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恒
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PERENNIAL INTERNATIONAL LIMITED

恒都集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00725)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30TH JUNE 2023**

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 2023 together with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

for the six months ended 30th June 2023

	Note	Six months ended 30th June	
		2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	5	154,951	185,825
Cost of sales		<u>(115,097)</u>	<u>(145,558)</u>
Gross profit		39,854	40,267
Other income	6	4,637	6,441
Distribution expenses		(3,777)	(4,040)
Administrative expenses		(30,812)	(30,090)
Other operating expenses, net		(6,133)	(1,514)
Reversal of impairment loss/(impairment loss) on trade receivables	16	<u>79</u>	<u>(2)</u>
Operating profit	7	3,848	11,062
Finance costs	8	<u>(515)</u>	<u>(869)</u>
Profit before taxation		3,333	10,193
Income tax	9	<u>(995)</u>	<u>(2,537)</u>
Profit for the period attributable to shareholders of the Company		<u><u>2,338</u></u>	<u><u>7,656</u></u>
Basic and diluted earnings per share (<i>cents</i>)	11	<u><u>1.2</u></u>	<u><u>3.8</u></u>

* For identification purposes only

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

for the six months ended 30th June 2023

	Six months ended 30th June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	<u>2,338</u>	<u>7,656</u>
Other comprehensive loss:		
Items that may be subsequently reclassified to profit or loss		
Exchange difference arising from translation of financial information of subsidiaries	<u>(8,472)</u>	<u>(15,249)</u>
Other comprehensive loss for the period	<u>(8,472)</u>	<u>(15,249)</u>
Total comprehensive loss for the period attributable to shareholders of the Company	<u><u>(6,134)</u></u>	<u><u>(7,593)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)*as at 30th June 2023*

		30th June	31st December
		2023	2022
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	<i>13</i>	324,146	380,784
Investment properties	<i>14</i>	85,537	47,154
Non-current deposits		650	239
Deferred tax assets		8,032	7,368
		<u>418,365</u>	<u>435,545</u>
Current assets			
Inventories	<i>15</i>	118,080	146,106
Trade and bill receivables	<i>16</i>	64,842	52,159
Derivative financial instruments	<i>17</i>	–	1,100
Other receivables, deposits and prepayments		10,352	5,809
Taxation recoverable		105	64
Cash and cash equivalents		27,769	21,048
		<u>221,148</u>	<u>226,286</u>
Total assets		<u>639,513</u>	<u>661,831</u>
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	<i>18</i>	19,896	19,896
Other reserves	<i>19</i>	248,400	256,872
Retained earnings		285,706	289,337
Total equity		<u>554,002</u>	<u>566,105</u>

		30th June	31st December
		2023	2022
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Lease liabilities		276	–
Deferred tax liabilities		38,969	39,055
		39,245	39,055
Current liabilities			
Trade payables	20	12,146	11,684
Other payables, accruals and contract liabilities	20	16,181	17,794
Lease liabilities		447	77
Derivative financial instruments	17	2,268	–
Taxation payable		4,738	4,341
Bank loans	21	9,000	19,000
Trust receipt loans	21	1,486	3,775
		46,266	56,671
Total liabilities		85,511	95,726
Total equity and liabilities		639,513	661,831

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)*for the six months ended 30th June 2023*

	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 2023	19,896	256,872	289,337	566,105
Total comprehensive (loss)/income for the period	–	(8,472)	2,338	(6,134)
Dividend paid (<i>note 12</i>)	–	–	(5,969)	(5,969)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June 2023	19,896	248,400	285,706	554,002
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	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 2022	19,896	271,694	277,468	569,058
Total comprehensive (loss)/income for the period	–	(15,249)	7,656	(7,593)
Dividend paid (<i>note 12</i>)	–	–	(3,979)	(3,979)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June 2022	19,896	256,445	281,145	557,486
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)*for the six months ended 30th June 2023*

