恒
Perennial
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恒都集團有限公司*

PERENNIAL INTERNATIONAL LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 00725)

ANNUAL RESULTS
FOR THE YEAR ENDED 31ST DECEMBER 2016

The Board of Directors (the "Board") is pleased to announce the audited consolidated financial results of Perennial International Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31st December 2016.

CONSOLIDATED INCOME STATEMENT
For the year ended 31st December 2016

	Note	**2016** **HK$'000**	2015 HK$'000
Revenue	3	**359,035**	401,669
Cost of sales		**(278,766)**	(327,721)
Gross profit		**80,269**	73,948
Other income	4	**5,115**	7,381
Distribution expenses		**(8,887)**	(10,011)
Administrative expenses		**(54,159)**	(53,054)
Other operating expenses, net		**(2,465)**	(2,089)
Operating profit	5	**19,873**	16,175
Finance costs	6	**(1,138)**	(965)
Profit before taxation		**18,735**	15,210
Income tax	7	**(4,113)**	(3,522)
Profit for the year attributable to shareholders of the Company		**14,622**	11,688
Basic and diluted earnings per share (cents)	9	**7.3**	5.9

Details of proposed final dividend payable to shareholders of the Company are set out in note 8.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st December 2016

	2016	2015
	HK$'000	*HK$'000*
Profit for the year	**14,622**	11,688
Other comprehensive income/(loss):		
Items that will not be reclassified subsequently to profit or loss		
Revaluation surplus on land and buildings	**405**	21,905
Items that may be reclassified to profit or loss		
Deferred tax credited/(charged) to revaluation reserve	**7**	(1,711)
Exchange difference arising from translation of financial statements of subsidiaries	**(12,968)**	(14,591)
Other comprehensive (loss)/income for the year, net of tax	**(12,556)**	5,603
Total comprehensive income for the year attributable to shareholders of the Company	**2,066**	17,291

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31st December 2016

	Note	2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Land use rights	*11*	**28,289**	21,122
Property, plant and equipment	*12*	**314,584**	313,245
Investment properties	*13*	**46,990**	46,170
Non-current deposits		**2,801**	2,226
Deferred tax assets		**6,126**	4,791
		398,790	387,554
Current assets			
Inventories	*14*	**80,654**	89,919
Trade and bill receivables	*15*	**83,738**	92,806
Other receivables, deposits and prepayments		**5,714**	4,541
Taxation recoverable		**67**	1,339
Short-term fixed deposit		**1,112**	–
Cash and cash equivalents		**67,191**	66,560
		238,476	255,165
Total assets		**637,266**	642,719
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	*16*	**19,896**	19,896
Other reserves	*17*	**201,909**	214,465
Retained earnings	*17*	**282,665**	272,023
Total equity		**504,470**	506,384

	Note	**2016**	2015
		HK$'000	*HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**34,316**	35,125
Current liabilities			
Trade and bill payables	*18*	**23,191**	24,011
Other payables and accruals		**28,016**	28,381
Taxation payable		**6,106**	3,581
Bank loan	*19*	**11,875**	17,917
Trust receipt loans	*19*	**29,292**	27,320
		98,480	101,210
Total liabilities		**132,796**	136,335
Total equity and liabilities		**637,266**	642,719

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31st December 2016

	Share capital *HK$'000*	Other reserves *(note 17)* *HK$'000*	Retained earnings *HK$'000*	Total equity *HK$'000*
As at 1st January 2016	**19,896**	**214,465**	**272,023**	**506,384**
Comprehensive income				
Profit for the year	**–**	**–**	**14,622**	**14,622**
Other comprehensive income/(loss)				
Revaluation surplus on land and buildings	**–**	**405**	**–**	**405**
Deferred tax credited to revaluation reserve	**–**	**7**	**–**	**7**
Exchange difference arising from translation of financial statements of subsidiaries	**–**	**(12,968)**	**–**	**(12,968)**
Total comprehensive (loss)/income for the year	**–**	**(12,556)**	**14,622**	**2,066**
Dividend paid *(note 8)*	**–**	**–**	**(3,980)**	**(3,980)**
At 31st December 2016	**19,896**	**201,909**	**282,665**	**504,470**
Representing:				
2016 final dividend proposed			**3,980**	
Others			**278,685**	
Retained earnings as at 31st December 2016			**282,665**	

