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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 2017

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 2017.

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December 2017

	Note	**2017** HK$'000	2016 HK$'000
Revenue	3	**364,401**	359,035
Cost of sales		**(282,099)**	(278,766)
Gross profit		**82,302**	80,269
Other income	4	**8,163**	5,115
Distribution expenses		**(9,150)**	(8,887)
Administrative expenses		**(52,213)**	(54,159)
Other operating expenses, net		**(2,641)**	(2,465)
Operating profit	5	**26,461**	19,873
Finance costs	6	**(1,000)**	(1,138)
Profit before taxation		**25,461**	18,735
Income tax	7	**(6,178)**	(4,113)
Profit for the year attributable to shareholders of the Company		**19,283**	14,622
Basic and diluted earnings per share (cents)	9	**9.7**	7.3

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 2017

	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**19,283**	14,622
Other comprehensive income/(loss):		
Items that will not be reclassified subsequently to profit or loss		
Revaluation surplus on land and buildings	**27,992**	405
Items that may be reclassified to profit or loss		
Deferred tax (charged)/credited to revaluation reserve	**(4,706)**	7
Exchange difference arising from translation of financial statements of subsidiaries	**19,358**	(12,968)
Other comprehensive income/(loss) for the year, net of tax	**42,644**	(12,556)
Total comprehensive income for the year attributable to shareholders of the Company	**61,927**	2,066

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31st December 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Land use rights	*11*	**28,470**	28,289
Property, plant and equipment	*12*	**345,655**	314,584
Investment properties	*13*	**52,150**	46,990
Non-current deposits		**1,105**	2,801
Deferred tax assets		**4,742**	6,126
		432,122	398,790
Current assets			
Inventories	*14*	**101,330**	80,654
Trade and bill receivables	*15*	**80,682**	83,738
Other receivables, deposits and prepayments		**7,251**	5,714
Taxation recoverable		**2,764**	67
Short-term fixed deposit		**–**	1,112
Cash and cash equivalents		**68,621**	67,191
		260,648	238,476
Total assets		**692,770**	637,266
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	*16*	**19,896**	19,896
Other reserves	*17*	**244,553**	201,909
Retained earnings	*17*	**297,968**	282,665
Total equity		**562,417**	504,470

	Note	**2017**	2016
		HK$'000	*HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**39,092**	34,316
Current liabilities			
Trade and bill payables	*18*	**22,817**	23,191
Other payables and accruals		**29,325**	28,016
Taxation payable		**1,498**	6,106
Bank loan	*19*	**–**	11,875
Trust receipt loans	*19*	**37,621**	29,292
		91,261	98,480
Total liabilities		**130,353**	132,796
Total equity and liabilities		**692,770**	637,266

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31st December 2017

	Share capital *HK$'000*	Other reserves *(note 17)* *HK$'000*	Retained earnings *HK$'000*	Total equity *HK$'000*
As at 1st January 2017	**19,896**	**201,909**	**282,665**	**504,470**
Comprehensive income				
Profit for the year	**–**	**–**	**19,283**	**19,283**
Other comprehensive income/(loss)				
Revaluation surplus on land and buildings	**–**	**27,992**	**–**	**27,992**
Deferred tax charged to revaluation reserve	**–**	**(4,706)**	**–**	**(4,706)**
Exchange difference arising from translation of financial statements of subsidiaries	**–**	**19,358**	**–**	**19,358**
Total comprehensive income for the year	**–**	**42,644**	**19,283**	**61,927**
Dividend paid *(note 8)*	**–**	**–**	**(3,980)**	**(3,980)**
At 31st December 2017	**19,896**	**244,553**	**297,968**	**562,417**
Representing:				
2017 final dividend proposed			**–**	
Others			**297,968**	
Retained earnings as at 31st December 2017			**297,968**	