	Six months ended 30th June	
	2023	2022
	HK\$'000	HK\$'000
Cash flows from operating activities		
Net cash generated from operations	27,923	5,985
Hong Kong profits tax and overseas income tax paid, net	(1,299)	(66)
Interest paid	(515)	(869)
	<u>26,109</u>	<u>5,050</u>
Net cash generated from operating activities	----- 26,109	----- 5,050
Cash flows from investing activities		
Purchases of property, plant and equipment	(848)	(1,040)
Deposits paid for additions of property, plant and equipment	(411)	-
Interest received	43	5
Proceeds from sale of property, plant and equipment	214	21
	<u>(1,002)</u>	<u>(1,014)</u>
Net cash used in investing activities	----- (1,002)	----- (1,014)
Cash flows from financing activities		
Net repayments of bank loans	(10,000)	(10,000)
Net (repayments)/additions of trust receipt loans	(2,289)	14,154
Dividend paid to the Company's shareholders	(5,969)	(3,979)
Payments for principal portion of the lease liability	(193)	(225)
	<u>(18,451)</u>	<u>(50)</u>
Net cash used in financing activities	----- (18,451)	----- (50)
Net increase in cash and cash equivalents	6,656	3,986
Cash and cash equivalents at 1st January	21,048	19,308
Exchange difference on cash and cash equivalents	65	(57)
	<u>27,769</u>	<u>23,237</u>
Cash and cash equivalents at 30th June	===== 27,769	===== 23,237

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Company is an investment holding company. The Group is principally engaged in the manufacturing and trading of electric cable and wire products.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”) unless otherwise stated.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax and the adoption of new and amended standards as set out below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

The Group has applied the following new and amended standards for the first time for the annual reporting period commencing 1st January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKFRS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKFRS 17 and amendments to HKFRS 17	Insurance Contracts

The adoption of the new and amended 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) Amended standards and interpretations that have been issued but are not yet effective during the year and have not been early adopted by the Group:

		Effective for accounting year beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants	1st January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1st January 2024
HK Int 5 (Revised)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1st January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	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 determined

The Group will adopt the amended standards and interpretations when they become effective. Management is in the process of making an assessment of the impact of adopting these 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 2022.

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:

	Six months ended 30th June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of goods – at a point in time	154,951	185,825

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 2023 are as follows:

	Six months ended 30th June 2023				
	Revenue	Segment	Total	Capital	Depreciation
	(external		segment		
	sales)	results	assets	expenditure	Depreciation
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	14,668	530	130,972	469	2,749
Mainland China	21,843	(3,149)	217,338	193	4,608
America	102,732	6,562	103,136	–	1
Japan	14,163	1,039	734	–	–
Other countries	1,545	151	93,764	597	2,079
Reportable segment	154,951	5,133	545,944	1,259	9,437
Unallocated costs		(1,285)			
Operating profit		3,848			

Unallocated costs represent corporate expenses.

The unaudited segment information for the reportable segments and unaudited segment assets for the six months ended 30th June 2022 are as follows:

	Six months ended 30th June 2022				
	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	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	<u>185,825</u>	12,092	<u>669,725</u>	<u>1,040</u>	<u>10,340</u>
Unallocated costs		<u>(1,030)</u>			
Operating profit		<u>11,062</u>			

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

	Six months ended 30th June	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Total segment assets	545,944	669,725
Investment properties	85,537	40,200
Deferred tax assets	<u>8,032</u>	<u>5,639</u>
Total assets	<u>639,513</u>	<u>715,564</u>

Revenue of approximately HK\$90,821,000 (six months ended 30th June 2022: HK\$97,055,000) are derived from two (six months ended 30th June 2022: two) major customers contributing 10% or more of the total revenue as below:

	Six months ended 30th June	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Customer A ¹	49,061	50,144
Customer B ¹	<u>41,760</u>	<u>46,911</u>
	<u>90,821</u>	<u>97,055</u>

¹ Revenue from the America segment.

6 OTHER INCOME

	Six months ended 30th June	
	2023	2022
	HK\$'000	HK\$'000
Scrap sales	2,090	2,426
Interest income	43	5
Government subsidy	6	552
Rental income from investment properties	1,033	731
Other income from customers	1,465	2,727
	<u>4,637</u>	<u>6,441</u>

7 OPERATING PROFIT

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

	Six months ended 30th June	
	2023	2022
	HK\$'000	HK\$'000
Depreciation	9,437	10,340
Auditor's remuneration	550	791
Cost of inventories	81,575	99,599
Revaluation deficit of land and buildings	5,315	—
Loss on revaluation of investment properties	—	2,900
Net loss on derivative financial instruments	2,890	278
Net exchange gain	(3,054)	(2,832)
Lease payments for short-term and low-value leases	18	13
Direct expenses for investment properties	48	63
Gain on disposal of property, plant and equipment	(43)	(6)
Provision for slow-moving inventories	1,808	1,041
Staff costs (including directors' emoluments) (note 10)	39,189	44,044
	<u>39,189</u>	<u>44,044</u>

8 FINANCE COSTS

	Six months ended 30th June	
	2023	2022
	HK\$'000	HK\$'000
Interest expenses on bank borrowings	507	863
Finance expenses on lease liabilities	8	6
	<u>515</u>	<u>869</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 (2022: 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 jurisdictions which the Group operates.