	Share capital *HK$'000*	Other reserves *(note 17)* *HK$'000*	Retained earnings *HK$'000*	Total equity *HK$'000*
As at 1st January 2015	19,896	208,862	264,315	493,073
Comprehensive income				
Profit for the year	–	–	11,688	11,688
Other comprehensive income/(loss)				
Revaluation surplus on land and buildings	–	21,905	–	21,905
Deferred tax charged to revaluation reserve	–	(1,711)	–	(1,711)
Exchange difference arising from translation of financial statements of subsidiaries	–	(14,591)	–	(14,591)
Total comprehensive income for the year	–	5,603	11,688	17,291
Dividend paid *(note 8)*	–	–	(3,980)	(3,980)
At 31st December 2015	19,896	214,465	272,023	506,384
Representing:				
2015 final dividend proposed			3,980	
Others			268,043	
Retained earnings as at 31st December 2015			272,023	

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31st December 2016

	2016 *HK$'000*	2015 *HK$'000*
Cash flows from operating activities		
Net cash generated from operations	**50,628**	32,865
Hong Kong profits tax refunded/(paid), net	**592**	(1,326)
Overseas tax paid, net	**(2,364)**	(2,245)
Bank loans interest paid	**(1,138)**	(965)
Net cash generated from operating activities	**47,718**	28,329
Cash flows from investing activities		
Purchase of property, plant and equipment	**(28,575)**	(17,098)
Purchase of land use rights	**(8,513)**	–
Increase in deposits paid for additions of property, plant and equipment	**(575)**	(468)
Interest received	**35**	184
Increase in short-term fixed deposit	**(1,112)**	–
Proceeds from sale of property, plant and equipment	**183**	119
Net cash used in investing activities	**(38,557)**	(17,263)
Cash flows from financing activities		
Net (repayment)/addition of bank loan	**(6,042)**	17,917
Net addition/(repayment) of trust receipt loans	**1,972**	(13,486)
Dividend paid to the Company's shareholders	**(3,980)**	(3,980)
Net cash (used in)/generated from financing activities	**(8,050)**	451
Net increase in cash and cash equivalents	**1,111**	11,517
Cash and cash equivalents at 1st January	**66,560**	55,526
Exchange difference on cash and cash equivalents	**(480)**	(483)
Cash and cash equivalents at 31st December	**67,191**	66,560

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2016

These consolidated financial statements are presented in Hong Kong dollars ("HK$") unless otherwise stated.

1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and 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, which are carried at fair value.

The preparation of consolidated financial statements 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

(a) New standards and amendments to standards adopted by the Group

The following new standards and amendments to standards have been adopted by the Group for the first time for the financial year beginning on or after 1st January 2016:

Annual Improvements Project	Annual Improvements 2012-2014 Cycle
HKFRS 10 and HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements

The adoption of these new standards and amendments to standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

(b) **New standards and amendments to standards and interpretations not yet adopted**

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1st January 2016 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

		Effective for annual periods beginning on or after
HKAS 7 (Amendment)	Statement of Cash Flows	1st January 2017
HKAS 12 (Amendment)	Income Taxes	1st January 2017
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions	1st January 2018
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
HKFRS 16	Leases	1st January 2019
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has commenced, but not yet completed, an assessment of the impact of the above new standards and amendments to standards and interpretations on its results of operations and financial position.

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:

	2016	2015
	HK$'000	*HK$'000*
Sale of goods	**359,035**	401,669

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 the electric cable and wire products business, including Hong Kong, Mainland China, America, Europe 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 2016 and 2015 are as follows:

	Revenue (external sales) 2016 *HK$'000*	**Segment results 2016** *HK$'000*	**Total segment assets 2016** *HK$'000*	**Capital expenditure 2016** *HK$'000*	**Depreciation 2016** *HK$'000*	**Amortisation 2016** *HK$'000*
Hong Kong	**117,739**	**7,094**	**190,790**	**641**	**4,605**	**–**
Mainland China	**48,598**	**4,032**	**290,535**	**27,934**	**9,857**	**583**
Other Countries	**17,554**	**785**	**30,357**	**8,513**	**–**	**11**
America	**174,483**	**9,214**	**72,337**	**–**	**–**	**–**
Europe	**661**	**32**	**131**	**–**	**–**	**–**
Reportable segment	**359,035**	**21,157**	**584,150**	**37,088**	**14,462**	**594**
Unallocated costs		**(1,284)**				
Operating profit		**19,873**				

