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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 2022

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 2022.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2022

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
Revenue	3	324,524	373,472
Cost of sales		(249,958)	(293,554)
Gross profit		74,566	79,918
Other income	4	9,259	7,735
Distribution expenses		(7,709)	(9,084)
Administrative expenses		(56,941)	(58,032)
Other operating expenses, net	5	(315)	(4,906)
Reversal of impairment loss on trade receivables		11	727
Operating profit	6	18,871	16,358
Finance costs	7	(1,960)	(1,262)
Profit before taxation		16,911	15,096
Income tax	8	(1,063)	(1,407)
Profit for the year attributable to shareholders of the Company		15,848	13,689
Basic and diluted earnings per share (<i>cents</i>)	9	8.0	6.9

* *For identification purposes only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year	<u>15,848</u>	<u>13,689</u>
Other comprehensive income/(loss):		
<u>Item that will not be reclassified subsequently to</u> <u>profit or loss</u>		
Revaluation surplus/(deficit) on land and buildings, net of tax	16,272	(5,891)
<u>Item that may be reclassified to profit or loss</u>		
Exchange difference arising from translation of financial statements of subsidiaries	<u>(31,094)</u>	<u>11,980</u>
Other comprehensive (loss)/income for the year	<u>(14,822)</u>	<u>6,089</u>
Total comprehensive income for the year attributable to shareholders of the Company	<u>1,026</u>	<u>19,778</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	12	380,784	406,112
Investment properties	13	47,154	43,100
Non-current deposits		239	234
Deferred tax assets		7,368	7,443
		435,545	456,889
Current assets			
Inventories	14	146,106	161,542
Trade and bill receivables	15	52,159	78,010
Derivative financial instruments	16	1,100	28
Other receivables, deposits and prepayments		5,809	11,551
Taxation recoverable		64	405
Cash and cash equivalents		21,048	19,308
		226,286	270,844
Total assets		661,831	727,733

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	17	19,896	19,896
Reserves		546,209	549,162
		<hr/>	<hr/>
Total equity		566,105	569,058
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LIABILITIES			
Non-current liabilities			
Lease liabilities		–	77
Deferred tax liabilities		39,055	37,650
		<hr/>	<hr/>
		39,055	37,727
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Current liabilities			
Trade payables	18	11,684	22,714
Other payables, accruals and contract liabilities		17,794	19,337
Lease liabilities		77	454
Taxation payable		4,341	4,071
Bank loans	19	19,000	60,000
Trust receipt loans	19	3,775	14,372
		<hr/>	<hr/>
		56,671	120,948
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Total liabilities		95,726	158,675
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Total equity and liabilities		661,831	727,733
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2022

	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 2022	19,896	15,885	27,102	228,603	104	277,468	549,162	569,058
<u>Comprehensive income</u>								
Profit for the year	-	-	-	-	-	15,848	15,848	15,848
<u>Other comprehensive income/(loss)</u>								
Revaluation surplus on land and building	-	-	-	19,703	-	-	19,703	19,703
Deferred tax charged to revaluation reserve	-	-	-	(3,431)	-	-	(3,431)	(3,431)
Exchange difference arising from translation of foreign operations	-	-	(31,094)	-	-	-	(31,094)	(31,094)
Total comprehensive (loss)/income for the year	-	-	(31,094)	16,272	-	15,848	1,026	1,026
<u>Transaction with owners</u>								
Dividend paid (note 10)	-	-	-	-	-	(3,979)	(3,979)	(3,979)
As at 31st December 2022	<u>19,896</u>	<u>15,885</u>	<u>(3,992)</u>	<u>244,875</u>	<u>104</u>	<u>289,337</u>	<u>546,209</u>	<u>566,105</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 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>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Cash flows from operating activities		
Net cash generated from/(used in) operations	63,807	(21,044)
Hong Kong profits tax (paid)/refunded, net	(219)	327
Overseas income tax paid, net	(1,712)	(1,118)
Interest paid	(1,960)	(1,262)
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Net cash generated from/(used in) operating activities	59,916	(23,097)
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Cash flows from investing activities		
Purchase of property, plant and equipment	(1,673)	(9,190)
Deposits paid for additions of property, plant and equipment	–	(20)
Interest received	31	13
Proceeds from sale of property, plant and equipment	21	801
	<hr/>	<hr/>
Net cash used in investing activities	(1,621)	(8,396)
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Cash flows from financing activities		
Additions of bank loans	62,000	35,000
Repayments of bank loans	(103,000)	(12,200)
Net (repayment)/addition of trust receipt loans	(10,597)	5,845
Payments for principal portion of the lease liabilities	(454)	(445)
Dividend paid to the Company's shareholders	(3,979)	–
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(56,030)	28,200
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Net increase/(decrease) in cash and cash equivalents		
	2,265	(3,293)
Cash and cash equivalents at 1st January	19,308	22,370
Exchange difference on cash and cash equivalents	(525)	231
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Cash and cash equivalents at 31st December	21,048	19,308
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NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31st December 2022

