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**恒**  
*Perennial*  
**都**

**PERENNIAL INTERNATIONAL LIMITED**

**恒都集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00725)**

**INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30TH JUNE 2022**

**INTERIM RESULTS**

The board (the “Board”) of directors (the “Directors”) of Perennial International Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June 2022 together with comparative figures as follows:

**CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)**

*for the six months ended 30th June 2022*

	<i>Note</i>	<b>Six months ended 30th June</b>	
		<b>2022</b>	<b>2021</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
Revenue	5	<b>185,825</b>	179,064
Cost of sales		<b>(145,558)</b>	(142,701)
Gross profit		<b>40,267</b>	36,363
Other income	6	<b>6,441</b>	4,659
Distribution expenses		<b>(4,040)</b>	(5,012)
Administrative expenses		<b>(30,090)</b>	(28,922)
Other operating (expenses)/income, net		<b>(1,514)</b>	1,419
(Impairment loss)/reversal of impairment loss on financial assets	16	<b>(2)</b>	827
Operating profit	7	<b>11,062</b>	9,334
Finance costs	8	<b>(869)</b>	(487)
Profit before taxation		<b>10,193</b>	8,847
Income tax	9	<b>(2,537)</b>	(2,023)
Profit for the period attributable to shareholders of the Company		<b>7,656</b>	6,824
Basic and diluted earnings per share ( <i>cents</i> )	11	<b>3.8</b>	3.4

\* *For identification purposes only*

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

*for the six months ended 30th June 2022*

	<b>Six months ended 30th June</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
Profit for the period	<u>7,656</u>	<u>6,824</u>
Other comprehensive (loss)/income:		
Items that may be subsequently reclassified to profit or loss		
Exchange difference arising from translation of financial information of subsidiaries	<u>(15,249)</u>	<u>5,071</u>
Other comprehensive (loss)/income for the period	<u>(15,249)</u>	<u>5,071</u>
Total comprehensive (loss)/income for the period attributable to shareholders of the Company	<u><b>(7,593)</b></u>	<u><b>11,895</b></u>

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

*as at 30th June 2022*

		<b>30th June 2022</b>	31st December 2021
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	13	<b>386,201</b>	406,112
Investment properties	14	<b>40,200</b>	43,100
Non-current deposits		<b>212</b>	234
Deferred tax assets		<b>5,639</b>	7,443
		<hr/> <b>432,252</b> <hr/>	<hr/> 456,889 <hr/>
Current assets			
Inventories	15	<b>167,724</b>	161,542
Trade and bill receivables	16	<b>80,981</b>	78,010
Derivative financial instruments	17	–	28
Other receivables, deposits and prepayments		<b>11,288</b>	11,551
Taxation recoverable		<b>82</b>	405
Cash and cash equivalents		<b>23,237</b>	19,308
		<hr/> <b>283,312</b> <hr/>	<hr/> 270,844 <hr/>
Total assets		<hr/> <b>715,564</b> <hr/>	<hr/> 727,733 <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>256,445</b>	271,694
Retained earnings		<b>281,145</b>	277,468
		<hr/> <b>557,486</b> <hr/>	<hr/> 569,058 <hr/>
Total equity		<hr/> <b>557,486</b> <hr/>	<hr/> 569,058 <hr/>

		<b>30th June</b>	31st December
		<b>2022</b>	2021
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>LIABILITIES</b>			
Non-current liabilities			
Lease liabilities		–	77
Deferred tax liabilities		<b>36,245</b>	37,650
		<b>36,245</b>	37,727
Current liabilities			
Trade payables	20	<b>15,652</b>	22,714
Other payables, accruals and contract liabilities	20	<b>21,762</b>	19,337
Lease liabilities		<b>305</b>	454
Derivative financial instruments	17	<b>55</b>	–
Taxation payable		<b>5,533</b>	4,071
Bank loans	21	<b>50,000</b>	60,000
Trust receipt loans	21	<b>28,526</b>	14,372
		<b>121,833</b>	120,948
Total liabilities		<b>158,078</b>	136,698
Total equity and liabilities		<b>715,564</b>	727,733