	Revenue (external sales) 2015 *HK$'000*	Segment results 2015 *HK$'000*	Total segment assets 2015 *HK$'000*	Capital expenditure 2015 *HK$'000*	Depreciation 2015 *HK$'000*	Amortisation 2015 *HK$'000*
Hong Kong	136,070	5,539	206,498	883	4,746	–
Mainland China	54,710	4,260	295,058	16,215	9,740	600
Other Countries	24,790	692	13,621	–	–	–
America	184,889	6,977	76,292	–	–	–
Europe	1,210	35	289	–	–	–
Reportable segment	401,669	17,503	591,758	17,098	14,486	600
Unallocated costs		(1,328)				
Operating profit		16,175				

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

	2016 *HK$'000*	2015 *HK$'000*
Total segment assets	**584,150**	591,758
Investment properties	**46,990**	46,170
Deferred tax assets	**6,126**	4,791
Total assets	**637,266**	642,719

Unallocated costs represent corporate expenses.

Revenue of approximately HK$184,966,000 (2015: HK$201,094,000) are derived from three (2015: three) major customers contributing 10% or more of the total revenue. These revenues are attributable to the America segment (2015: America segment).

	2016	2015
	HK$'000	*HK$'000*
Customer A	**74,292**	69,535
Customer B	**65,146**	69,025
Customer C	**45,528**	62,534
	184,966	201,094

4. OTHER INCOME

	2016	2015
	HK$'000	*HK$'000*
Scrap sales	**3,508**	4,176
Interest income	**35**	184
Rental income from investment properties	**691**	488
Other income from customers	**685**	1,578
Compensation, storage and delivery income from customers	**196**	955
	5,115	7,381

5. OPERATING PROFIT

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

	2016	2015
	HK$'000	*HK$'000*
Amortisation and depreciation:		
Amortisation of land use rights	**594**	600
Depreciation of owned property, plant and equipment	**14,462**	14,486
Auditor's remuneration		
– Audit services	**1,400**	1,350
– Non-audit services	**893**	827
Cost of raw materials consumed	**179,031**	213,520
Net exchange gains	**(734)**	(556)
Operating lease rentals in respect of land and buildings	**420**	452
Operating lease rentals in respect of office equipment	**303**	221
Loss on disposal of property, plant and equipment	**298**	97
Direct expenses for investment properties	**152**	89
Gain on revaluation of investment properties	**(820)**	(600)
Revaluation deficit/ (reversal of revaluation deficit) of building	**818**	(506)
Provision for returns and doubtful debts/(reversal of provision for returns and doubtful debts)	**305**	(164)
Provision for slow-moving inventories	**79**	220
Staff costs (including directors' emoluments) *(note 10)*	**97,305**	107,526

6. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest expenses on bank borrowings	**1,138**	965

7. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The subsidiary established and operating in Vietnam during the year is subject to corporate income tax at a rate of 20%. In accordance with the applicable tax regulations, the subsidiary is subject to a lower tax rate of 10% for fifteen consecutive years, commencing from the first year of making revenue. In addition, the subsidiary is entitled to full exemption from corporate income tax for the first four years from the earlier of (i) the year when profit is generated for the first time or (ii) the fourth year of commencing operations; and a 50% reduction in corporate income tax for the next nine years. The Vietnam subsidiary of the Group does not have any taxable profit for the year ended 31st December 2016.

The amount of taxation charged/(credited) to the consolidated income statement represents:

	2016	2015
	HK$'000	*HK$'000*
Hong Kong profits tax	**3,166**	770
Overseas taxation	**3,529**	3,616
Over-provision in prior year	**(445)**	(22)
Deferred tax relating to the origination and reversal of temporary differences	**(2,137)**	(842)
	4,113	3,522

8. DIVIDEND

The dividends paid in 2016 and 2015 were HK$3,980,000 (HK$0.02 per share) and HK$3,980,000 (HK$0.02 per share) respectively. A final dividend in respect of the year ended 31st December 2016 of HK$0.02 per share, amounting to a total dividend of HK$3,980,000, is to be proposed at the annual general meeting on 27th April 2017. These consolidated financial statements do not reflect this dividend payable.