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

1. BASIS OF PREPARATION

The consolidated financial information 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 derivative instruments, which are carried at fair value.

The preparation of consolidated financial information 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 2022:

Amendments to Annual Improvements Project	Annual improvements of HKFRSs 2018–2020
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 (Amendments)	Revised accounting guideline 5 merger accounting for common control combinations (AG 5)

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 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 2022 reporting period and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
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
HKFRS 17	Insurance contracts	1st January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative information	1st January 2023
Amendments to Hong Kong Interpretation 5	Classification by the borrower of a term loan that contains a repayment on demand clause	1st January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1st January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1st January 2024
Amendments to HKFRS 16	Lease Liability in a Sales and Leaseback	1st January 2024
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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Sale of goods – at a point in time	<u><u>324,524</u></u>	<u><u>373,472</u></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. 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 2022 and 2021 is as follows:

	Revenue (external sales) 2022 <i>HK\$'000</i>	Segment results 2022 <i>HK\$'000</i>	Total segment assets 2022 <i>HK\$'000</i>	Capital expenditure 2022 <i>HK\$'000</i>	Depreciation 2022 <i>HK\$'000</i>
Hong Kong	41,157	3,755	128,618	537	5,292
Mainland China	56,788	6,424	277,120	762	10,203
America	188,541	8,322	100,975	–	2
Japan	35,560	2,308	1,094	–	–
Other countries	<u>2,478</u>	<u>217</u>	<u>99,502*</u>	<u>374</u>	<u>4,409</u>
Reportable segment	<u><u>324,524</u></u>	21,026	<u><u>607,309</u></u>	<u><u>1,673</u></u>	<u><u>19,906</u></u>
Unallocated costs		<u>(2,155)</u>			
Operating profit		<u><u>18,871</u></u>			

	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	3,156	225	116,840*	8,811	3,267
Reportable segment	<u>373,472</u>	18,272	<u>677,190</u>	<u>9,210</u>	<u>20,916</u>
Unallocated costs		<u>(1,914)</u>			
Operating profit		<u>16,358</u>			

* The assets mainly represent those located in Vietnam

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Total segment assets	607,309	677,190
Investment properties	47,154	43,100
Deferred tax assets	7,368	7,443
Total assets	<u>661,831</u>	<u>727,733</u>

Unallocated costs represent corporate expenses.

Revenue of approximately HK\$167,458,000 (2021: HK\$195,464,000) are derived from two (2021: two) major customers contributing 10% or more of the total revenue. These revenues are attributable to the America segment (2021: America segment).

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Customer A	91,015	101,176
Customer B	76,443	94,288
	<u>167,458</u>	<u>195,464</u>

4. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Scrap sales	3,207	4,016
Interest income	31	13
Rental income from investment properties	1,545	1,524
Government subsidy (<i>note (a)</i>)	1,298	99
Other income from customers	3,178	2,083
	<u>9,259</u>	<u>7,735</u>

Note:

- (a) During the year ended 31st December 2022, the Group received subsidy from the Government of HKSAR of approximately HK\$804,000 (2021: nil) in relation to the “Employee Support Scheme”. There are no unfulfilled conditions or other contingencies attaching in these subsidies.