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

*for the six months ended 30th June 2022*

	<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 2022	<b>19,896</b>	<b>271,694</b>	<b>277,468</b>	<b>569,058</b>
Total comprehensive (loss)/ income for the period	–	<b>(15,249)</b>	<b>7,656</b>	<b>(7,593)</b>
Dividend paid ( <i>note 12</i> )	–	–	<b>(3,979)</b>	<b>(3,979)</b>
At 30th June 2022	<b>19,896</b>	<b>256,445</b>	<b>281,145</b>	<b>557,486</b>
	Share capital <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1st January 2021	19,896	265,605	263,779	549,280
Total comprehensive income for the period	–	5,071	6,824	11,895
At 30th June 2021	19,896	270,676	270,603	561,175

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)***for the six months ended 30th June 2022*

	<b>Six months ended 30th June</b>	
	<b>2022</b>	<b>2021</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Cash flows from operating activities</b>		
Net cash generated from/(used in) operations	<b>2,006</b>	(42,890)
Hong Kong profits tax and overseas income tax paid, net	<b>(66)</b>	(119)
Interest paid	<b>(869)</b>	(487)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	<b>1,071</b>	(43,496)
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<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	<b>(1,040)</b>	(4,634)
Deposits paid for additions of property, plant and equipment	<b>–</b>	(114)
Interest received	<b>5</b>	6
Proceeds from sale of property, plant and equipment	<b>21</b>	592
Net proceeds from investment in securities	<b>–</b>	828
	<hr/>	<hr/>
Net cash used in investing activities	<b>(1,014)</b>	(3,322)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Cash flows from financing activities</b>		
Net (repayments)/additions of bank loans	<b>(10,000)</b>	22,800
Net additions of trust receipt loans	<b>14,154</b>	18,984
Payments for principal portion of the lease liability	<b>(225)</b>	(223)
	<hr/>	<hr/>
Net cash generated from financing activities	<b>3,929</b>	41,561
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,986</b>	(5,257)
Cash and cash equivalents at 1st January	<b>19,308</b>	22,370
Exchange difference on cash and cash equivalents	<b>(57)</b>	288
	<hr/>	<hr/>
<b>Cash and cash equivalents at 30th June</b>	<b>23,237</b>	17,401
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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 standards and amendments to standards adopted by the Group

The Group has applied the following new standards and amendments to standards for the first time for the annual reporting period commencing 1st January 2022:

Amendments to HKFRS 16	Covid-19 Related Rent Concession beyond 2021
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations
Amendments to Annual Improvements Project	Annual improvements to HKFRS Standards 2018 to 2020

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

- (b) New standards, amendments to standards and interpretation that have been issued but are not yet effective during the year and have not been early adopted by the Group:

		<b>Effective for accounting year beginning on or after</b>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1st January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1st January 2023
Amendments to HKFRS 8	Definition of Accounting Estimates	1st January 2023
HKFRS 17 and amendments to HKFRS 17	Insurance Contracts	1st January 2023
HK Int 5 (2020)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1st January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (amendments)	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

The Group will adopt the new standards, amendments and interpretation to standards when they become effective. Management is in the process of making an assessment of the impact of adopting these standards and amendments and does not expect any impact they would have on the Group's results of operations and financial position.

#### **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 2021.

##### **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>2022</b>	<b>2021</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Sale of goods – at a point in time	<b>185,824</b>	179,064

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, Japan 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 2022 are as follows:

	<b>Six months ended 30th June 2022</b>				
	<b>Revenue (external sales) HK\$'000</b>	<b>Segment results HK\$'000</b>	<b>Total segment assets HK\$'000</b>	<b>Capital expenditure HK\$'000</b>	<b>Depreciation HK\$'000</b>
Hong Kong	23,767	641	124,754	537	2,570
Mainland China	33,900	3,034	305,491	234	5,512
America	108,225	6,776	125,391	–	1
Japan	18,358	1,492	1,794	–	–
Other countries	1,575	149	112,295	269	2,257
Reportable segment	<b>185,825</b>	<b>12,092</b>	<b>669,725</b>	<b>1,040</b>	<b>10,340</b>
Unallocated costs		<b>(1,030)</b>			
Operating profit		<b>11,062</b>			

Unallocated costs represent corporate expenses.