	Six months ended 30th June	
	2023	2022
	HK\$'000	HK\$'000
Hong Kong profits tax	51	277
Overseas taxation	1,692	1,784
Deferred tax relating to the origination and reversal of temporary differences	(748)	476
	<u>995</u>	<u>2,537</u>

10 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Six months ended 30th June	
	2023	2022
	HK\$'000	HK\$'000
Wages, salaries and fringe benefits	36,171	40,509
Social security costs	2,158	2,521
Pension costs		
– contributions to MPF scheme	213	217
Others	647	797
	<u>39,189</u>	<u>44,044</u>

(a) Directors' Emoluments

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

	Six months ended 30th June	
	2023	2022
	HK\$'000	HK\$'000
Basic salaries, other allowances and benefits in kind	5,353	4,654
Pension costs		
– contributions to MPF scheme	29	27
	<u>5,382</u>	<u>4,681</u>

(b) Key Management Compensation

The emoluments paid or payable to key management including all directors and three (six months ended 30th June 2022: three) senior management for employee services is shown below:

	Six months ended 30th June	
	2023	2022
	HK\$'000	HK\$'000
Basic salaries, other allowances and benefits in kind	7,240	5,937
Pension costs		
– contributions to MPF scheme	63	54
	<u>7,303</u>	<u>5,991</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 2023 of HK\$2,338,000 (for the six months ended 30th June 2022: HK\$7,656,000) divided by the number of 198,958,000 (30th June 2022: 198,958,000) ordinary shares in issue during the period.

For the six months ended 30th June 2023 and 2022, 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 DIVIDENDS

A dividend of HK\$5,969,000 that relates to the year ended 31st December 2022 was paid on 14th June 2023. A dividend of HK\$3,979,000 that relates to the year ended 31st December 2021 was paid on 15th June 2022.

At a meeting held on 22nd August 2023, the Board did not recommend the payment of an interim dividend for the six months ended 30th June 2023 (six months ended 30th June 2022: nil).

13 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	Total HK\$'000	
Net book value at										
1st January 2023	112,314	245,980	3,622	11,586	332	2,383	1,919	2,648	380,784	
Additions	869	-	-	352	-	32	464	-	1,717	
Disposals/write-off	-	-	-	(1)	-	(50)	(119)	-	(170)	
Depreciation	(2,338)	(4,570)	(401)	(1,385)	(33)	(280)	(295)	(135)	(9,437)	
Transfer to investment property (note 14(b))	(7,531)	(32,639)	-	-	-	-	-	-	(40,170)	
Revaluation	-	(5,315)	-	-	-	-	-	-	(5,315)	
Exchange adjustment	39	(3,255)	34	(61)	-	(10)	(10)	-	(3,263)	
Net book value at 30th June 2023	<u>103,353</u>	<u>200,201</u>	<u>3,255</u>	<u>10,491</u>	<u>299</u>	<u>2,075</u>	<u>1,959</u>	<u>2,513</u>	<u>324,146</u>	
At 30th June 2023										
At cost	23,982	-	17,966	93,678	4,958	14,548	6,077	14,421	175,630	
At valuation	88,513	204,290	-	-	-	-	-	-	292,803	
Accumulated depreciation	(9,142)	(4,089)	(14,711)	(83,187)	(4,659)	(12,473)	(4,118)	(11,908)	(144,287)	
Net book value	<u>103,353</u>	<u>200,201</u>	<u>3,255</u>	<u>10,491</u>	<u>299</u>	<u>2,075</u>	<u>1,959</u>	<u>2,513</u>	<u>324,146</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 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)
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)
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 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 2023, the net book value of land and buildings pledged as security for the Group's bank loans amounted to HK\$95,020,000 (31st December 2022: HK\$97,000,000).