	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	

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December 2017

	2017	2016
	HK$'000	*HK$'000*
Cash flows from operating activities		
Net cash generated from operations	**24,103**	50,628
Hong Kong profits tax (paid)/refunded, net	**(5,432)**	592
Overseas tax paid, net	**(6,060)**	(2,364)
Bank loans interest paid	**(1,000)**	(1,138)
Net cash generated from operating activities	**11,611**	47,718
Cash flows from investing activities		
Purchase of property, plant and equipment	**(4,349)**	(28,575)
Purchase of land use rights	**–**	(8,513)
Increase in deposits paid for additions of property, plant and equipment	**(246)**	(575)
Interest received	**63**	35
Decrease/(Increase) in short-term fixed deposit	**1,112**	(1,112)
Proceeds from sale of property, plant and equipment	**54**	183
Net cash used in investing activities	**(3,366)**	(38,557)
Cash flows from financing activities		
Net repayment of bank loan	**(11,875)**	(6,042)
Net addition of trust receipt loans	**8,329**	1,972
Dividend paid to the Company's shareholders	**(3,980)**	(3,980)
Net cash used in from financing activities	**(7,526)**	(8,050)
Net increase in cash and cash equivalents	**719**	1,111
Cash and cash equivalents at 1st January	**67,191**	66,560
Exchange difference on cash and cash equivalents	**711**	(480)
Cash and cash equivalents at 31st December	**68,621**	67,191

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2017

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 the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. They have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and investment properties, 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 2017:

		Effective for accounting periods beginning on or after
HKAS 7 (Amendment)	Disclosure Initiative	1st January 2017
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses	1st January 2017
HKFRS 12 (Amendment)	Disclosure of Interest in Other Entities	1st January 2017

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 2017 and have not been applied in preparing these consolidated financial statements.

		Effective for annual periods beginning on or after
Annual Improvements Project	Annual Improvements 2014-2016 Cycle	1st January 2018
HKAS 28 (Amendment)	Investments in Associates and Joint Ventures	1st January 2018
HKAS 40 (Amendment)	Transfers of Investment Property	1st January 2018
HKAS 1 (Amendment)	First Time Adoption of HKFRS	1st January 2018
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1st January 2018
HKFRS 4 (Amendment)	Insurance Contracts	1st January 2018 or when the entity first applies HKFRS 9
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
HKFRS 16	Leases	1st January 2019
HKFRS 17	Insurance Contract	1st January 2021
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1st January 2018
HK (IFRIC) 23	Uncertainty over Income Tax Treatments	1st January 2019

The Group is in the process of making an assessment of what the impact of these Amendments is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While preliminary assessment has been completed for HKFRS 9, HKFRS 15 and HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on information currently available to the Group, and further impacts may be identified before the standards are initially applied.

HKFRS 15: "Revenue from contracts with customers"

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers revenue arising from the sale of goods and the rendering of services and HKAS 11 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The new standard is effective for first interim periods within annual reporting periods beginning on or after 1st January 2018. The Group will adopt the new standard from 1st January 2018.

The Group performed a preliminary assessment of HKFRS 15, which is subject to changes arising from a more detailed ongoing analysis. The impact to the Group is expected to include more comprehensive disclosure as requested by the new standard. In addition, HKFRS 15 requires separate presentation on the balance sheet of the right to recover the goods from the customer and the refund obligation.

The Group does not expect the adoption to have a material impact to the Group's Financial Information, other than presenting additional disclosures.

HKFRS 15 is mandatory for financial years commencing on or after 1st January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

HKFRS 16: "Leases"

HKFRS 16 was issued in January 2016. It will results in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments as lessee of HK$960,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1st January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

HKFRS 9: "Financial instruments"

HKFRS 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Group has decided not to adopt HKFRS 9 until it becomes mandatory on 1st January 2018.