The unaudited segment information for the reportable segments and unaudited segment assets for the six months ended 30th June 2021 are as follows:

	Six months ended 30th June 2021				
	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	25,296	883	140,291	899	2,599
Mainland China	39,381	2,640	335,755	133	6,221
America	99,034	5,522	109,880	9	1
Japan	14,147	1,131	31	–	–
Other countries	1,206	151	106,904	4,582	1,382
Reportable segment	<u>179,064</u>	10,327	<u>692,861</u>	<u>5,623</u>	<u>10,203</u>
Unallocated costs		<u>(993)</u>			
Operating profit		<u>9,334</u>			

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

	Six months ended 30th June	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Total segment assets	669,725	692,861
Investment properties	40,200	42,980
Deferred tax assets	<u>5,639</u>	<u>9,053</u>
Total assets	<u>715,564</u>	<u>744,894</u>

Revenue of approximately HK\$97,055,000 (six months ended 30th June 2021: HK\$91,841,000) are derived from two (six months ended 30th June 2021: two) major customers contributing 10% or more of the total revenue as below:

	Six months ended 30th June	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A <sup>1</sup>	50,144	48,959
Customer B <sup>1</sup>	<u>46,911</u>	<u>42,882</u>
	<u>97,055</u>	<u>91,841</u>

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

## 6 OTHER INCOME

	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
Scrap sales	2,426	1,196
Interest income	5	6
Government subsidy	552	97
Rental income from investment properties	731	713
Other income from customers	2,727	2,647
	<u>6,441</u>	<u>4,659</u>

## 7 OPERATING PROFIT

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

	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
Depreciation	10,340	10,203
Auditor's remuneration	791	741
Cost of inventories	99,599	100,369
Loss on revaluation of investment properties	2,900	–
Net loss/(gain) on derivative financial instruments	278	(470)
Net exchange gain	(2,832)	(154)
Lease payments for short-term and low-value leases	13	15
Direct expenses for investment properties	63	71
Gain on disposal of property, plant and equipment	(6)	(467)
Provision for/(reversal of provision for) slow-moving inventories	1,041	(161)
Staff costs (including directors' emoluments) (note 10)	44,044	46,574
	<u>44,044</u>	<u>46,574</u>

## 8 FINANCE COSTS

	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
Interest expenses on bank borrowings	863	476
Finance expenses on lease liabilities	6	11
	<u>869</u>	<u>487</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 (2021: 8.25% for the first HK\$2 million and 16.5% for the remaining).

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

	Six months ended 30th June	
	2022 HK\$'000	2021 HK\$'000
Hong Kong profits tax	277	206
Overseas taxation	1,784	1,873
Deferred tax relating to the origination and reversal of temporary differences	476	(56)
	<u>2,537</u>	<u>2,023</u>

## 10 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Six months ended 30th June	
	2022 HK\$'000	2021 HK\$'000
Wages, salaries and fringe benefits	40,509	43,127
Social security costs	2,521	2,797
Pension costs		
– contributions to MPF scheme	217	223
Others	797	427
	<u>44,044</u>	<u>46,574</u>

### (a) Directors' Emoluments

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

	Six months ended 30th June	
	2022 HK\$'000	2021 HK\$'000
Basic salaries, other allowances and benefits in kind	4,654	4,685
Pension costs		
– contributions to MPF scheme	27	27
	<u>4,681</u>	<u>4,712</u>

## (b) Key Management Compensation

The emoluments paid or payable to key management including all directors and three (six months ended 30th June 2021: three) senior management for employee services is shown below:

	Six months ended 30th June	
	2022	2021
	HK\$'000	HK\$'000
Basic salaries, other allowances and benefits in kind	5,937	6,002
Pension costs		
– contributions to MPF scheme	54	54
	<u>5,991</u>	<u>6,056</u>

## 11 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's unaudited profit for the six months ended 30th June 2022 of HK\$7,656,000 (for the six months ended 30th June 2021: HK\$6,824,000) divided by the number of 198,958,000 (30th June 2021: 198,958,000) ordinary shares in issue during the period.