14 INVESTMENT PROPERTIES

	30th June 2023 HK\$'000	31st December 2022 HK\$'000
At fair value	<u>85,537</u>	<u>47,154</u>

- (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 2022.
- (b) During the period, the Group has entered into a rental agreement with 東源縣南天高考培訓學校 for renting the Group's certain land and buildings in the Mainland China. Upon the signing of the rental agreement, the Group has changed the usage of the property and reclassified building and right-of-use assets of approximately HK\$32,639,000 and HK\$7,531,000 respectively from property, plant and equipment to investment property.
- (c) As at 30th June 2023, the fair value of the investment properties was determined by the directors on the basis of open market valued by direct comparison approach.
- (d) At 30th June 2023, the carrying amount of investment properties pledged as security for the Group's bank borrowings amounts to HK\$26,600,000 (31st December 2022: HK\$26,600,000).

15 INVENTORIES

	30th June 2023 HK\$'000	31st December 2022 HK\$'000
Raw materials	50,800	62,198
Work in progress	12,994	13,379
Finished goods	65,393	79,828
	<u>129,187</u>	<u>155,405</u>
Provision for inventories	(11,107)	(9,299)
	<u>118,080</u>	<u>146,106</u>

16 TRADE AND BILL RECEIVABLES

	30th June 2023 HK\$'000	31st December 2022 HK\$'000
Up to 3 months	56,676	44,392
4–6 months	6,733	6,368
Over 6 months	522	456
	<u>63,931</u>	<u>51,216</u>
Trade receivables, gross	63,931	51,216
Loss allowance	(274)	(353)
	<u>63,657</u>	<u>50,863</u>
Trade receivables, net	63,657	50,863
Bills receivables	1,185	1,296
	<u>64,842</u>	<u>52,159</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 decrease in loss allowance for the period was approximately HK\$79,000 (2022: increase of HK\$2,000).

17 DERIVATIVE FINANCIAL INSTRUMENTS

	30th June 2023 HK\$'000	31st December 2022 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>(2,268)</u>	<u>1,100</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 2023 were approximately US\$5,600,000 (31st December 2022: US\$5,200,000).

18 SHARE CAPITAL

	Number of shares	HK\$'000
Authorised:		
At 30th June 2023 and 31st December 2022, ordinary shares of HK\$0.10 each	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid:		
At 30th June 2023 and 31st December 2022, ordinary shares of HK\$0.10 each	<u>198,958,000</u>	<u>19,896</u>

19 OTHER RESERVES

	Share premium HK\$'000	Exchange fluctuation reserve HK\$'000	Land and building revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Total other reserves HK\$'000
At 1st January 2023	15,885	(3,992)	244,875	104	256,872
Exchange difference arising from translation of financial information of subsidiaries	<u>–</u>	<u>(8,472)</u>	<u>–</u>	<u>–</u>	<u>(8,472)</u>
At 30th June 2023	<u>15,885</u>	<u>(12,464)</u>	<u>244,875</u>	<u>104</u>	<u>248,400</u>

	Share premium <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Land and building revaluation reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Total other reserves <i>HK\$'000</i>
At 1st January 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>

20 TRADE PAYABLES, OTHER PAYABLES, ACCRUALS AND CONTRACT LIABILITIES

	30th June 2023 <i>HK\$'000</i>	31st December 2022 <i>HK\$'000</i>
Trade payables	12,146	11,684
Other payables and accruals	16,143	17,622
Contract liabilities	38	172
	<u>28,327</u>	<u>29,478</u>

At 30th June 2023 and 31st December 2022, the ageing analysis of trade payables based on invoice date were as follows:

	30th June 2023 <i>HK\$'000</i>	31st December 2022 <i>HK\$'000</i>
Up to 3 months	11,446	10,937
4-6 months	139	345
Over 6 months	561	402
	<u>12,146</u>	<u>11,684</u>

21 BORROWINGS

	30th June 2023 HK\$'000	31st December 2022 HK\$'000
Current liabilities		
Trust receipt loans	1,486	3,775
Bank loans	<u>9,000</u>	<u>19,000</u>
Total borrowings	<u><u>10,486</u></u>	<u><u>22,775</u></u>

Movements in borrowings are analysed as follows:

	Six months ended 30th June 2022 HK\$'000
As at 1st January 2023	22,775
Proceeds from borrowings	14,909
Repayments of borrowings	<u>(27,198)</u>
As at 30th June 2023	<u><u>10,486</u></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:

	Bank loans		Trust receipt loans	
	30th June 2023 HK\$'000	31st December 2022 HK\$'000	30th June 2023 HK\$'000	31st December 2022 HK\$'000
Within 1 year	<u>9,000</u>	<u>19,000</u>	<u>1,486</u>	<u>3,775</u>

22 FINANCIAL GUARANTEES AND PLEDGE

At 30th June 2023, the Group has the following banking facilities which were secured by limited guarantee from the Company and by the legal charges over certain land and buildings and investment properties of the Group with a total carrying value of HK\$121,620,000 (31st December 2022: HK\$123,600,000).