	2016	2015
	HK$'000	*HK$'000*
Final, proposed, of HK$0.02 (2015: HK$0.02) per ordinary share	**3,980**	3,980

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit for the year of HK$14,622,000 (2015: HK$11,688,000) divided by the weighted average number of 198,958,000 (2015: 198,958,000) ordinary shares in issue during the year.

In both 2016 and 2015, 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. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2016	2015
	HK$'000	*HK$'000*
Wages, salaries and fringe benefits	**91,127**	100,491
Social security costs	**5,574**	6,417
Pension costs – contribution to MPF scheme	**483**	511
Others	**121**	107
	97,305	107,526

11. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	2016	2015
	HK$'000	*HK$'000*
At 1st January	**21,122**	22,633
Additions	**8,513**	–
Amortisation	**(594)**	(600)
Exchange adjustment	**(752)**	(911)
At 31st December	**28,289**	21,122

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *(notes (a) to (c))* **In HK**	**Land and buildings** *(notes (a) to (c))* **Outside HK**	**Leasehold improvements**	**Plant and machinery**	**Furniture and fixtures**	**Office equipment**	**Motor vehicles**	**Pleasure boats**	**Construction in progress**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Net book value at 1st January 2016	**106,820**	**166,193**	**3,483**	**12,571**	**775**	**4,543**	**3,061**	**5,925**	**9,874**	**313,245**
Addtions	**–**	**–**	**–**	**2,921**	**–**	**711**	**618**	**–**	**24,325**	**28,575**
Disposals	**–**	**–**	**–**	**(279)**	**–**	**(13)**	**(189)**	**–**	**–**	**(481)**
Depreciation	**(3,391)**	**(5,440)**	**(828)**	**(3,019)**	**(26)**	**(575)**	**(617)**	**(566)**	**–**	**(14,462)**
Revaluation	**3,921**	**(4,334)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(413)**
Exchange adjustment	**–**	**(9,044)**	**(76)**	**(926)**	**(4)**	**(138)**	**(29)**	**–**	**(1,663)**	**(11,880)**
Net book value at 31st December 2016	**107,350**	**147,375**	**2,579**	**11,268**	**745**	**4,528**	**2,844**	**5,359**	**32,536**	**314,584**
At 31st December 2016										
At cost	**–**	**–**	**11,433**	**83,123**	**5,043**	**13,312**	**6,605**	**14,767**	**32,536**	**166,819**
At valuation – 2016	**107,350**	**147,375**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**254,725**
Accumulated depreciation	**–**	**–**	**(8,854)**	**(71,855)**	**(4,298)**	**(8,784)**	**(3,761)**	**(9,408)**	**–**	**(106,960)**
Net book value	**107,350**	**147,375**	**2,579**	**11,268**	**745**	**4,528**	**2,844**	**5,359**	**32,536**	**314,584**

	Land and buildings *(notes (a) to (c))* In HK	Land and buildings *(notes (a) to (c))* Outside HK	Leasehold improvements	Plant and machinery	Furniture and fixtures	Office equipment	Motor vehicles	Pleasure boats	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Net book value at 1st January 2015	117,770	170,252	4,197	11,613	814	4,476	2,933	6,551	–	318,606
Additions	–	–	335	5,088	–	872	795	–	10,008	17,098
Disposals	–	–	–	(107)	–	(109)	–	–	–	(216)
Depreciation	(3,445)	(5,329)	(930)	(2,935)	(32)	(565)	(624)	(626)	–	(14,486)
Transfer to investment property	(18,570)	–	–	–	–	–	–	–	–	(18,570)
Revaluation	11,065	11,346	–	–	–	–	–	–	–	22,411
Exchange adjustment	–	(10,076)	(119)	(1,088)	(7)	(131)	(43)	–	(134)	(11,598)
Net book value at 31st December 2015	106,820	166,193	3,483	12,571	775	4,543	3,061	5,925	9,874	313,245
At 31st December 2015										
At cost	–	–	11,770	82,642	5,205	12,946	6,580	14,767	9,874	143,784
At valuation – 2015	106,820	166,193	–	–	–	–	–	–	–	273,013
Accumulated depreciation	–	–	(8,287)	(70,071)	(4,430)	(8,403)	(3,519)	(8,842)	–	(103,552)
Net book value	106,820	166,193	3,483	12,571	775	4,543	3,061	5,925	9,874	313,245

(a) Land and buildings in Hong Kong and Mainland China were revalued using open market basis and depreciated replacement cost approach, respectively, by Centaline Surveyors Limited, an independent firm of chartered surveyors, as at 31st December 2016 and 2015.