For the six months ended 30th June 2022 and 2021, diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary shares at the end of the reporting period.

## 12 DIVIDEND

A dividend of HK\$3,979,000 that relates to the year ended 31st December 2021 was paid on 15th June 2022 (2021: nil).

At a meeting held on 23rd August 2022, the Board does not recommend the payment of an interim dividend for the six months ended 30th June 2022 (six months ended 30th June 2021: nil).

## 13 PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets	Buildings	Leasehold improvements	Plant and machinery	Furniture and fixtures	Office equipment	Motor vehicles	Pleasure boats	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net book value at										
1st January 2022	109,913	261,873	5,004	11,884	415	3,018	1,989	3,140	8,876	406,112
Additions	-	-	-	390	-	129	521	-	-	1,040
Disposals	-	-	-	(15)	-	-	-	-	-	(15)
Depreciation	(2,222)	(4,836)	(898)	(1,524)	(41)	(385)	(277)	(157)	-	(10,340)
Transfer	-	6,939	-	1,937	-	-	-	-	(8,876)	-
Exchange adjustment	(687)	(9,544)	(73)	(244)	-	(26)	(22)	-	-	(10,596)
	<u>107,004</u>	<u>254,432</u>	<u>4,033</u>	<u>12,428</u>	<u>374</u>	<u>2,736</u>	<u>2,211</u>	<u>2,983</u>	<u>-</u>	<u>386,201</u>
Net book value at										
30th June 2022	<u>107,004</u>	<u>254,432</u>	<u>4,033</u>	<u>12,428</u>	<u>374</u>	<u>2,736</u>	<u>2,211</u>	<u>2,983</u>	<u>-</u>	<u>386,201</u>
At 30th June 2022										
At cost	34,264	-	18,527	96,973	5,173	15,301	7,884	14,421	-	192,543
At valuation	83,511	259,135	-	-	-	-	-	-	-	342,646
Accumulated depreciation	(10,771)	(4,703)	(14,494)	(84,545)	(4,799)	(12,565)	(5,673)	(11,438)	-	(148,988)
	<u>107,004</u>	<u>254,432</u>	<u>4,033</u>	<u>12,428</u>	<u>374</u>	<u>2,736</u>	<u>2,211</u>	<u>2,983</u>	<u>-</u>	<u>386,201</u>
Net book value	<u>107,004</u>	<u>254,432</u>	<u>4,033</u>	<u>12,428</u>	<u>374</u>	<u>2,736</u>	<u>2,211</u>	<u>2,983</u>	<u>-</u>	<u>386,201</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 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
Additions	-	-	-	746	-	67	-	-	3,822	4,635
Modification	899	-	-	-	-	-	-	-	-	899
Disposals	-	-	-	(113)	-	(12)	-	-	-	(125)
Depreciation	(2,253)	(4,812)	(479)	(1,696)	(52)	(472)	(264)	(175)	-	(10,203)
Exchange adjustment	205	2,763	14	95	-	19	8	-	89	3,193
Net book value at 30th June 2021	<u>113,516</u>	<u>264,073</u>	<u>2,698</u>	<u>9,836</u>	<u>467</u>	<u>3,329</u>	<u>2,264</u>	<u>3,309</u>	<u>18,855</u>	<u>418,347</u>
At 30th June 2021										
At cost	34,736	-	15,719	92,454	5,256	15,692	7,407	14,421	18,855	204,540
At valuation	88,520	268,892	-	-	-	-	-	-	-	357,412
Accumulated depreciation	(9,740)	(4,819)	(13,021)	(82,618)	(4,789)	(12,363)	(5,143)	(11,112)	-	(143,605)
Net book value	<u>113,516</u>	<u>264,073</u>	<u>2,698</u>	<u>9,836</u>	<u>467</u>	<u>3,329</u>	<u>2,264</u>	<u>3,309</u>	<u>18,855</u>	<u>418,347</u>

Right-of-use assets consist of leasehold land in Hong Kong measured at fair value, land use rights in Mainland China and Vietnam stated at cost less accumulated depreciation and accumulated impairment losses and leased property in Hong Kong measured at cost less accumulated depreciation and accumulated impairment losses.