	30th June 2023 HK\$'000	31st December 2022 HK\$'000
Trade and loan finance facilities	148,300	135,040
Forward exchange contract line	<u>82,780</u>	<u>82,347</u>

23 COMMITMENTS

(a) Capital commitments

At 30th June 2023 and 31st December 2022, the Group did not have any capital commitment.

(b) Commitments under operating lease as lessor

At 30th June 2023 and 31st December 2022, the Group had future aggregate minimum rental receivables under non-cancellable operating leases as follows:

	Land and buildings	
	30th June 2023 HK\$'000	31st December 2022 HK\$'000
Not later than one year	1,827	435
Between one year and two years	<u>1,915</u>	<u>399</u>
	<u>3,742</u>	<u>834</u>

24 APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information was approved by the Board on 22nd August 2023.

FINANCIAL REVIEW

Results

Since the beginning of the year 2023, under the continued threat of decoupling of the world's economic super-powers, high inflation leading to unceasing interest rates increases and other factors, the prospect for global economic growth remained uncertain, along with sluggish consumer sentiment and weak growth of global trade, decrease in demand for domestic sales and export of wires and cables has brought challenges to the Group.

The Group's revenue for the six months ended 30th June 2023 was HK\$154,951,000 (2022: HK\$185,825,000). Unaudited consolidated profit attributable to shareholders was HK\$2,338,000 (2022: HK\$7,656,000). Earnings per share was HK\$0.012 (2022: HK\$0.038).

However, the Group has other comprehensive loss for the period ended 30th June 2023 of HK\$8,472,000 (2022: HK\$15,249,000) due to the depreciation of Renminbi ("RMB") against HK\$, which led to a foreign exchange loss from translation of financial information of the subsidiaries in the Mainland China, as a substantial part of the Group's net assets is denominated in RMB while the reporting currency of the consolidated financial information is in HK\$. This led to an unaudited total comprehensive loss for the period of HK\$6,134,000 (2022: HK\$7,593,000).

The Board does not recommend the payment of interim dividend (2022: nil).

Liquidity and Financial Resources

As at 30th June 2023, the Group's bank balances and cash was HK\$27,769,000. The consolidated indebtedness of the Group was HK\$10,486,000 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\$174,882,000 (31st December 2022: HK\$169,615,000). The current ratio was 4.8. The Group's trade and bill receivables were HK\$64,842,000, representing 42% of the period's revenue of HK\$154,951,000.

BUSINESS REVIEW

The Group's revenue decreased by approximately 17% from approximately HK\$185,825,000 during the six months ended 30th June 2022 to approximately HK\$154,951,000 during the six months ended 30th June 2023. The decrease in sales was mainly due to decrease in orders from our customers for the first half of the year under review in view of the acute increase in interest rates of by the US Federal Reserve during the interim part of 2023, continued uncertainties caused by the unceasing Russian-Ukrainian war and the ongoing worsening Sino-US trade conflicts.

The Group's major US customers are primarily manufacturers of commercial and domestic heating, ventilation, and air conditioning (HVAC) and white goods appliances. In view of the persistently high inflation, ever increasing interest rates and fear of an impending recession looming and other challenging conditions affecting North America markets, the Group recorded a reduction in deliveries to our HVAC and household appliance customers during the period under review. By geographical market segments, turnover from the business in America decreased by approximately 5% to approximately HK\$102,732,000 from approximately HK\$108,225,000 for the same period of last year, accounting for approximately 66% of the Group's total turnover.

Turnover from the sales on Mainland China and in Hong Kong decreased by approximately 37% to approximately HK\$36,511,000 from approximately HK\$57,667,000 for the same period of last year as a direct impact of the unrelenting US China trade tensions following worldwide sluggish demand, accounting for approximately 23% of the Group's total turnover. In light of the initial period of resumption from pandemic restrictions and the weakness of the Japanese Yen currency, turnover from the sales to Japan decreased by 23% to approximately HK\$14,162,000 from approximately HK\$18,358,000 for the same period of last year, accounting for approximately 9% of the Group's total turnover.

