113	5,309	15,512	7,436	14,421	8,876	202,728
At valuation – 2021	83,511	261,873	-	-	-	-	-	-	-	345,384
Accumulated depreciation	(8,722)	-	(13,933)	(85,229)	(4,894)	(12,494)	(5,447)	(11,281)	-	(142,000)
Net book value	<u>109,913</u>	<u>261,873</u>	<u>5,004</u>	<u>11,884</u>	<u>415</u>	<u>3,018</u>	<u>1,989</u>	<u>3,140</u>	<u>8,876</u>	<u>406,112</u>

	Right-of-use assets <i>HK\$'000</i>	Buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Pleasure boats <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
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>

### 13. INVESTMENT PROPERTIES

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At fair value		
Opening balance at 1st January	<b>42,980</b>	47,200
Revaluation gain/(loss) charged to the consolidated income statement	<u>120</u>	<u>(4,220)</u>
Closing balance at 31st December	<u><b>43,100</b></u>	<u>42,980</u>

### 14. INVENTORIES

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Raw materials	<b>58,684</b>	45,778
Work in progress	<b>20,280</b>	13,803
Finished goods	<u><b>89,323</b></u>	<u>64,242</u>
Provision for inventories	<u><b>168,287</b></u> <u>(6,745)</u>	<u>123,823</u> <u>(6,471)</u>
	<u><b>161,542</b></u>	<u>117,352</u>

## 15. TRADE AND BILL RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Up to 3 months	66,954	54,502
4–6 months	7,662	2,957
Over 6 months	<u>11,238</u>	<u>16,395</u>
Trade receivables, gross ( <i>note (a)</i> )	85,854	73,854
Loss allowance	<u>(10,358)</u>	<u>(16,790)</u>
Trade receivables, net	75,496	57,064
Bills receivables	<u>2,514</u>	<u>1,578</u>
	<u><u>78,010</u></u>	<u><u>58,642</u></u>

*Note:*

(a) At 31st December 2021, the aging analysis of gross trade receivables is based on invoice date.

## 16. DERIVATIVE FINANCIAL INSTRUMENTS

	2021 <i>HK\$'000</i>	2020 <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><u>28</u></u>	<u><u>2,592</u></u>

The Group has certain outstanding foreign exchange forward contracts with external reputable banks with long positions in VND (2020: RMB and VND) for hedging its purchase transactions and operating expenses denominated in VND (2020: 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 2020 and 31st December 2020 and 2021, ordinary shares of HK\$0.10 each	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid At 1st January 2020 and 31st December 2020 and 2021, ordinary shares of HK\$0.10 each	<u>198,958,000</u>	<u>19,896</u>

## 18. TRADE PAYABLES

At 31st December 2021, the ageing analysis of trade payables based on invoice date is as follows:

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Up to 3 months	<b>22,216</b>	23,668
4–6 months	<b>472</b>	–
Over 6 months	<b>26</b>	69
	<u><b>22,714</b></u>	<u>23,737</u>

## 19. BORROWINGS

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Current liabilities</b>		
Trust receipt loans	<b>14,372</b>	8,527
Bank loans	<b>60,000</b>	37,200
	<u><b>74,372</b></u>	<u>45,727</u>

Total borrowings included secured liabilities of HK\$74,372,000 (2020: HK\$38,527,000), which are secured by certain land and buildings and investment properties of the Group. All borrowings are also supported by limited guarantees given by the Company and certain subsidiaries.

## 20. COMMITMENTS

### (a) Capital commitments

At 31st December 2021, the Group had the following capital commitments for property, plant and equipment:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Contracted but not provided for	–	2,561

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

At 31st December 2021, the Group had future aggregate minimum rental receivables under non-cancellable operating leases as follows:

	<b>Land and buildings</b>	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year	1,426	1,444
Between one year and two years	770	1,169
	<b>2,196</b>	<b>2,613</b>

## 21. FINANCIAL GUARANTEES AND PLEDGE

At 31st December 2021, the Group had the following banking facilities, of which approximately HK\$128,040,000 (2020: HK\$173,040,000) were secured by limited guarantee from the Company and by legal charges over certain land and buildings and investment properties of the Group with a total carrying value of approximately HK\$118,700,000 (2020: HK\$126,250,000).