At 30th June 2022, the net book value of land and buildings pledged as security for the Group's bank loans amounted to HK\$89,118,000 (31st December 2021: HK\$90,900,000).

## 14 INVESTMENT PROPERTIES

	<b>30th June 2022 HK\$'000</b>	31st December 2021 HK\$'000
At fair value	<b>40,200</b>	43,100
Revaluation loss charged to the consolidated income statement	<b>(2,900)</b>	-

- (a) Investment properties were revalued on the basis of open market valued by direct comparison approach by Ascent Partners Valuation Service Limited, an independent firm of chartered surveyors, as at 31st December 2021.
- (b) As at 30th June 2022, the fair value of the investment properties was determined by the directors on the basis of open market valued by direct comparison approach.
- (c) At 30th June 2022, the net book value of investment properties pledged as security for the Group's bank borrowings amounts to HK\$24,900,000 (31st December 2021: HK\$27,800,000).

**15 INVENTORIES**

	<b>30th June 2022 HK\$'000</b>	31st December 2021 HK\$'000
Raw materials	73,868	58,684
Work in progress	19,268	20,280
Finished goods	82,374	89,323
	<u>175,510</u>	<u>168,287</u>
Provision for inventories	(7,786)	(6,745)
	<u><b>167,724</b></u>	<u><b>161,542</b></u>

**16 TRADE AND BILL RECEIVABLES**

	<b>30th June 2022 HK\$'000</b>	31st December 2021 HK\$'000
Up to 3 months	71,048	66,954
4–6 months	7,004	7,662
Over 6 months	2,095	11,238
	<u>80,147</u>	<u>85,854</u>
Trade receivables, gross	80,147	85,854
Loss allowance	(606)	(10,358)
	<u>79,541</u>	<u>75,496</u>
Trade receivables, net	79,541	75,496
Bills receivables	1,440	2,514
	<u><b>80,981</b></u>	<u><b>78,010</b></u>

The aging analysis of gross trade receivables is based on invoice dates.

The carrying value of trade and bill receivables approximate their fair values due to their short term maturities.

The net increase in loss allowance for the period was approximately HK\$2,000 (2021: decrease of HK\$827,000). During the period, the amount of bad debts written off was approximately HK\$9,754,000 (2021: nil).

## 17 DERIVATIVE FINANCIAL INSTRUMENTS

	<b>30th June 2022 HK\$'000</b>	31st December 2021 HK\$'000
Financial (liabilities)/assets at fair value through profit or loss and included in the condensed consolidated statement of financial position as current (liabilities)/assets		
– Foreign exchange forward contracts	<u>(55)</u>	<u>28</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 notional principal amounts of the outstanding foreign exchange forward contracts at 30th June 2022 were approximately US\$2,150,000 (31st December 2021: US\$600,000).

## 18 SHARE CAPITAL

	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:		
At 30th June 2022 and 31st December 2021, ordinary shares of HK\$0.10 each	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid:		
At 30th June 2022 and 31st December 2021, ordinary shares of HK\$0.10 each	<u>198,958,000</u>	<u>19,896</u>

## 19 OTHER RESERVES

	<b>Share premium HK\$'000</b>	<b>Exchange fluctuation reserve HK\$'000</b>	<b>Land and building revaluation reserve HK\$'000</b>	<b>Capital redemption reserve HK\$'000</b>	<b>Total other reserves HK\$'000</b>
At 1st January 2022	15,885	27,102	228,603	104	271,694
Exchange difference arising from translation of financial information of subsidiaries	–	(15,249)	–	–	(15,249)
At 30th June 2022	<u>15,885</u>	<u>11,853</u>	<u>228,603</u>	<u>104</u>	<u>256,445</u>
	<i>Share premium HK\$'000</i>	<i>Exchange fluctuation reserve HK\$'000</i>	<i>Land and building revaluation reserve HK\$'000</i>	<i>Capital redemption reserve HK\$'000</i>	<i>Total other reserves HK\$'000</i>
At 1st January 2021	15,885	15,122	234,494	104	265,605
Exchange difference arising from translation of financial information of subsidiaries	–	5,071	–	–	5,071
At 30th June 2021	<u>15,885</u>	<u>20,193</u>	<u>234,494</u>	<u>104</u>	<u>270,676</u>