The Group does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets and liabilities.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through profit or loss, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

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:

	2017	2016
	HK$'000	*HK$'000*
Sale of goods	**364,401**	359,035

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 2017 and 2016 are as follows:

	Revenue (external sales) 2017	**Segment results 2017**	**Total segment assets 2017**	**Capital expenditure 2017**	**Depreciation 2017**	**Amortisation 2017**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Hong Kong	**118,242**	**12,405**	**202,217**	**642**	**4,562**	**–**
Mainland China	**53,061**	**5,641**	**316,638**	**5,649**	**9,610**	**579**
Other Countries	**10,407**	**460**	**29,913**	**–**	**–**	**130**
America	**181,796**	**9,199**	**87,001**	**–**	**–**	**–**
Europe	**895**	**39**	**109**	**–**	**–**	**–**
Reportable segment	**364,401**	**27,744**	**635,878**	**6,291**	**14,172**	**709**
Unallocated costs		**(1,283)**				
Operating profit		**26,461**				

	Revenue (external sales) 2016	Segment results 2016	Total segment assets 2016	Capital expenditure 2016	Depreciation 2016	Amortisation 2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'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				

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

	2017 *HK$'000*	2016 *HK$'000*
Total segment assets	**635,878**	584,150
Investment properties	**52,150**	46,990
Deferred tax assets	**4,742**	6,126
Total assets	**692,770**	637,266

Unallocated costs represent corporate expenses.

Revenue of approximately HK$152,477,000 (2016: HK$184,966,000) are derived from two (2016: three) major customers contributing 10% or more of the total revenue. These revenues are attributable to the America segment (2016: America segment).

	2017 *HK$'000*	2016 *HK$'000*
Customer A	**85,401**	74,292
Customer B	**67,076**	65,146
Customer C	**N/A**	45,528
	152,477	184,966

4. OTHER INCOME

	2017 *HK$'000*	2016 *HK$'000*
Scrap sales	**3,747**	3,508
Interest income	**63**	35
Rental income from investment properties	**1,253**	691
Government subsidy	**1,683**	–
Other income from customers	**812**	685
Compensation, storage and delivery income from customers	**605**	196
	8,163	5,115

5. OPERATING PROFIT

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

	2017	2016
	HK$'000	*HK$'000*
Amortisation and depreciation:		
Amortisation of land use rights	**709**	594
Depreciation of property, plant and equipment	**14,172**	14,462
Auditor's remuneration		
– Audit services	**1,460**	1,400
– Non-audit services	**2,034**	893
Cost of inventories	**189,857**	190,130
Net exchange losses/(gains)	**1,484**	(734)
Operating lease rentals in respect of land and buildings	**435**	420
Operating lease rentals in respect of office equipment	**392**	303
Loss on disposal of property, plant and equipment	**959**	298
Direct expenses for investment properties	**127**	152
Gain on revaluation of investment properties	**(5,160)**	(820)
Revaluation deficit of buildings	**3,160**	818
(Reversal of provision for returns and doubtful debts)/Provision for returns and doubtful debts	**(91)**	305
Provision for slow-moving inventories	**855**	79
Staff costs (including directors' emoluments) *(note 10)*	**97,531**	97,305

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest expenses on bank borrowings	**1,000**	1,138

7. TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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 2017.

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

	2017	2016
	HK$'000	*HK$'000*
Hong Kong profits tax	**1,040**	3,166
Overseas taxation	**3,133**	3,529
Under-provision/(Over-provision) in prior year	**551**	(445)
Deferred tax relating to the origination and reversal of temporary differences	**1,454**	(2,137)
	6,178	4,113

8. DIVIDEND

The dividends paid in 2017 and 2016 were HK$3,980,000 (HK$0.02 per share) and HK$3,980,000 (HK$0.02 per share) respectively. At a meeting held on 20th March 2018, the Board does not recommend the payment of final dividend for the year ended 31st December 2017.

	2017	2016
	HK$'000	*HK$'000*
Final, proposed, of HK$Nil (2016: HK$0.02) per ordinary share	**–**	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$19,283,000 (2016: HK$14,622,000) divided by the weighted average number of 198,958,000 (2016: 198,958,000) ordinary shares in issue during the year.

