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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 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Perennial International Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30th June 2024.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) *for the six months ended 30th June 2024*

		Six months ended 30th June	
		2024	2023
	Note	HK\$'000	HK\$'000 (Restated)
Revenue	5	161,393	154,951
Cost of sales		(117,992)	(112,567)
Gross profit		43,401	42,384
Other income	6	4,803	4,637
Distribution expenses		(4,915)	(3,777)
Administrative expenses		(28,548)	(29,099)
Other operating expenses, net		(6,243)	(6,133)
Reversal of impairment loss on trade receivables	16	72	79
Operating profit	7	8,570	8,091
Finance costs	8	(6)	(515)
Profit before taxation		8,564	7,576
Taxation	9	(764)	(1,156)
Profit for the period attributable to shareholders of the Company		7,800	6,420
Basic and diluted earnings per share (HK cents)	11	3.9	3.2

* For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

for the six months ended 30th June 2024

	Six months ended 30th June	
	2024	2023
	HK\$'000	HK\$'000
		(Restated)
Profit for the period	7,800	6,420
Other comprehensive loss:		
Items that may be subsequently reclassified to profit or loss		
Exchange difference arising from translation of financial statements of foreign operations	(4,581)	(4,615)
Total comprehensive income for the period attributable to shareholders of the Company	3,219	1,805

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30th June 2024

		30th June 2024 HK\$'000 (Unaudited)	31st December 2023 HK\$'000 (Audited)
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	13	127,672	134,419
Investment properties	14	75,388	80,644
Non-current deposits		411	390
Deferred tax assets		9,901	7,742
		<u>213,372</u>	<u>223,195</u>
Current assets			
Inventories	15	107,399	110,269
Trade and bills receivables	16	76,487	69,054
Other receivables, deposits and prepayments		5,119	5,542
Financial assets at fair value through profit or loss	17	9,231	7,712
Tax recoverable		105	72
Cash and cash equivalents		51,443	39,008
		<u>249,784</u>	<u>231,657</u>
Total assets		<u><u>463,156</u></u>	<u><u>454,852</u></u>
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	18	19,896	19,896
Other reserves	19	8,559	13,159
Retained earnings		384,341	376,469
Total equity		<u>412,796</u>	<u>409,524</u>

		30th June 2024	31st December 2023
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		–	47
Deferred tax liabilities		6,473	6,182
		6,473	6,229
Current liabilities			
Trade and other payables	20	39,279	34,985
Lease liabilities		276	454
Derivative financial instruments	21	–	410
Tax payable		4,332	3,250
		43,887	39,099
Total liabilities		50,360	45,328
Total equity and liabilities		463,156	454,852

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the six months ended 30th June 2024

	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 2024 (audited)	19,896	13,159	376,469	409,524
Total comprehensive (loss)/ income for the period	–	(4,581)	7,800	3,219
Transfer from statutory reserve	–	(19)	19	–
Dividend forfeited	–	–	53	53
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At 30th June 2024 (unaudited)	19,896	8,559	384,341	412,796
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	Share capital <i>HK\$'000</i>	Other reserves <i>HK\$'000</i> (Restated)	Retained earnings <i>HK\$'000</i> (Restated)	Total equity <i>HK\$'000</i> (Restated)
At 1st January 2023 (audited)	19,896	17,071	367,203	404,170
Total comprehensive (loss)/ income for the period	–	(4,615)	6,420	1,805
Dividend paid (<i>note 12</i>)	–	–	(5,969)	(5,969)
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At 30th June 2023 (unaudited)	19,896	12,456	367,654	400,006
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