5. OTHER OPERATING EXPENSES, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revaluation deficit of buildings	1,516	3,424
Loss/(gain) on revaluation of investment properties	407	(120)
Charitable donations	1,194	882
Net gain on derivatives financial instruments	(81)	(449)
Net exchange (gain)/losses	(4,421)	375
Net gain on disposal/write-off of property, plant and equipment	(5)	(282)
Other expenses	1,705	1,076
	<u>315</u>	<u>4,906</u>

6. OPERATING PROFIT

Operating profit is stated after charging the following:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Depreciation	19,906	20,916
Auditor's remuneration		
– Audit services	1,100	1,483
– Non-audit services	632	728
Cost of inventories	170,192	199,288
Lease payments for short-term and low-value leases	46	37
Direct expenses for investment properties	111	302
Provision for slow-moving inventories, net	2,511	80
Staff costs (including directors' emoluments) (<i>note 11</i>)	79,570	89,997
	<u>79,570</u>	<u>89,997</u>

7. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Finance expenses on lease liabilities	8	17
Interest expenses on bank borrowings	<u>1,952</u>	<u>1,245</u>
Finance cost	<u><u>1,960</u></u>	<u><u>1,262</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 (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 profits for the year at the applicable rates of taxation prevailing in the jurisdictions in which the Group operates.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Hong Kong profits tax	107	309
Overseas taxation	3,072	1,507
Over-provision in prior years	(165)	(1,140)
Deferred tax relating to the origination and reversal of temporary differences	<u>(1,951)</u>	<u>731</u>
	<u><u>1,063</u></u>	<u><u>1,407</u></u>

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit for the year of HK\$15,848,000 (2021: HK\$13,689,000) divided by the weighted average number of 198,958,000 (2021: 198,958,000) ordinary shares in issue during the year.

In both 2022 and 2021, diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary shares during the reporting period.

10. DIVIDENDS

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

A final dividend of HK\$0.03 per ordinary share, amounting to a total dividend of approximately HK\$5,969,000, is to be proposed at the 2023 AGM on 23rd May 2023. These consolidated financial statements do not reflect this dividend payable.

11. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Wages, salaries and fringe benefits	72,972	83,123
Social security costs	4,783	5,400
Pension costs – contribution to MPF scheme	430	436
Others	1,385	1,038
	<u>79,570</u>	<u>89,997</u>

12. PROPERTY, PLANT AND EQUIPMENT

	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 2022	109,913	261,873	5,004	11,884	415	3,018	1,989	3,140	8,876	406,112
Addition	-	-	-	1,025	-	127	521	-	-	1,673
Reclassification										
upon completion	-	6,817	-	1,877	-	-	-	-	(8,694)	-
Disposals/write-off	-	-	-	(15)	-	(1)	-	-	-	(16)
Depreciation	(4,429)	(9,450)	(1,203)	(2,991)	(83)	(710)	(548)	(492)	-	(19,906)
Transfer to investment										
property	(77)	(4,560)	-	-	-	-	-	-	-	(4,637)
Revaluation	8,277	9,943	-	-	-	-	-	-	-	18,220
Exchange adjustment	(1,370)	(18,643)	(179)	(194)	-	(51)	(43)	-	(182)	(20,662)
Net book value at										
31st December 2022	<u>112,314</u>	<u>245,980</u>	<u>3,622</u>	<u>11,586</u>	<u>332</u>	<u>2,383</u>	<u>1,919</u>	<u>2,648</u>	<u>-</u>	<u>380,784</u>
At 31st December 2022										
At cost	33,320	-	18,104	95,560	5,046	14,980	7,815	14,421	-	189,246
At valuation – 2022	88,513	245,980	-	-	-	-	-	-	-	334,493
Accumulated depreciation	(9,519)	-	(14,482)	(83,974)	(4,714)	(12,597)	(5,896)	(11,773)	-	(142,955)
Net book value	<u>112,314</u>	<u>245,980</u>	<u>3,622</u>	<u>11,586</u>	<u>332</u>	<u>2,383</u>	<u>1,919</u>	<u>2,648</u>	<u>-</u>	<u>380,784</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 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>