In both 2017 and 2016, 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)

	2017	2016
	HK$'000	*HK$'000*
Wages, salaries and fringe benefits	**91,228**	91,127
Social security costs	**5,605**	5,574
Pension costs – contribution to MPF scheme	**436**	483
Others	**262**	121
	97,531	97,305

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:

	2017	2016
	HK$'000	*HK$'000*
At 1st January	**28,289**	21,122
Additions	**–**	8,513
Amortisation	**(709)**	(594)
Exchange adjustment	**890**	(752)
At 31st December	**28,470**	28,289

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings *(notes (a) to (c))* **In HK**	**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 2017	107,350	147,375	2,579	11,268	745	4,528	2,844	5,359	32,536	314,584
Additions	–	–	667	2,074	–	364	732	–	2,454	6,291
Disposals	–	–	–	(774)	–	(1)	(69)	(169)	–	(1,013)
Depreciation	(3,520)	(5,551)	(623)	(2,827)	(21)	(571)	(553)	(506)	–	(14,172)
Transfer	–	34,816	159	–	–	–	–	–	(34,975)	–
Revaluation	22,040	2,792	–	–	–	–	–	–	–	24,832
Exchange adjustment	–	13,566	150	1,186	5	186	40	–	–	15,133
Net book value at 31st December 2017	125,870	192,998	2,932	10,927	729	4,506	2,994	4,684	15	345,655
At 31st December 2017										
At cost	–	–	12,756	85,734	5,253	14,097	6,714	14,376	15	138,945
At valuation – 2017	125,870	192,998	–	–	–	–	–	–	–	318,868
Accumulated depreciation	–	–	(9,824)	(74,807)	(4,524)	(9,591)	(3,720)	(9,692)	–	(112,158)
Net book value	125,870	192,998	2,932	10,927	729	4,506	2,994	4,684	15	345,655

	Land and buildings (notes (a) to (c)) In HK	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
Additions	–	–	–	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

(a) Land and buildings in Hong Kong and Mainland China were revalued on the basis of open market value by direct comparison approach and depreciated replacement cost approach, respectively, by Centaline Surveyors Limited, an independent firm of chartered surveyors, as at 31st December 2017 and 2016.

(b) The net book value of these land and buildings would have been HK$107,474,000 (2016: HK$65,637,000) had they been stated at cost less accumulated depreciation on the historical cost basis.

(c) At 31st December 2017, the net book value of land and buildings pledged as security for the Group's bank borrowings amounted to HK$125,870,000 (2016: HK$107,350,000).

13. INVESTMENT PROPERTIES

	2017	2016
	HK$'000	*HK$'000*
At fair value		
Opening balance at 1st January	**46,990**	46,170
Revaluation gain credited to the consolidated income statement	**5,160**	820
Net book value at 31st December	**52,150**	46,990

Investment properties were revalued on the basis of open market value by direct comparison approach, by Centaline Surveyors Limited, an independent firm of chartered surveyors, as at 31st December 2017 and 2016. The revaluation gains or losses are included in 'other operating expenses, net' in the consolidated income statement.

14. INVENTORIES

	2017	2016
	HK$'000	*HK$'000*
Raw materials	**20,823**	18,227
Work in progress	**27,017**	23,833
Finished goods	**59,799**	44,048
	107,639	86,108
Provision for slow-moving inventories	**(6,309)**	(5,454)
	101,330	80,654

15. TRADE AND BILL RECEIVABLES

At 31st December 2017, the ageing analysis of trade and bill receivables based on invoice date is as follows:

	2017	2016
	HK$'000	*HK$'000*
Up to 3 months	**75,047**	76,329
4–6 months	**5,223**	7,188
Over 6 months	**628**	528
	80,898	84,045
Provision for returns and doubtful debts	**(216)**	(307)
	80,682	83,738