Sales of power cords accounted for 60% (2022: 59%), wire harness recorded 37% (2022: 32%) while cables, wires and plastic resins accounted for remaining 3% (2022: 9%) of the Group's revenue. For the period ended 30th June 2023, Vietnam's shipments accounted for 52% (2022: 46%) of the Group's turnover, while deliveries from our China factory accounted for the remaining 48% (2022: 54%).

The gross profit margin increased from approximately 21.7% for the six months ended 30th June 2022 to approximately 25.7% for the six months ended 30th June 2023. The increase in gross profit margin was mainly due to the depreciation of RMB and weaker VND during the period, implementation of cost control measures in reducing direct labour costs supported by new and efficient production equipment at the expanded Vietnam factory as well as keeping a tight lid on costs of raw materials and operating expenses.

Improved sourcing, normalised logistic and prudent warehouse management resulted in approximately 20% reduction in inventory level from approximately HK\$146,106,000 as at 31 December 2022 to approximately HK\$118,080,000 during the period under review. In spite of interim period lower turnover, trade receivables was higher at HK\$64,842,000 at 30th June 2023 compared to HK\$52,159,000 at 31st December 2022 due to seasonal reason.

While the positive financial impacts for the strategies in place resulted in considerable decrease in bank borrowings to approximately HK\$10,486,000 as at 30 June 2023 from approximately HK\$22,775,000 as at 31st December 2022, resulted in further lowering the Group's gearing ratio to 1.9% as at 30 June 2023 compared to 4.0% as at 31st December 2022. The Group registered an improvement in cash flow from operating activities mainly from decrease in inventories which generated favourable operating cash flow during the period under review. Such fund was mainly used for repayment of borrowings in view of the anticipated significant upsurge in interest rates.

However, due to a revaluation deficit on land and buildings amounted to approximately HK\$5,315,000 (2022: revaluation loss on investment properties HK\$2,900,000) as a result of leasing out of an under-utilised factory premises in Mainland China and a loss on derivative financial instruments of approximately HK\$2,899,000 (2022: approximately HK\$278,000), the Group recorded a lower net profit margin of approximately 1.5% for the six months ended 30th June 2023 whereas it was approximately 4.1% for the first half of 2022.

PROSPECTS

Since the early months of 2023, soaring interest environment and banking failures in the US and Europe are substantially impacting business activities, though supply chains and international logistic are showing clear signs of returning to normal. As at the date of this report, the worsening trade rivalry between Mainland China and US plus the unfolding war in Ukraine will continue to cause economic uncertainties in our major export markets. The impending recession due to the inevitable continued interest rate hikes of major economies, leading to most export markets suffering from a downturn in trade in recent months due to the broad global economic slowdown and poor market sentiment, the full impact is yet to be felt.

Our business is not immune to the effects of high interest rate environment. Customers' de-risking trade with China may lead to the potential relocation of manufacturing bases as well as the likely shift of component sourcing away from China. It is further aggravated by prolonged military hostilities in Eastern Europe which could lead to slowing demand as our customers continue taking a conservative stock control behaviour and a cautious buying practice for the remainder of 2023, 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 for preceding 3 years that ended in early 2023, the Group moved into the second half of 2023 with cautious optimism. Management continues to work on developing strategies to fill our China factory surplus capacity, 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 2023, the Group employed approximately 762 (31st December 2022: 790) full time management, administrative and production staff worldwide. 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 2023 with the Directors.

CORPORATE GOVERNANCE

The Group is committed to safeguarding shareholders’ rights and enhancing corporate governance standard. As a result, we established the compliance committee, the Audit Committee, the remuneration committee and the nomination committee to adhere to best practices.

SOCIAL RESPONSIBILITY

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors confirm that during the six months ended 30th June 2023, 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 Listing Rules, 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. 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 2023.

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 2023.

EVENTS AFTER THE REPORTING PERIOD

No significant events have taken place after the six months ended 30th June 2023 to the date of this report.

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

The interim results announcement have 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, 22nd August 2023

As at the date of this announcement, the executive Directors are Mr. MON Chung Hung, Mr. CHAN Chun Yiu, Ms. MON Wai Ki, Vicky, Ms. MON Tiffany and Mr. MON Derek, 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.