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade and loan finance facilities	128,040	193,040
Forward exchange contract line	82,389	81,903

## 22. SUBSEQUENT EVENT

The war in Ukraine, new variant of COVID-19 “Omicron” and strained Sino-US relations have brought additional uncertainties to the Group’s operating environment and might impact the Group’s operations and financial position. The Group will closely monitor the development of the evolving Russia-Ukraine conflict, ongoing COVID-19 pandemic and uneasy Sino-US relations, assess and actively respond to their impact on the financial condition, operating results and other aspects of the Group.

## **FINANCIAL REVIEW**

### **Results**

The Group's revenue was HK\$373,472,000 (2020: HK\$282,342,000). Profit for the year was HK\$13,689,000 compared to loss of HK\$19,231,000 for 2020. Earnings per share was HK\$0.069 (2020: loss per share HK\$0.097).

### **Final Dividend**

The Board recommends the payment of a final dividend of HK\$0.02 per share for the year ended 31st December 2021. The Group did not pay any dividend for the year ended 31st December 2020.

The proposed final dividend is subject to approval of the shareholders at the forthcoming Annual General Meeting to be held on 24th May 2022 ("2022 AGM") and is to be payable on 15th June 2022 to shareholders whose names appear on the register of members of the Company on 31st May 2022.

### **Liquidity and Financial Resources**

As at 31st December 2021, the consolidated short-term borrowings of the Group was approximately HK\$74,372,000. The borrowings are mainly denominated in Hong Kong dollars. The bank balances and cash amounted to approximately HK\$19,308,000.

As at 31st December 2021, the Group's trade and bill receivables balance was approximately HK\$78,010,000, representing 20.9% of the year's revenue of approximately HK\$373,472,000. The Group adopted a stringent credit policy to minimize credit risk.

As at 31st December 2021, the Group's gearing ratio, which is calculated by dividing total borrowings to total equity was 13.1% (2020: 8.3%).

The Group's average cost of borrowings was 1.60% per annum for the year ended 31st December 2021 (2020: 2.88%).

### **Capital Structure**

As at 31st December 2021, the consolidated shareholders' equity of the Group was approximately HK\$569,058,000, representing an increase of 3.6% over that of the previous year. The debt to equity ratio, which is calculated by dividing total liabilities to shareholders' equity, was approximately 27.9%.

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

During the year under review, capital expenditure approximates to HK\$9,210,000.

## **Pledge of Assets**

As at 31st December 2021, the Group's trade and loan finance facilities amounted to approximately HK\$128,040,000, which were secured by legal charges over certain land and buildings and investment properties of the Group with a total carrying value of HK\$118,700,000.

## **Foreign Exchange Exposure**

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

## **Contingent Liabilities**

As at 31st December 2021, the Group did not have any material contingent liabilities.

## **BUSINESS REVIEW**

The Group's revenue increased by 32.3% to HK\$373.5 million in this financial year 2021. The surge in revenue was mainly due to increased orders from major customers as the Group adopted series of proactive measures in respond to the ongoing Sino-US trade conflicts and uncertainties of the prolonged pandemic.

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 18.7% in 2020 to 21.4% in 2021. It has been an achievement of the Group to maintain operational efficiency while facing all the mounting uncertainties in supply chain, high logistic charges and fluctuating material costs during the year under review.

The Group recorded a net profit margin of 3.7% in 2021 compared to negative net profit margin 6.8% in 2020. The growth in net profit were mainly due to the increase in sales revenue as well as the higher gross margins, complimented with lower operating expenses as there was no impairment of trade receivables, compared to the loss in previous year which was mainly due to the decrease in fair value of investment property, land and buildings in Hong Kong and Vietnam of approximately HK\$4.2 million, and the impairment of trade receivables of approximately HK\$15.7 million.