for the six months ended 30th June 2024

	Six months ended 30th June	
	2024	2023
	HK\$'000	HK\$'000
Cash flows from operating activities		
Net cash generated from operations	22,013	27,923
Hong Kong profits tax and overseas income tax paid, net	(1,822)	(1,299)
Interest paid	(6)	(515)
	<u>20,185</u>	<u>26,109</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,306)	(848)
Deposits paid for additions of property, plant and equipment	(21)	(411)
Cash paid for investment in securities	(11,110)	–
Sales proceeds of investment in securities	4,688	–
Dividend received	38	–
Interest received	458	43
Proceeds from sale of property, plant and equipment	56	214
	<u>(7,197)</u>	<u>(1,002)</u>
Cash flows from financing activities		
Net repayments of bank loans	–	(10,000)
Net repayments of trust receipt loans	–	(2,289)
Dividend paid to the Company's shareholders	–	(5,969)
Payments for principal portion of the lease liability	(225)	(193)
	<u>(225)</u>	<u>(18,451)</u>
Net increase in cash and cash equivalents	12,763	6,656
Cash and cash equivalents at 1st January	39,008	21,048
Exchange difference on cash and cash equivalents	(328)	65
Cash and cash equivalents at 30th June	<u>51,443</u>	<u>27,769</u>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED 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 interim condensed consolidated financial information is presented in Hong Kong dollars (“HK\$”) and all amounts have been rounded to the nearest thousand, unless otherwise stated.

2 BASIS OF PREPARATION

The unaudited interim 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 adopted in the consolidated financial statements for the year ended 31st December, 2023, except for the estimation of income tax and the adoption of amended standards and interpretations that are relevant to the Group 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) Amended standards and interpretations adopted by the Group:

The Group has applied the following amended standards and interpretations for the first time for the annual reporting period commencing 1st January 2024:

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

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

(b) New and amended standards 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 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
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 and amended standards when they become effective. Management is in the process of making an assessment of the impact of adopting these standards and does not expect any impact they would have on the Group's results of operations and financial position.

(c) Change in accounting policy for valuation of land and buildings

In 2023, the Group changed the accounting method for land and buildings to the cost model and applied the change retrospectively. The comparative figures in the condensed consolidated income statement, the condensed consolidated statement of comprehensive income and the condensed consolidated statement of changes in equity for the period ended 30th June 2023 have been restated.

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 interim condensed consolidated 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 2023.

Fair value estimation

The carrying amounts of the Group's financial assets and liabilities including cash and cash equivalents, trade and bills receivables, other receivables and deposits, financial assets at fair value through profit or loss ("FVPL"), trade and other payables and lease liabilities 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. Revenue recognised during the period is as follows:

	Six months ended 30th June	
	2024	2023
	HK\$'000	HK\$'000
Sale of goods – at a point in time	<u>161,393</u>	<u>154,951</u>

The Chief Executive Officer (the chief operation decision maker) has reviewed the Group's internal reporting and determines that there are six reportable segments, based on location of customers under electric cable and wire products business, including Hong Kong, the People's Republic of China (the "PRC"), America, Vietnam, 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 2024 are as follows:

	Six months ended 30th June 2024				
	Revenue	Segment	Total	Capital	Depreciation
	(external sales)	results	segment	expenditure	
	HK\$'000	HK\$'000	assets	HK\$'000	HK\$'000
Hong Kong	14,641	1,319	82,763	552	940
The PRC	21,779	2,172	92,575	107	1,651
America	113,532	5,290	100,712	–	1
Vietnam	95	10	99,086	647	1,908
Japan	9,746	1,146	1,872	–	–
Other countries	<u>1,600</u>	<u>198</u>	<u>859</u>	<u>–</u>	<u>–</u>
Reportable segment	<u>161,393</u>	10,135	<u>377,867</u>	<u>1,306</u>	<u>4,500</u>
Unallocated costs		<u>(1,565)</u>			
Operating profit		<u>8,570</u>			

Unallocated costs represent corporate expenses.

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 (external sales)	Segment results (Restated)	Total segment assets (Restated)	Capital expenditure	Depreciation (Restated)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	14,668	2,240	48,805	469	1,037
The PRC	21,843	(594)	112,131	193	2,055
America	102,732	6,539	103,136	–	1
Vietnam	24	3	94,407	597	2,102
Japan	14,163	1,039	734	–	–
Other countries	1,521	148	781	–	–
	<u>154,951</u>	<u>9,375</u>	<u>359,994</u>	<u>1,259</u>	<u>5,195</u>
Reportable segment	<u>154,951</u>	<u>9,375</u>	<u>359,994</u>	<u>1,259</u>	<u>5,195</u>
Unallocated costs		<u>(1,284)</u>			
Operating profit		<u>8,091</u>			