## 20 TRADE PAYABLES, OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES

	<b>30th June 2022 HK\$'000</b>	31st December 2021 HK\$'000
Trade payables	15,652	22,714
Other payables and accruals	21,702	19,337
Contract liabilities	60	–
	<u>37,414</u>	<u>42,051</u>

At 30th June 2022 and 31st December 2021, the ageing analysis of trade payables based on invoice dates were as follows:

	<b>30th June 2022 HK\$'000</b>	31st December 2021 HK\$'000
Up to 3 months	14,620	22,216
4–6 months	274	472
Over 6 months	758	26
	<u>15,652</u>	<u>22,714</u>

## 21 BORROWINGS

	<b>30th June 2022 HK\$'000</b>	31st December 2021 HK\$'000
<b>Current liabilities</b>		
Trust receipt loans	28,526	14,372
Bank loans	50,000	60,000
	<u>78,526</u>	<u>74,372</u>

Movements in borrowings are analysed as follows:

	<b>Six months ended 30th June 2022 HK\$'000</b>
As at 1st January 2022	74,372
Proceeds from borrowings	96,187
Repayments of borrowings	<u>(92,033)</u>
As at 30th June 2022	<u>78,526</u>

The borrowings are secured by certain land and buildings and investment properties of the Group and 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 2022 HK\$'000</b>	<b>31st December 2021 HK\$'000</b>	<b>30th June 2022 HK\$'000</b>	<b>31st December 2021 HK\$'000</b>
Within 1 year	<u>50,000</u>	<u>60,000</u>	<u>28,526</u>	<u>14,372</u>
	<b><u>50,000</u></b>	<b><u>60,000</u></b>	<b><u>28,526</u></b>	<b><u>14,372</u></b>

## 22 FINANCIAL GUARANTEES AND PLEDGE

At 30th June 2022, the Group has the following banking facilities which 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\$114,018,000 (31st December 2021: HK\$118,700,000).

	<b>30th June 2022 HK\$'000</b>	<b>31st December 2021 HK\$'000</b>
Trade and loan finance facilities	128,040	128,040
Forward exchange contract line	<u>82,896</u>	<u>82,389</u>

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

## 23 COMMITMENTS

### (a) Capital commitments

At 30th June 2022 and 31st December 2021, the Group did not have any capital commitment.

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

At 30th June 2022 and 31st December 2021, the Group had future aggregate minimum rental receivables under non-cancellable operating leases as follows:

	<b>Land and buildings</b>	
	<b>30th June 2022 HK\$'000</b>	<b>31st December 2021 HK\$'000</b>
Not later than one year	438	1,426
Between one year and two years	<u>-</u>	<u>770</u>
	<b><u>438</u></b>	<b><u>2,196</u></b>

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

The unaudited condensed consolidated interim financial information was approved by the Board on 23rd August 2022.

## **FINANCIAL REVIEW**

### **Results**

The Group's revenue for the six months ended 30th June 2022 was HK\$185,825,000 (2021: HK\$179,064,000). Unaudited consolidated profit attributable to shareholders was HK\$7,656,000 (2021: HK\$6,824,000). Earnings per share was HK\$0.038 (2021: HK\$0.034).

The Board does not recommend the payment of interim dividend (2021: Nil).

### **Liquidity and Financial Resources**

As at 30th June 2022, the Group's bank balances and cash was HK\$23,237,000. The consolidated indebtedness of the Group was HK\$78,526,000 which was in short-term borrowings. 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 HK\$161,479,000 (31st December 2021: HK\$149,896,000). The current ratio was 2.3. The Group's trade and bill receivables were HK\$80,981,000, representing 44% of the period's revenue of HK\$185,825,000.