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 2016 and 31st December 2016 and 2017, ordinary shares of HK$0.10 each	500,000,000	50,000
Issued and fully paid		
At 1st January 2016 and 31st December 2016 and 2017, 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 2017	**15,885**	**(4,579)**	**190,499**	**104**	**201,909**	**282,665**	**484,574**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**19,283**	**19,283**
Revaluation surplus on land and buildings	**–**	**–**	**27,992**	**–**	**27,992**	**–**	**27,992**
Deferred tax credited to revaluation reserve	**–**	**–**	**(4,706)**	**–**	**(4,706)**	**–**	**(4,706)**
Exchange difference arising from translation of financial statements of subsidiaries	**–**	**19,358**	**–**	**–**	**19,358**	**–**	**19,358**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**(3,980)**	**(3,980)**
At 31st December 2017	**15,885**	**14,779**	**213,785**	**104**	**244,553**	**297,968**	**542,521**
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

18. TRADE AND BILL PAYABLES

At 31st December 2017, the ageing analysis of trade and bill payables based on invoice date is as follows:

	2017 ***HK$'000***	2016 *HK$'000*
Up to 3 months	**21,631**	21,916
4–6 months	**879**	829
Over 6 months	**307**	446
	22,817	23,191

19. BORROWINGS

	2017	2016
	HK$'000	*HK$'000*
Current liabilities		
Trust receipt loans	**37,621**	29,292
Bank loan	**–**	11,875
Total borrowings	**37,621**	41,167

Total borrowings included secured liabilities of HK$37,621,000 (2016: HK$24,500,000), which are secured by land and buildings and investment properties of the Group (notes 12 and 13). The borrowings are also supported by guarantees given by the Company and its certain subsidiaries.

20. COMMITMENTS

(a) Capital commitments

At 31st December 2017, the Group had the following capital commitments for leasehold improvements, property, plant and machinery, office equipment and motor vehicles:

	2017	2016
	HK$'000	*HK$'000*
Contracted but not provided for	**636**	3,235

(b) Commitments under operating leases as lessee

At 31st December 2017, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings and office equipment	
	2017	2016
	HK$'000	*HK$'000*
Not later than one year	**735**	173
Later than one year and no later than five years	**225**	20
	960	193

(c) Commitments under operating lease as lessor

At 31st December 2017, the Group had future aggregate minimum rental receivables under non-cancellable operating leases as follows:

	Land and buildings	
	2017	2016
	HK$'000	*HK$'000*
Not later than one year	**1,365**	1,509
Later than one year and not later than five years	**700**	2,017
	2,065	3,526

21. FINANCIAL GUARANTEES AND PLEDGE

At 31st December 2017, the Group had the following banking facilities, of which HK$186,000,000 (2016: 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$178,020,000 (2016: HK$154,340,000).

	2017	2016
	HK$'000	*HK$'000*
Trade and loan finance facilities	**226,000**	227,875
Forward exchange contract line	**62,432**	–

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.

22. SUBSEQUENT EVENT

On 12th January 2018, the Group entered into the Construction Contract with an independent third party contractor as its first phase of developing of the Land as the Group's production facilities in Vietnam, pursuant to which the Contractor shall commence the First Phase Construction Works from the Commencement Date at the Consideration of VND67,513,308,000 (equivalent to approximately HK$23,376,000). Meanwhile, an announcement for this transaction was made and published on the web page of Hong Kong Exchanges and Clearing Limited.

FINANCIAL REVIEW

Results

The Group's revenue was HK$364,401,000 (2016: HK$359,035,000). Profit for the year was HK$19,283,000 compared to HK$14,622,000 in 2016. Earnings per share was HK$0.097 (2016: HK$0.073).

Final Dividend

The Board does not recommend the final dividend for the year ended 31st December 2017. The Group's total dividend for the year ended 31st December 2016 amounts to HK$0.02 per share.

Liquidity and Financial Resources

As at 31st December 2017, the consolidated short-term indebtedness of the Group was approximately HK$37,621,000. The borrowings are denominated in Hong Kong dollars. The bank balances and cash amounted to approximately HK$68,621,000.