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

	Six months ended 30th June	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i> (Restated)
Total segment assets	377,867	359,994
Investment properties	75,388	85,537
Deferred tax assets	<u>9,901</u>	<u>6,716</u>
Total assets	<u>463,156</u>	<u>452,247</u>

Revenue of approximately HK\$101,064,000 (six months ended 30th June 2023: HK\$90,821,000) are derived from two (six months ended 30th June 2023: two) major customers contributing 10% or more of the total revenue as below:

	Six months ended 30th June	
	2024	2023
	HK\$'000	HK\$'000
Customer A ¹	60,359	49,061
Customer B ¹	40,705	41,760
	<hr/>	<hr/>
	101,064	90,821
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¹ Revenue from the America segment.

6 OTHER INCOME

	Six months ended 30th June	
	2024	2023
	HK\$'000	HK\$'000
Scrap sales	2,001	2,090
Rental income from investment properties	1,715	1,033
Interest income	458	43
Government subsidy	35	6
Freight cost recharged to customers	385	1,362
Sundry income	209	103
	<hr/>	<hr/>
	4,803	4,637
	<hr/> <hr/>	<hr/> <hr/>

7 OPERATING PROFIT

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

	Six months ended 30th June	
	2024 HK\$'000	2023 HK\$'000 (Restated)
Depreciation	4,500	5,195
Auditor's remuneration	484	550
Cost of inventories	83,155	81,575
Impairment loss of land and buildings	–	5,315
Loss on revaluation of investment properties	4,926	–
Net loss on derivative financial instruments	150	2,890
Net exchange gain	(959)	(3,054)
Lease payments for short-term and low-value leases	11	18
Direct expenses for investment properties	267	210
Loss/(gain) on disposal of plant and equipment, net	343	(43)
Provision for slow-moving inventories	2,929	1,808
Staff costs (including directors' emoluments) (note 10)	44,709	39,189
	<u>44,709</u>	<u>39,189</u>

8 FINANCE COSTS

	Six months ended 30th June	
	2024 HK\$'000	2023 HK\$'000
Interest expenses on bank borrowings	–	507
Interest expenses on lease liabilities	6	8
	<u>6</u>	<u>515</u>

9 TAXATION

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 (2023: 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	
	2024	2023
	HK\$'000	HK\$'000
		(Restated)
Hong Kong profits tax	1,257	51
Overseas taxation	1,416	1,692
Deferred tax relating to the origination and reversal of temporary differences	(1,909)	(587)
	764	1,156

10 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Six months ended 30th June	
	2024	2023
	HK\$'000	HK\$'000
Wages, salaries and fringe benefits	41,789	36,171
Social security costs	1,850	2,158
Pension costs – contributions to MPF scheme	210	213
Others	860	647
	44,709	39,189

(a) Directors' Emoluments

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

	Six months ended 30th June	
	2024	2023
	HK\$'000	HK\$'000
Basic salaries, other allowances and benefits in kind	7,486	5,353
Pension costs – contributions to MPF scheme	36	29
	7,522	5,382

(b) Key Management Compensation

The emoluments paid or payable to key management including all directors and three (six months ended 30th June 2023: three) senior management for employee services is shown below:

	Six months ended 30th June	
	2024	2023
	HK\$'000	HK\$'000
Basic salaries, other allowances and benefits in kind	8,888	7,240
Pension costs – contributions to MPF scheme	59	63
	8,947	7,303

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 2024 of HK\$7,800,000 (six months ended 30th June 2023 (restated): HK\$6,420,000) divided by the number of 198,958,000 (30th June 2023: 198,958,000) ordinary shares in issue during the period.