Despite certain pandemic related restrictions imposed by the local authorities during the year under review, the factory in Vietnam operated accordingly. 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 around November 2021. Further internal renovation, equipment and electrical installations works are due for completion in the first quarter of 2022, we expect the cable manufacturing section to be fully operational by April 2022.

The Sino-US trade disputes posed significant challenges for the Group's China factories in 2021. The quest to shift further production away from China for America destined products which accounted for 56% of the Group turnover for the year 2021 (2020: 56%) led to lesser utilisation of the Group's mainland production facilities thus resulted in the revaluation deficit of HK\$8.3 million on the Group's property, plant and equipment in Mainland China during the year under review.

During the year 2021, COVID-19 pandemic and the emergence of new variants continued to affect material costs, supply chain and deliveries to customers. The Group had to order and purchased materials, produced finished goods and shipped in advance resulting in 37.7% increase in inventory for the year ended 31st December 2021 to HK\$161.5 million compared to HK\$117.4 million in 2020.

The increase in revenue led to an increase in trade receivables from HK\$58.6 million in 2020 to HK\$78.0 million in 2021. During the year under review, receivables from a few major customers are covered by credit insurance. While the financial impacts for the strategies in place resulted in increased bank borrowings from HK\$45.7 million in 2020 to HK\$74.4 million as at 31st December 2021, applied mainly into financing both the inventory and trade receivables.

## **FUTURE PROSPECT**

Now in its third year, the COVID-19 pandemic continues to impact business activities and shows little sign of ending in the foreseeable future, causing unstable supply chain, excessive freight charges and fluctuating material costs. As at the date of this announcement, the full market impact of the new Omicron variant and the war recently started in Ukraine are yet to be felt.

As our business has not been immune to the effects of the pandemic, trade conflicts and war, but we are confident that our "procure ahead, produce ahead, and ship ahead" strategies implemented couple years ago complimented with our recently enlarged production capacities in Vietnam and continuous launch of newly developed products will enable the Group to continue to maintain our growth impetus amid a rapidly changing business environment.

The Group's continuing success in meeting demand by working closely with our clients underpin our expectation of further improvement in 2022. The Group therefore moves into another new year with cautious optimism. The strong product development capabilities of our China factory along with proven sourcing and procurement competence has placed the Group in a readiness position to respond to potential market disruption.

The return of face-to-face meetings with our customers to expand business is contingent on the success of measures taken to control the spread of COVID-19's Omicron and possibly other variants. Similar to 2021, there are huge uncertainties in how the situation will unfold as both our China and Vietnam factories recently had to halt operations temporarily due to pandemic restrictions imposed by local authorities.

We are confident as the Group is well placed to overcome ongoing and new challenges. We believe having weathered the unprecedented effects of the pandemic in 2021, the Group moved into 2022 with cautious optimism, prepared to both capture new opportunities arising from anticipated gradual market recovery and navigate through continuing disruptions.

## **EMPLOYEES' REMUNERATION POLICY**

As at 31st December 2021, the Group employed 920 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 total amount of employee's remuneration was set out in note 11 to the consolidated financial statements in this announcement. 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 2021 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, 24th May 2022 (“2022 AGM”).

The register of members of the Company will be closed during the following periods:

- (i) from Thursday, 19th May 2022 to Tuesday, 24th May 2022, 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 2022 AGM. In order to be eligible to attend and vote at the 2022 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, 18th May 2022.
- (ii) from 1st June 2022 to 6th June 2022, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders’ entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, 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 31st May 2022.

## **APPRECIATION**

As we move forward into 2022, we wish to thank all our stakeholders – most notably the clients, shareholders, suppliers and employees – for their resilience, dedication and enthusiasm during these turbulent times. It is with their continued support that the Group will succeed in growing its strength and delivering even greater value in the new financial year and for many more years to come.

By Order of the Board  
**Perennial International Limited**  
**MON CHUNG HUNG**  
*Chief Executive Officer and Deputy Chairman*

Hong Kong, 22nd March 2022



*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 2021 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.*