(b) The net book value of these land and buildings would have been HK$65,637,000 (2015: HK$70,323,000) had they been stated at cost less accumulated depreciation on the historical cost basis.

(c) At 31st December 2016, the net book value of land and buildings pledged as security for the Group's bank borrowings amounted to HK$107,350,000 (2015: HK$106,820,000).

13. INVESTMENT PROPERTIES

	2016	2015
	HK$'000	*HK$'000*
At fair value		
Opening balance at 1st January	**46,170**	27,000
Transfer from property, plant and equipment	**–**	18,570
Revaluation gain credited to the consolidated income statement	**820**	600
Net book value at 31st December	**46,990**	46,170

Investment properties were revalued on the basis of open market valued by Centaline Surveyors Limited, an independent firm of chartered surveyors, as at 31st December 2016 and 2015. The revaluation gains or losses are included in 'other operating expenses, net' in the consolidated income statement.

14. INVENTORIES

	2016	2015
	HK$'000	*HK$'000*
Raw materials	**18,227**	16,393
Work in progress	**23,833**	25,578
Finished goods	**44,048**	53,323
	86,108	95,294
Provision for slow-moving inventories	**(5,454)**	(5,375)
	80,654	89,919

15. TRADE AND BILL RECEIVABLES

At 31st December 2016, the ageing analysis of trade and bill receivables based on invoice date is as follows:

	2016	2015
	HK$'000	*HK$'000*
Up to 3 months	**76,329**	83,926
4–6 months	**7,188**	8,566
Over 6 months	**528**	316
	84,045	92,808
Provision for returns and doubtful debts	**(307)**	(2)
	83,738	92,806

Payment terms with customers are mainly on credit with the exception of new customers, which are on cash on delivery basis. Invoices are normally payable within 30 to 90 days of issuance. Longer payment terms might be granted to customers that have long-term business relationships with the Group and did not have default in payments in the past history.

16. SHARE CAPITAL

	No. of shares	*HK$'000*
Authorised		
At 1st January 2015 and 31st December 2015 and 2016, ordinary shares of HK$0.10 each	500,000,000	50,000
Issued and fully paid		
At 1st January 2015 and 31st December 2015 and 2016, ordinary shares of HK$0.10 each	198,958,000	19,896

17. RESERVES

	Share premium HK$'000	Exchange fluctuation reserve HK$'000	Land and buildings revaluation reserve HK$'000	Capital redemption reserve HK$'000	Total other reserves HK$'000	Retained earnings HK$'000	Total HK$'000
At 1st January 2016	**15,885**	**8,389**	**190,087**	**104**	**214,465**	**272,023**	**486,488**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**14,622**	**14,622**
Revaluation surplus on land and buildings	**–**	**–**	**405**	**–**	**405**	**–**	**405**
Deferred tax credited to revaluation reserve	**–**	**–**	**7**	**–**	**7**	**–**	**7**
Exchange difference arising from translation of financial statements of subsidiaries	**–**	**(12,968)**	**–**	**–**	**(12,968)**	**–**	**(12,968)**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**(3,980)**	**(3,980)**
At 31st December 2016	**15,885**	**(4,579)**	**190,499**	**104**	**201,909**	**282,665**	**484,574**
At 1st January 2015	15,885	22,980	169,893	104	208,862	264,315	473,177
Profit for the year	–	–	–	–	–	11,688	11,688
Revaluation surplus on land and buildings	–	–	21,905	–	21,905	–	21,905
Deferred tax charged to revaluation reserve	–	–	(1,711)	–	(1,711)	–	(1,711)
Exchange difference arising from translation of financial statements of subsidiaries	–	(14,591)	–	–	(14,591)	–	(14,591)
Dividend paid	–	–	–	–	–	(3,980)	(3,980)
At 31st December 2015	15,885	8,389	190,087	104	214,465	272,023	486,488

18. TRADE AND BILL PAYABLES

At 31st December 2016, the ageing analysis of trade and bill payables based on invoice date is as follows:

	2016 *HK$'000*	2015 *HK$'000*
Up to 3 months	**21,916**	21,761
4 – 6 months	**829**	2,236
Over 6 months	**446**	14
	23,191	24,011

19. BORROWINGS

	2016	2015
	HK$'000	*HK$'000*
Current liabilities		
Trust receipt loans	**29,292**	27,320
Bank loan	**11,875**	17,917
Total borrowings	**41,167**	45,237

Total borrowings included secured liabilities of HK$24,500,000 (2015: HK$24,271,000), which are secured by land and buildings and investment properties of the Group (notes 12 and 13). The borrowings are supported by guarantees given by the Company and its certain subsidiaries.