For the six months ended 30th June 2024 and 2023, 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

Six months ended 30 June
2024 2023
HK\$'000 HK\$'000

Interim dividend declared of HK\$0.02 (2023: nil)
per share at 30 Jun

3,979 **—**

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

At a meeting held on 22nd August 2024, the Board resolved to declare an interim dividend of HK\$0.02 per ordinary share for the six months ended 30th June 2024 (six months ended 30th June 2023: 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 2024	26,899	86,703	2,833	11,728	266	1,884	1,776	2,330	134,419
Additions	—	—	—	751	—	22	533	—	1,306
Disposals/write-off	—	—	—	(240)	—	(13)	(146)	—	(399)
Depreciation	(684)	(1,504)	(301)	(1,437)	(27)	(224)	(222)	(101)	(4,500)
Exchange adjustment	(355)	(2,420)	(120)	(243)	—	(13)	(3)	—	(3,154)
Net book value at									
30th June 2024	<u>25,860</u>	<u>82,779</u>	<u>2,412</u>	<u>10,559</u>	<u>239</u>	<u>1,656</u>	<u>1,938</u>	<u>2,229</u>	<u>127,672</u>
At 30th June 2024									
At cost	45,292	127,257	17,576	89,097	4,684	14,519	5,457	14,429	318,311
Accumulated depreciation	<u>(19,432)</u>	<u>(44,478)</u>	<u>(15,164)</u>	<u>(78,538)</u>	<u>(4,445)</u>	<u>(12,863)</u>	<u>(3,519)</u>	<u>(12,200)</u>	<u>(190,639)</u>
Net book value	<u>25,860</u>	<u>82,779</u>	<u>2,412</u>	<u>10,559</u>	<u>239</u>	<u>1,656</u>	<u>1,938</u>	<u>2,229</u>	<u>127,672</u>

	Right-of-use assets HK\$'000 (Restated)	Buildings HK\$'000 (Restated)	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 (Restated)
Net book value at									
1st January 2023	35,149	128,930	3,622	11,586	332	2,383	1,919	2,648	186,569
Additions	869	-	-	352	-	32	464	-	1,717
Disposals/write-off	-	-	-	(1)	-	(50)	(119)	-	(170)
Depreciation	(764)	(1,902)	(401)	(1,385)	(33)	(280)	(295)	(135)	(5,195)
Transfer to investment property	(7,531)	(32,639)	-	-	-	-	-	-	(40,170)
Impairment loss	-	(5,315)	-	-	-	-	-	-	(5,315)
Exchange adjustment	39	768	34	(61)	-	(10)	(10)	-	760
Net book value at 30th June 2023	<u>27,762</u>	<u>89,842</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>138,196</u>
At 30th June 2023									
At cost	45,866	131,703	17,966	93,678	4,958	14,548	6,077	14,421	329,217
Accumulated depreciation	<u>(18,104)</u>	<u>(41,861)</u>	<u>(14,711)</u>	<u>(83,187)</u>	<u>(4,659)</u>	<u>(12,473)</u>	<u>(4,118)</u>	<u>(11,908)</u>	<u>(191,021)</u>
Net book value	<u>27,762</u>	<u>89,842</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>138,196</u>

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

At 30th June 2024, no property, plant or equipment was pledged as security for the Group's bank borrowing (31st December 2023: nil).

14 INVESTMENT PROPERTIES

	30th June 2024 HK\$'000	31st December 2023 HK\$'000
At fair value	<u>75,388</u>	<u>80,644</u>

- 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 2023.
- As at 30th June 2024, the fair value of the investment properties was determined by the directors on the basis of open market valued by direct comparison approach.
- At 30th June 2024, no investment property was pledged as security for the Group's bank borrowings (31st December 2023: nil).

15 INVENTORIES

	30th June 2024 HK\$'000	31st December 2023 HK\$'000
Raw materials	58,442	52,006
Work in progress	9,399	13,937
Finished goods	57,098	58,937
	124,939	124,880
Provision for inventories	(17,540)	(14,611)
	107,399	110,269

16 TRADE AND BILLS RECEIVABLES

	30th June 2024 HK\$'000	31st December 2023 HK\$'000
Up to 3 months	66,211	58,720
4–6 months	8,580	8,868
Over 6 months	321	153
	75,112	67,741
Trade receivables, gross	75,112	67,741
Loss allowance	(241)	(313)
	74,871	67,428
Trade receivables, net	74,871	67,428
Bills receivables	1,616	1,626
	76,487	69,054

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

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

The net decrease in loss allowance for the period was approximately HK\$72,000 (2023: HK\$79,000).

