

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

恒

Perennial

都

PERENNIAL INTERNATIONAL LIMITED

恒都集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00725)

CHANGE IN ACCOUNTING POLICY

This announcement is made by the board (the “**Board**”) of directors (the “**Directors**”) of Perennial International Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

CHANGE IN ACCOUNTING POLICY

On 17 November 2023, the Board has approved the change in accounting policy (the “**Change in Accounting Policy**”) for the measurement method after initial recognition of land and buildings (the “**Land and Buildings**”) held by the Group from the revaluation model to the cost model for the year ending 31 December 2023.

Prior to the Change in Accounting Policy, the Group adopted the revaluation model to measure the carrying amount of its Land and Buildings. An independent valuer, who holds a recognised and relevant professional qualification, was engaged to appraise the fair value of the Land and Buildings and they were carried in the Group’s accounts at revalued amount. The changes in the revalued amount of the Land and Buildings at each reporting date was dealt with as movements in the asset revaluation reserve arising from a change in the revalued amount of the Land and Buildings.

After the Change in Accounting Policy, the Group adopts the cost model to measure the carrying amount of the Land and Buildings by which they are stated at cost less accumulated depreciation and any impairment losses.

* For identification purposes only

Major land and buildings held by the Group

As of 17 November 2023, Major Land and Buildings held by the Group consist of: (1) the commercial units located at Units 2003–2006 Greenfield Tower, Concordia Plaza, 1 Science Museum Road, Tsim Sha Tsui, Hong Kong; (2) the industrial complex located at A720–0002 and A720–0112, Beihuan Road, Shiyuan Street, Baoan District, Shenzhen, the People’s Republic of China; and (3) the industrial complex located at No. 5, Street No. 6A, Vietnam – Singapore Industrial Park, Tinh Phong Commune, Son Tinh District, Quang Ngai Province, Vietnam.

The Land and Buildings are occupied by the Group for production and office purposes and are not expected to be sold by the Group in its normal course of business.

Reasons for the Change in Accounting Policy

In accordance with Hong Kong Accounting Standard 16, an entity shall choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to the same class of property, plant and equipment. The Group accounted for its land and buildings using the revaluation model in previous years.

The cost model is commonly used by companies listed on the Stock Exchange in the manufacturing and retail industries to measure the self-use land and buildings held by them. The Group’s Land and Buildings are for production and office purposes rather than holding for sale. Therefore, the cost model would be more appropriate to reflect the Group’s financial position and business model as the Group intends to primarily recover the costs of the properties through use. Historical cost represents the actual outflow of economic resources and the real cost of business. Depreciation method under cost model can allocate such real business cost throughout the estimated useful lives of these properties and better reflect the business performance.

The Group has expanded its production in Vietnam with continuous construction work since 2018 and the third phase construction was completed in 2022. This further increased the self-use land and buildings portfolio as held by the Group and also increased the impact to the operating results and financial position of the Group under the revaluation model given rapid GDP growth in Vietnam. Both the revalued amount and depreciation of the properties are not the actual cost incurred and it is not related to how management measures its business performance. Moreover, with the COVID-19 pandemic, increasing geopolitical and military conflicts, and acute increase of global interest rates in recent years, the property markets of Hong Kong and Mainland China become more volatile and leads to even higher fluctuation in depreciation expenses and the profit or loss under revaluation model. Such fluctuation also impaired the comparability of the financial information with other companies in the same industry when assessed by stakeholders.

Having reviewed the Group's accounting policy, the Board believes that the Change in Accounting Policy will (1) align the Group's accounting policy with industry practice and enhance comparability of financial information with other companies in the same industry; (2) minimise the volatility and fluctuations in the Group's profit or loss and comprehensive income arising from such volatility in valuations; (3) more accurately reflect the Group's operational performance for the period; and (4) not require on assessing the fair value of the Lands and Buildings on an annual basis and will reduce the valuation expenses. In light of the above reasons, the Board approved the Change in Accounting Policy.

IMPACT OF THE CHANGE IN ACCOUNTING POLICY

The Change in Accounting Policy involves a change in the measurement of the Group's Land and Buildings and requires the Company to make retrospective adjustments to the historical consolidated financial statements of the Group. According to the preliminary calculation by the Company based on the currently available information, it is expected the following material adjustments are to be made to consolidated financial statements of the Group for the year ended 31 December 2022 and the six months ended 30 June 2023:

1. decrease in total assets as at 31 December 2022 and 30 June 2023 by approximately HK\$194.5 million and HK\$187.3 million respectively, mainly due to the decrease in the carrying amount of Land and Buildings;
2. decrease in net assets as at 31 December 2022 and 30 June 2023 by approximately HK\$161.9 million and HK\$154.0 million respectively, mainly due to the decrease in the carrying amount of Land and Buildings and the related deferred tax liabilities;
3. increase of the consolidated net profit for the year ended 31 December 2022 and the six months ended 30 June 2023 by approximately HK\$2.7 million and HK\$4.1 million respectively, mainly due to the decrease in depreciation charge on land and buildings; and
4. increase of the earnings per share for the year ended 31 December 2022 and the six months ended 30 June 2023 by HK1.3 cents and HK2.0 cents respectively.

The Change in Accounting Policy has no effect to the Group's revenue and cash flows for all the previous periods.

OPINION OF THE AUDIT COMMITTEE

The audit committee of the Company is of the view that the Change in Accounting Policy will enable the Group to reflect its financial conditions and the value of the Land and Buildings in an objective and fair manner and is in compliance with Hong Kong Accounting Standard. As such, it has agreed to the Change in Accounting Policy by the Group.

With approval of the Board, the accounting policy of the measurement of Land and Buildings of the Group from the revaluation model to the cost model will be changed for the year ending 31 December 2023.

The financial information contained in this announcement is only a preliminary assessment based on information currently available to the Company, which has not been reviewed nor audited by the Company's auditors. **Investors are advised to exercise caution when dealing in the securities of the Company.**

By Order of the Board
Perennial International Limited
Mon Chung Hung
Chief Executive Officer

Hong Kong, 17 November 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.