20. COMMITMENTS

(a) Capital commitments

At 31st December 2016, the Group had the following capital commitments for leasehold improvements, property, plant and machinery, office equipment and motor vehicles:

	2016	2015
	HK$'000	*HK$'000*
Contracted but not provided for	**3,235**	21,960

(b) Commitments under operating leases as lessee

At 31st December 2016, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings and office equipment	
	2016	2015
	HK$'000	*HK$'000*
Not later than one year	**173**	705
Later than one year and no later than five years	**20**	134
	193	839

(c) Commitments under operating lease as lessor

At 31st December 2016, the Group had future aggregate minimum rental receivables under non-cancellable operating leases as follows:

	Land and buildings	
	2016	2015
	HK$'000	*HK$'000*
Not later than one year	**1,509**	344
Later than one year and not later than five years	**2,017**	–
	3,526	344

21. FINANCIAL GUARANTEES AND PLEDGE

At 31st December 2016, the Group had the following banking facilities, of which HK$186,000,000 (2015: HK$460,018,000) were secured by legal charges over certain land and buildings and investment properties of the Group with a total net book value of HK$154,340,000 (2015: HK$152,990,000).

	2016	2015
	HK$'000	*HK$'000*
Trade and loan finance facilities	**227,875**	238,917
Forward exchange contract line	**–**	279,018

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

FINANCIAL REVIEW

Results

The Group's revenue was HK$359,035,000 (2015: HK$401,669,000). Profit for the year was HK$14,622,000 compared to HK$11,688,000 in 2015. Earnings per share was HK$0.073 (2015: HK$0.059).

Final Dividend

The Board recommends the payment of a final dividend of HK$0.02 per share. The Group's total dividend for the year ended 31st December 2016 amounts to HK$0.02 per share (2015: 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 27th April 2017 ("2017 AGM") and is to be payable on 17th May 2017 to shareholders whose names appear on the register of members of the Company on 5th May 2017.

Liquidity and Financial Resources

As at 31st December 2016, the consolidated short-term indebtedness of the Group was approximately HK$41,167,000. The borrowings are denominated in Hong Kong dollars. The bank balances and cash amounted to approximately HK$67,191,000.

As at 31st December 2016, the Group's trade and bill receivables balance was approximately HK$83,738,000, representing 23.3% of the year's turnover of approximately HK$359,035,000. The Group adopted a stringent credit policy to minimize credit risk.

The interest cover in 2016 was 17.5 times as compared to 16.8 times in 2015.

Capital Expenditure and Material Acquisitions

During the year under review, capital expenditure approximate to HK$37,088,000.

Capital Structure

As at 31st December 2016, the consolidated shareholders' equity of the Group was approximately HK$504,470,000, representing a decrease of 0.4% over that of the previous year. The debt to equity ratio, calculated by dividing total liabilities to shareholders' equity, was approximately 26.3%.

Pledge of Assets

As at 31st December 2016, the Group's trade and loan finance facilities amounted to approximately HK$227,875,000, and of which HK$186,000,000 were secured by legal charges over certain land and buildings and investment properties of the Group with a total net book value of HK$154,340,000.

Foreign Exchange Exposure

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

Contingent Liabilities

As at 31st December 2016, the Group did not have any material contingent liabilities.

BUSINESS REVIEW

The Group's turnover decreased by 10.6% to HK$359 million in this financial year. The decline in turnover was mainly due to decrease in number of orders received from customers as a result of keen price competition. Turnover in terms of sales mix was stable when compared with that of last year. Sales of power cords and power cord sets, cables and wires, wire harnesses and plastic resins accounted for 56%, 8%, 34% and 2% of the Group's total turnover respectively.