17 FINANCIAL ASSETS AT FVPL

	30th June 2024 HK\$'000	31st December 2023 HK\$'000
Mandatorily measured at FVPL		
Equity securities, listed in Hong Kong	9,231	7,712

18 SHARE CAPITAL

	Number of shares	HK\$'000
Authorised:		
At 30th June 2024 and 31st December 2023, ordinary shares of HK\$0.10 each	500,000,000	50,000
Issued and fully paid:		
At 30th June 2024 and 31st December 2023, ordinary shares of HK\$0.10 each	198,958,000	19,896

19 OTHER RESERVES

	Share premium <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Total other reserves <i>HK\$'000</i>
At 1st January 2024	15,885	(15,706)	104	12,876	13,159
Exchange difference arising from translation of financial information of subsidiaries	–	(4,581)	–	–	(4,581)
Transfer to retained earnings	–	–	–	(19)	(19)
At 30th June 2024	<u>15,885</u>	<u>(20,287)</u>	<u>104</u>	<u>12,857</u>	<u>8,559</u>
	Share premium <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i> (Restated)	Capital redemption reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i> (Restated)	Total other reserves <i>HK\$'000</i> (Restated)
At 1st January 2023	15,885	(11,283)	104	12,365	17,071
Exchange difference arising from translation of financial information of subsidiaries	–	(4,615)	–	–	(4,615)
At 30th June 2023	<u>15,885</u>	<u>(15,898)</u>	<u>104</u>	<u>12,365</u>	<u>12,456</u>

20 TRADE AND OTHER PAYABLES

	30th June 2024 <i>HK\$'000</i>	31st December 2023 <i>HK\$'000</i>
Trade payables	17,431	17,006
Other payables and accruals	<u>21,848</u>	<u>17,979</u>
	<u>39,279</u>	<u>34,985</u>

At 30th June 2024 and 31st December 2023, the ageing analysis of trade payables based on invoice date were as follows:

	30th June 2024 HK\$'000	31st December 2023 HK\$'000
Up to 3 months	16,582	16,306
4-6 months	247	271
Over 6 months	602	429
	17,431	17,006

21 DERIVATIVE FINANCIAL INSTRUMENTS

	30th June 2024 HK\$'000	31st December 2023 HK\$'000
Liability mandatorily measured at FVPL		
– Foreign exchange forward contracts	–	410

At 31st December 2023, 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.

At 30th June 2024, the Group has no outstanding foreign exchange forward contracts. (31st December 2023: notional principal amounts of approximately US\$2,250,000).

22 FINANCIAL GUARANTEES AND PLEDGE

At 30th June 2024 and 31st December 2023, the Group has the following banking facilities which were secured by limited guarantees given by the Company and certain subsidiaries.

	30th June 2024 HK\$'000	31st December 2023 HK\$'000
Trade and loan finance facilities	56,300	56,300
Forward exchange contract line	124,928	124,944

23 COMMITMENTS

(a) Capital commitments

At 30th June 2024 and 31st December 2023, the Group did not have any capital commitment.

(b) Commitments under operating lease as lessor

At 30th June 2024 and 31st December 2023, the Group had future aggregate minimum rental receivables under non-cancellable operating leases as follows:

	Land and buildings	
	30th June	31st December
	2024	2023
	HK\$'000	HK\$'000
Not later than one year	607	1,159
Between one year and two years	—	—
	607	1,159

FINANCIAL REVIEW

Results

Since the beginning of the year 2024, under the continued threat of decoupling of the world's economic super-powers, persistently high inflation leading to steep interest rates and other adverse factors, the prospect for global economic growth remained uncertain, along with sluggish consumer sentiment and weak growth of global trade causing decrease in demand and export of wires and cables except for the North America market. All of these has brought challenges to the Group.

The Group's revenue for the six months ended 30th June 2024 was HK\$161,393,000 (2023: HK\$154,951,000). Unaudited consolidated profit attributable to shareholders was HK\$7,800,000 (2023: HK\$6,420,000). Earnings per share was HK\$0.039 (2023: HK\$0.032).