13. INVESTMENT PROPERTIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At fair value		
Opening balance at 1st January	43,100	42,980
Transfer from property, plant and equipment	4,637	-
Revaluation (loss)/gain charged to the consolidated income statement	(407)	120
Exchange adjustment	(176)	-
Closing balance at 31st December	<u>47,154</u>	<u>43,100</u>

14. INVENTORIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Raw materials	62,198	58,684
Work in progress	13,379	20,280
Finished goods	79,828	89,323
Provision for inventories	<u>(9,299)</u>	<u>168,287</u> (6,745)
	<u>146,106</u>	<u>161,542</u>

15. TRADE AND BILL RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Up to 3 months	44,392	66,954
4–6 months	6,368	7,662
Over 6 months	456	11,238
	<hr/>	<hr/>
Trade receivables, gross (<i>note (a)</i>)	51,216	85,854
Loss allowance	(353)	(10,358)
	<hr/>	<hr/>
Trade receivables, net	50,863	75,496
Bills receivables	1,296	2,514
	<hr/>	<hr/>
	52,159	78,010
	<hr/> <hr/>	<hr/> <hr/>

Note:

- (a) At 31st December 2022 and 2021, the aging analysis of gross trade receivables is based on invoice date.

16. DERIVATIVE FINANCIAL INSTRUMENTS

	2022 <i>HK\$'000</i>	2021 <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	1,100	28
	<hr/> <hr/>	<hr/> <hr/>

The Group has certain outstanding foreign exchange forward contracts with external reputable banks with long positions in RMB and VND (2021: VND) for hedging its purchase transactions and operating expenses denominated in RMB and VND (2021: 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.

The notional principal amounts of the outstanding foreign exchange forward contracts at 31st December 2022 were approximately US\$5,200,000 (2021: US\$600,000).

17. SHARE CAPITAL

	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised At 1st January 2021 and 31st December 2021 and 2022, ordinary shares of HK\$0.10 each	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid At 1st January 2021 and 31st December 2021 and 2022, ordinary shares of HK\$0.10 each	<u>198,958,000</u>	<u>19,896</u>

18. TRADE PAYABLES

At 31st December 2022 and 2021, the ageing analysis of trade payables based on invoice date is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Up to 3 months	10,937	22,216
4–6 months	345	472
Over 6 months	402	26
	<u>11,684</u>	<u>22,714</u>

19. BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current liabilities		
Trust receipt loans	3,775	14,372
Bank loans	19,000	60,000
Total borrowings	<u>22,775</u>	<u>74,372</u>

All borrowings are secured by certain land and buildings and investment properties of the Group and are supported by limited guarantees given by the Company and certain subsidiaries.

20. COMMITMENTS

(a) Capital commitments

At 31st December 2022 and 2021, the Group did not have any capital commitments.

(b) Commitments under operating lease as lessor

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

	Land and buildings	
	2022	2021
	HK\$'000	HK\$'000
Within one year	435	1,426
Between one year and two years	399	770
	834	2,196

21. FINANCIAL GUARANTEES AND PLEDGE

At 31st December 2022, the Group had the following banking facilities, of which approximately HK\$135,040,000 (2021: HK\$128,040,000) 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\$123,600,000 (2021: HK\$118,700,000).

	2022	2021
	HK\$'000	HK\$'000
Trade and loan finance facilities	135,040	128,040
Forward exchange contract line	82,347	82,389

FINANCIAL REVIEW

Results

The Group's revenue was HK\$324,524,000 (2021: HK\$373,472,000). Profit for the year was HK\$15,848,000 compared to HK\$13,689,000 for 2021. Earnings per share was HK\$0.080 (2021: HK\$0.069).

Final Dividend

The Board recommends the payment of a final dividend of HK\$0.03 per share for the year ended 31st December 2022. The Group's total dividend for the year ended 31st December 2021 amounts to HK\$0.02 per share.