## **BUSINESS REVIEW**

The Group's revenue increased by approximately 3.8% from approximately HK\$179,064,000 during the six months ended 30th June 2021 to approximately HK\$185,825,000 during the six months ended 30th June 2022. The increase in sales was mainly due to increase in orders from our American major customers for the first half of the year under review.

The Group's major US customers are primarily manufacturers of heating, ventilation, and air conditioning (HVAC) and white goods appliances. Despite the challenging conditions of North America market, the Group recorded an increase in deliveries to our HVAC and household appliances customers during the interim period under review.

By geographical market segments, turnover from the business in America increased by 9.2% to approximately HK\$108,225,000 from approximately HK\$99,034,000 for the same period of last year, accounting for 58.2% of the Group's total turnover. Turnover from the sales on Mainland China and in Hong Kong decreased by 10.8% to approximately HK\$57,667,000 from approximately HK\$64,677,000 for the same period of last year, accounting for 31% of the Group's total turnover. Turnover from the sales to Japan increased by 29.7% to approximately HK\$18,358,000 from approximately HK\$14,147,000 for the same period of last year, accounting for 9.9% of the Group's total turnover.

The gross profit margin increased from approximately 20.3% for the six months ended 30th June 2021 to approximately 21.7% for the six months ended 30th June 2022. The increase in gross profit margin was mainly due to the implementation of cost control measures in reducing direct labour costs supported by new production equipment at the expanded Vietnam factory as well as keeping a tight lid on costs of raw materials during the period under review.

As a result, the Group recorded a net profit margin of approximately 4.1% for the six months ended 30th June 2022 whereas it was approximately 3.8% for the first half of 2021. In addition, the Group has invested various effort in distribution and administrative cost control measures, optimization of business management processes and reallocation of resources to strengthen the business performance of the Group.

All construction and renovation work for the factory in Quang Ngai, Vietnam has been completed and operating at expected normal capacity and efficiency. Our Shenzhen factory operations were halted for a short time due to the pandemic related restrictions imposed by the local authorities. The temporal shut down, however, had minimal impact on the performance of the Group during the first six months of the year 2022 under review.

## **PROSPECTS**

Now in its third year, the COVID-19 pandemic continues to impact business activities in particular in Mainland China and in Hong Kong. The Ukraine war shows little sign of ending in the foreseeable future, causing unstable supply chain, high energy prices and fluctuating material costs. As at the date of this announcement, the full market impact of the looming recession due to the inevitable rises in interest rates of major economies and the new Monkeypox outbreaks are yet to be felt.

Our business are not immune to the effects of high interest rate environment, the ongoing pandemic, Sino-US trade conflicts further aggravated by recent cross strait tensions and war in Eastern Europe which could lead to slowing demand as our customers are destocking for the remainder of 2022, but we are confident that our strategies complimented with our enlarged production capacities in Vietnam and continuous development of new products will enable the Group to maintain our market position amid a rapidly changing business environment.

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 the second half of 2022 with cautious optimism. Management are prepared to work on inventory reduction, working capital management and to ensure right overhead in place to capture new opportunities arising from anticipated market changes and navigate through continuing disruptions.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30th June 2022, the Group employed approximately 901 (2021: 1,020) full time management, administrative and production staff in Hong Kong, the People's Republic of China (the "PRC"), Vietnam and the USA. 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-the-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 2022 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 Hong Kong, the PRC and Vietnam.

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

The Directors confirm that during the six months ended 30th June 2022, 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 set out in the Code whenever appropriate.

## **COMPLIANCE WITH THE MODEL CODE**

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 Issuer (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with the Directors, the Company confirms that all the Directors complied with the required standards of the said code during the six months ended 30th June 2022.

## **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 2022.

## **EVENTS AFTER THE REPORTING PERIOD**

No significant events have taken place after the six months ended 30th June 2022 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 the loyal shareholders, partners and customers of the Group for their continuous support and to the staff for their dedication.

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

Hong Kong, 23rd August 2022

*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.*