However, the Group has other comprehensive loss for the period ended 30th June 2024 of HK\$4,581,000 (2023: HK\$4,615,000) due to the lower value of Renminbi ("RMB") and Vietnamese Dong ("VND") against HK\$, which led to a foreign exchange loss from translation of financial information of the subsidiaries in the Mainland China and Vietnam, as a substantial part of the Group's net assets is denominated in RMB and VND while the reporting currency of the consolidated financial information is in HK\$. This resulted in an unaudited total comprehensive income for the period of HK\$3,219,000 (2023: HK\$1,805,000).

Interim Dividend and Closure of Register of Members

The Board of Directors of the Company declared an interim dividend of HK\$0.02 per ordinary share for the six months ended 30th June 2024 (six months ended 30th June 2023: nil).

The register of members of the Company will be closed from Wednesday, 4th September 2024 to Friday, 6th September 2024, both days inclusive and during which period no share transfer will be effected for the purpose of ascertaining shareholders' entitlement to the interim dividend. In order to establish entitlements to the interim 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 3rd September 2024.

Liquidity, Financial Resources and Capital Structure

Management continued with cautious financial management strategies and kept zero gearing level (total borrowing divided by total equity) to avoid incurring high borrowing costs. As at 30th June 2024, the Group's bank balances and cash was HK\$51,443,000 and the Group has no borrowing. Shareholders' equity was HK\$412,796,000.

The amount of the Group's current working capital was HK\$205,897,000 (31st December 2023: HK\$192,558,000). The current ratio was 5.7. The Group's trade and bills receivables were HK\$76,487,000, representing 47% of the period's revenue of HK\$161,393,000.

Foreign Exchange Exposure

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

BUSINESS REVIEW

Businesses continued to face multitude of challenges as global economic landscape continued to remain delicate and volatile. Throughout the interim period, regional geopolitical conflicts intensified as tensions continued to cast shadow over international trade and relations, with unresolved conflicts affecting fragile recovery in global trades. In the past year, global inflation reached its peak in many countries, causing interest rates to remain high at major economies during the period under review.

During the interim period under review, sales of power cords accounted for 56% (2023: 60%), wire harness recorded 43% (2023: 37%) while cables, wires and plastic resins accounted for remaining 1% (2023: 3%) of the Group's revenue. For the period ended 30th June 2024, Vietnam's shipments accounted for 68% (2023: 52%) of the Group's turnover, while deliveries from our China factory accounted for the remaining 32% (2023: 48%).

The Group's revenue increased by approximately 4% from approximately HK\$154,951,000 for the six months ended 30th June 2023 compared to approximately HK\$161,393,000 for the six months ended 30th June 2024. The increase in sales was mainly due to a boost in orders from our US customers for the first half of the year under review despite the stiff interest rates sanctioned of by the US Federal Reserve ("USFR"), continued uncertainties caused by the unceasing Russian-Ukrainian war, Middle East hostilities, and the ongoing worsening Sino-US trade conflicts.

The Group's major US customers are primary manufacturers of commercial and domestic heating, ventilation, and air conditioning (HVAC) equipment and white goods appliances. In spite of the enduring inflation, high interest rates and fear of an impending recession looming and other challenging conditions affecting North America markets, the Group recorded a hike in deliveries to our HVAC customer during the period under review. By geographical market segments, turnover from the business in America increased by approximately 10% to approximately HK\$113,532,000 from approximately HK\$102,732,000 for the same period of last year, accounting for approximately 70% of the Group's total turnover.

Turnover from the sales on Mainland China and in Hong Kong, which accounts for approximately 23% of the Group's total turnover, decreased by approximately 0.2% to approximately HK\$36,420,000 from approximately HK\$36,511,000 for the same period of last year as a direct impact of the unrelenting US China trade tensions following sluggish demand in Europe and Asia markets. In light of the weakness of the Japanese Yen currency, turnover from the sales to Japan decreased by 31% to approximately HK\$9,746,000 from approximately HK\$14,613,000 for the same period of last year, accounting for approximately 6% of the Group's total turnover.

In line with interim period higher turnover due to seasonal factors, trade receivables was higher at HK\$76,487,000 at 30th June 2024 compared to HK\$69,054,000 at 31st December 2023. Debtors turnover was 82 days as at 30 June 2024 compared to 73 days as at 31 December 2023.