The proposed final dividend is subject to approval of the shareholders at the forthcoming Annual General Meeting to be held on 23rd May 2023 ("2023 AGM") and is to be payable on 14th June 2023 to shareholders whose names appear on the register of members of the Company on 5th June 2023.

Liquidity and Financial Resources

As at 31st December 2022, the consolidated short-term borrowings of the Group was approximately HK\$22,775,000. The borrowings are mainly denominated in Hong Kong dollars and US dollars. The bank balances and cash amounted to approximately HK\$21,048,000.

As at 31st December 2022, the Group's trade and bill receivables balance was approximately HK\$52,159,000, representing 16.1% of the year's revenue of approximately HK\$324,524,000. The Group adopted a stringent credit policy to minimise credit risk.

As at 31st December 2022, the Group's gearing ratio, which is calculated by dividing total borrowings to total equity was 4.0% (2021: 13.1%).

The Group's average cost of borrowings was 3.1% per annum for the year ended 31st December 2022 (2021: 1.6%).

Capital Structure

As at 31st December 2022, the consolidated shareholders' equity of the Group was approximately HK\$566,105,000, representing a decrease of 0.5% over that of the previous year. The debt to equity ratio, which is calculated by dividing total liabilities to shareholders' equity, was approximately 16.9%.

Capital Expenditure and Material Acquisitions

During the year, capital expenditure approximate to HK\$1,673,000.

Pledge of Assets

As at 31st December 2022, the Group's trade and loan finance facilities amounted to approximately HK\$135,040,000, which were secured by legal charges over certain land and buildings and investment properties of the Group with a total carrying value of HK\$123,600,000.

Foreign Exchange Exposure

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

Contingent Liabilities

As at 31st December 2022, the Group did not have any material contingent liabilities.

BUSINESS REVIEW

The Group's revenue decreased by 13% to HK\$324.5 million in this financial year 2022. The reduction in revenue was mainly due to decreased orders in view of the sudden acute increase in interest rates of major markets during the latter part of 2022, continued uncertainties caused by the unceasing Russian-Ukrainian war, the ongoing worsening Sino-US trade conflicts and prolonged stringent anti-pandemic measures imposed on Mainland interrupting production plans of customers relying on China's supply chain.

Sales of power cords accounted for 59% (2021: 58%), wire harness recorded 33% (2021: 33%) while cables, wires and plastic resins accounted for remaining 8% (2021: 9%) of the Group's revenue.

By geographical market segments, turnover from the business in America decreased by 10.4% to approximately HK\$188,541,000 from approximately HK\$210,351,000 for the same period of last year, accounting for 58.1% of the Group's total turnover. Turnover from the deliveries in Mainland China and Hong Kong decreased by 23.0% to approximately HK\$97,945,000 from approximately HK\$127,210,000 for the same period of last year, accounting for 30.2% of the Group's total turnover. Only the turnover from the business to Japan recorded a slight increase by 8.6% to approximately HK\$35,560,000 from approximately HK\$32,755,000 for the same period of last year, accounting for 11.0% of the Group's total turnover.

The gross margin increased slightly from 21.4% in 2021 to 23.0% in 2022 as the Group adopted series of proactive measures in respond to evolving challenges during the year under review. The ongoing measures to maintain operational efficiency resulted in the Group lowering overall costs of goods sold such as direct labour, utilities and logistic expenses while facing all the mounting pressures in supply chain and fluctuating material costs during the year under review.

The Group recorded a net profit margin of 4.9% in 2022 compared to 3.7% in 2021. The slight growth in net profit were mainly due to improved gross margins, further complimented with lower distribution, administration and operating expenses for the year ended 31 December 2022.

Despite certain pandemic related restrictions imposed by the local authorities during the year under review, as demanded by our major customers, the Group shifted additional labour-intensive activities to our Vietnam factory. The factory in Quang Ngai, Vietnam was fully functional as internal renovation, new equipment and machinery installations works were completed enabling the cable manufacturing section was fully operational since latter part of 2022.