Although the price competition was keen during the year, the gross margin improved from 18.4% in 2015 to 22.4% in 2016. The Group has placed more focus on high margin products with less order quantity. The improvement in gross margin was also mainly due to lower operations cost as a result of depreciation of Renminbi and reduction in labor costs. The freeze of the minimum level of wages in Guangdong province and the gradual shift of labor intensive production to the existing plant of the new production complex in Dongyuan County, Heyuan City, the PRC ("New Production Complex") help alleviating labor costs. The net margin was slightly improved from 2.9% in 2015 to 4.1% in 2016 despite the increase in administrative expenses. Increase in administrative expenses was mainly due to discretionary bonus paid to general manager for her retirement after 23 years of service to the Group. Other increases in administrative expenses includes (i) safety & certificates fees and (ii) professional fees relating to construction contracts, internal control and environmental, social and governance ("ESG") reporting.

The Group's operating environment is challenging. The continual request for price reduction from various customers did exert pressure on the Group's product selling price. In order to remain price competitive, the Group decided to set up the New Production Complex in 2014 in a more cost effective location which has a lower level of minimum wages. The New Production Complex includes an existing plant and a new plant of which construction was completed in November 2016. The New Production Complex has been in full operation since January 2017.

FUTURE PROSPECT

Uncertainty will be the buzzword for 2017. As said by The World Bank, Trump Era and Brexit put global economic growth at risk. Considering the uncertain outlook of the global economy, the Group is more conscious of its operations costs. The Group will transfer more labor intensive production processes such as assembling and packaging to the New Production Complex so as to reap more savings in labor costs. For the old factory in Shenzhen City, the Group will use it for certain part of the capital intensive production process such as copper rod drawing and annealing and new product development. In the foreseeable future, the Group will retain a certain level of production in the old factory in Shenzhen City.

The Group also decided to redevelop the existing plant of the New Production Complex so that a certain part of the capital intensive production can be moved to Heyuan City. The redevelopment will consist of improvement of the steel structure plant and ground floor strengthening. It will take about one year to complete the redevelopment process.

In respect of market development, the Group has renewed sales contracts with major customers so as to secure the sales order position. Moreover, by leveraging on the New Production Complex which is more cost effective, the Group can secure more orders from price sensitive customers.

In view of long term sustainability of business, operations costs in the PRC is a prime consideration. Notwithstanding the freeze of minimum wage in the PRC since 2015, labor costs in the PRC are relatively high when compared with that of other developing Asian countries. After careful consideration, the Group decided to lease a piece of land in Quang Ngai, Vietnam. For details of the transaction, please refer to Company's announcement dated 18th July 2016.

There are preferential tax treatment and foreign investment incentive granted by the Vietnamese government. The Group plans to set up a production plant in Quang Ngai, Vietnam. Tentatively, the Group will split up the construction into three phases. The pace of construction gears with the business development. The Group will move cautiously regarding investment in overseas manufacturing.

EMPLOYEES' REMUNERATION POLICY

As at 31st December 2016, the Group employed approximately 1,000 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 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 both Hong Kong and the PRC. Also, the Group has appointed an external consultant to prepare the Group's first ESG report.

AUDIT COMMITTEE

During the year, the Audit Committee reviewed the interim financial report and the audited financial results of the Group for the year ended 31st December 2016 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. Since March 2016, 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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as Appendix 14, and adopted recommended best practices set out in the Code whenever appropriate except Mr. Ma Chun Hon, Richard, an Independent Non-Executive Director, and Ms. Koo Di An, Louise, a Non-Executive Director, were unable to attend the Company's annual general meeting held on 9th May 2016 due to the business engagements. 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 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 said 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 WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANY

The information required by paragraphs 45(1) to 45(8) of Appendix 16 to the Listing Rules will be published on the website http://www.hkex.com.hk of the Stock Exchange and on the Company's website http://perennial.todayir.com in due course.

CLOSURE OF REGISTER OF MEMBERS

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

(i) from 24th April 2017 to 27th April 2017, 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 2017 AGM. In order to be eligible to attend and vote at the 2017 AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 21st April 2017; and

(ii) from 8th May 2017 to 10th May 2017, 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, Hong Kong Registrars Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later that 4:30 p.m. on 5th May 2017.

APPRECIATION

On behalf of the Board, my sincere thanks to our loyal shareholders, partners and customers for their continuous support and to our staff for their dedication.

By Order of the Board
Koo Di An, Louise
Chairman

Hong Kong, 16th March 2017

The figures in respect of this preliminary announcement of the Group's results for the year ended 31st December 2016 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 Mr. MA Chun Hon, Richard.