The gross profit margin decreased from approximately 27.4% for the six months ended 30th June 2023 to approximately 26.9% for the six months ended 30th June 2024. The decrease in gross profit margin was mainly due to soaring copper prices, heightened shipping cost and additional seasonal workers in the early part of 2024 but was mitigated by the depreciation of RMB and weaker VND during the period, implementation of cost control measures in minimizing direct labour costs supported by new and efficient production equipment at the expanded Vietnam factory as well as keeping a tight lid on operating expenses.

Prudent sourcing, normalized logistic and timely production management resulted in approximately 2.5% reduction in inventory level from approximately HK\$110,269,000 as at 31 December 2023 to approximately HK\$107,672,000 during the period under review. Inventory turnover reduced to 165 days as at 30 June 2024 compared to 216 days as at 31 December 2023.

Management recognised revaluation loss on investment properties amounted to approximately HK\$4,926,000 (2023: impairment loss on land and buildings HK\$5,315,000) as a result of the vacancy created by the unanticipated early termination by the lessee for our previously leased factory premises in Mainland China and anticipated further deterioration of commercial property values in Hong Kong. The loss on derivative financial instruments was approximately HK\$150,000 (2023: approximately HK\$2,890,000). Overall, due to higher rental and interest income as well as lower administrative and finance costs, the Group recorded a higher net profit margin of approximately 4.8% for the six months ended 30th June 2024 whereas it was approximately 4.1% for the first half of 2023.

PROSPECTS

Since the early months of 2024, lofty interest environment in the US and Europe substantially impacting business activities. Moreover, international logistic are showing clear signs of freight rates rising again due to trade routes disruptions, geographical tensions and inflating costs. As at the date of announcement, the worsening trade rivalry between Mainland China and US plus the unfolding wars in Ukraine and Gaza continue to cause economic uncertainties in our primary export markets. The impending recession may induce governments to lower interest rates in major economies. Otherwise, it may lead to most export markets suffering downturn in trade in foreseeable future due to the broad global economic slowdown and poor market sentiment.

Our business is not immune to the effects of extended period of high interest rate environment. Customers' de-risking trade with China may lead to the relocation of manufacturing bases as well as further shifting of component sourcing away from China. It is further aggravated by prolonged military aggressions in Eastern Europe and the Middle East which could lead to slowing demand as our customers pursue taking a conservative inventory control behaviour and a cautious buying practice for the remainder of 2024, 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.

As the Group approaches the year 2025 in a a few months' time, there is an expectation that the delicate nature of these macroeconomic factors will persist. The volatility of the US Dollar with potential change in monetary policies by the USFR, the possible shifts in foreign and trade policies following a change in administration after the November US presidential election and the recent U.S. Department of Commerce determination that Vietnam will continue to be classified as a "non-market economy" country indicating a sustained vulnerability and frailty in the Group's business in North America, being our major export market. However, as challenging as it can be and barring any unforeseen circumstances, the Group endeavors to achieve yet another year of stable business growth with a steadfast focus on meeting our customers' needs.

We are confident as the Group is well placed to overcome ongoing and new challenges. We believe having weathered the effects of economic uncertainties and wars in early 2024, the Group moved into the second half of 2024 with cautious optimism. Management continues to work on developing strategies to fill our China factory surplus capacity, inventory control, 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 2024, the Group employed approximately 780 (31st December 2023: 730) full time management, administrative and production staff worldwide. The proportion of male to female is 1:2.0 (31st December 2023: 1:1.8). 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 2024 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.

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 C1, and adopted recommended best practices set out in the Code whenever appropriate.

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 as set out in Appendix C3 to the Listing Rules. Having made specific enquiry of all Directors, they had complied with the required standards of the said code during the six months ended 30th June 2024.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor its subsidiaries has purchased, redeemed or sold any of the Company's shares during the six months ended 30th June 2024.

EVENTS AFTER THE REPORTING PERIOD

No significant events have taken place after the six months ended 30th June 2024 to the date of this announcement.

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

This interim results announcement is published on the websites of the Stock Exchange at <http://www.hkexnews.hk> and the Company at <http://perennial.todayir.com>. The 2024 interim report will be despatched to shareholders of the Company and available on the above websites in due course.

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 2024

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.