The Sino-US trade disputes posed significant challenges for the Group's Mainland China factories in 2021. The quest to move further production away from Mainland China for North America destined goods led to lesser utilisation of the Group's mainland production facilities. This resulted in underutilisation of the Group's property, plant and equipment in Mainland China during the year under review, as management resolved to lease certain idle section of our Heyuan factory to external party for alternate usage.

During the year 2022, COVID-19 pandemic and the constant emergence of new variants continued to affect material costs, supply chain and deliveries to customers. The Group cautiously ordered and purchased materials, produced finished goods and shipped accordingly resulting in 9.6% reduction in inventory as at 31st December 2022, from HK\$161.5 million as at 31st December 2021 compared to HK\$146.1 million.

The decrease in revenue conceivably led to a decrease in trade and bill receivables from HK\$78.0 million in 2021 to HK\$52.2 million in 2022. During the year under review, precautionary steps taken included credit insurance covering receivables from a few major customers.

While the financial impacts for the strategies in place resulted in considerable decrease in bank borrowings to HK\$22.8 million in 2022 from HK\$74.4 million as at 31st December 2021, resulted reducing the Group's gearing level to 4.0% as at 31st December 2022 compared to 13.1% as at 31st December 2021. The Group had improvement in cash flow status in operating activities mainly from decrease in inventories and collection from trade receivables which generated operating cash flow of HK\$59.9 million during the year. Such fund was mainly used for repayment of borrowings in view of the significant increased effective interest rate.

FUTURE PROSPECT

Since the early months of 2023, the COVID-19 pandemic presumed no longer substantially impact business activities and excessive freight charges showing clear sign of returning to normal in the foreseeable future. As at the date of this announcement, the worsening trade conflicts between Mainland China and US plus the unfolding war in Ukraine will continue to cause unstable supply chain, and fluctuating material costs.

Although our business are not immune to the effects of inflation and high interest rates faced by most economies, but we are confident that our “procure ahead, produce ahead, and ship ahead” strategies implemented years ago complimented with our recently enlarged production capacities in South East Asia and continuous launch of newly developed wire harness products will enable the Group to continue to maintain our profitability 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 2023. The Group therefore moves into another new year with cautious optimism. The strong product development capabilities of our Mainland China factory along with proven sourcing and procurement competence has placed the Group in a readiness position to respond to potential market disruption. Management will continue to review status of our Mainland factories to ensure better utilisation going forward.

The return to face-to-face meetings in early 2023 with our customers to expand business is contingent upon the success of measures taken to alleviate and mitigate side effects of the persisting Sino-US trade rivalry. Similar to 2022, there are huge uncertainties in how the situation will unfold as management will need to maintain operations of both our more costly Mainland China and competitive Vietnam factories and allocate production in line with ongoing demand by our customers, whom are currently repositioning their coming sourcing locations and strategies.

We are confident as the Group is well placed to overcome ongoing and new challenges. We believe having weathered the unprecedented effects of economic uncertainties, war and pandemic in 2022, the Group moved into 2023 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 2022, the Group employed 790 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 information 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 Hong Kong, Mainland China and Vietnam.

With regards to the Group's ESG performance, please refer to the Group's ESG report which will be available on the Company's website at <http://perennial.todayir.com> and the Stock Exchange's website before 30th April 2023.

AUDIT COMMITTEE

The Audit Committee has reviewed the interim financial report for the six months ended 30th June 2022 and the audited financial results of the Group for the year ended 31st December 2022 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 set out in the Corporate Governance Code (the "Code") attached to the Listing Rules as Appendix 14, 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, 23rd May 2023 ("2023 AGM").

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

- (i) from Thursday, 18th May 2023 to Tuesday, 23rd May 2023, 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 2023 AGM. In order to be eligible to attend and vote at the 2023 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on Wednesday, 17th May 2023.
- (ii) from 31st May 2023 to 5th June 2023, 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, Union Registrars Limited at Suites 3301-04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong not later than 4:00 p.m. on 30th May 2023.

APPRECIATION

As we move forward into 2023, 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, 21st March 2023

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 2022 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.