As at 31st December 2017, the Group's trade and bill receivables balance was approximately HK$80,682,000, representing 22.1% of the year's revenue of approximately HK$364,401,000. The Group adopted a stringent credit policy to minimize credit risk.

The interest cover in 2017 was 26.5 times as compared to 17.5 times in 2016.

Capital Expenditure and Material Acquisitions

During the year under review, capital expenditure approximate to HK$6,291,000.

Capital Structure

As at 31st December 2017, the consolidated shareholders' equity of the Group was approximately HK$562,417,000, representing an increase of 11.5% over that of the previous year. The debt to equity ratio, calculated by dividing total liabilities to shareholders' equity, was approximately 23.2%.

Pledge of Assets

As at 31st December 2017, the Group's trade and loan finance facilities amounted to approximately HK$226,000,000, 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$178,020,000.

Foreign Exchange Exposure

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

Contingent Liabilities

As at 31st December 2017, the Group did not have any material contingent liabilities.

BUSINESS REVIEW

The Group's revenue increased by 1.5% to HK$364 million in this financial year. The increase in revenue was mainly due to good performance of US market segment. Revenue 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 58%, 9%, 31% and 2% of the Group's total revenue respectively.

The Group's operating environment is improving slightly. The moderate growth in US household appliance market performance led to increase in sales in US market segment. During the year, the copper price stop declining and started to increase and thus had a positive effect on the determination of the selling price of the Group's products. But on the other hand, there is an increase in the minimum level of wages in Shenzhen City, from RMB2,030 to RMB2,130 effective 1st June 2017. As a result, the gross margin remained stable when compared with that of last year. The net margin increased from 4.1% in 2016 to 5.3% in 2017. The increase in net margin was mainly due to net revaluation gain of properties and government subsidy.

The challenge for the Group is to recruit sufficient number of labors for the Dongyuan factory and at the same time avoids the unnecessary wage premium due to competition for labors. Apart from monetary incentives, non monetary staff welfare like free Wifi service and rooms for couple are provided in our dormitory. Another challenge is to manage the taxation risk arising from transfer pricing. The Group has many intercompany transactions among US, Hong Kong, the PRC and Vietnam (the "Countries"). During the year, the Group was required to make an additional HK$1.6 million regarding transfer price tax adjustment. With introduction of more sophisticated transfer pricing regulations in the Countries, it is foreseeable that tax authorities will be more active in challenging transfer pricing arrangement. In response, the Group will review its operations structure and work closely with relevant tax experts.

FUTURE PROSPECT

The Group is desirous of moving some capital intensive production to the Dongyuan factory from old factory in Shenzhen City and intend to redevelop the existing plant of Dongyuan factory. The pace of redevelopment is geared with the recruitment of suitable electric wire specialists and sufficient number of labors. As the recruitment result is not satisfactory, the pace of redevelopment will be slow down.

Regarding the factory construction in Quang Ngai, Vietnam, the construction will be divided into three phases. The Group has entered into a construction contract with a local contractor through tendering process to construct the phase I construction works. The expected completion date is 12th July 2018. The phase I factory will be used for producing harness products, which are more labor intensive. For details of the transaction, please refer to Company's announcement dated 12th January 2018. The Group will exercise caution in its investment in overseas manufacturing facilities.

For our old factory in Shenzhen City ("Shenzhen Factory"), the Group has constantly received enquiries regarding its future development plan. In the foreseeable future, the Group still retains a certain level of production in the Shenzhen Factory. However at the same time, the Group will look for any opportunity to realize its intrinsic value. In order to pave the way for its development, the Group will restructure the property ownership so that the Group's properties in the Shenzhen City will all be owned by a wholly owned subsidiary in the PRC.

EMPLOYEES' REMUNERATION POLICY

As at 31st December 2017, the Group employed 1,032 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 ESG report. For details, please refer to the Group's annual 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 2017 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, who was an Independent Non-Executive Director and resigned on 29th December 2017, was unable to attend the Company's annual general meeting held on 27th April 2017 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 forthcoming Annual General Meeting to be held on 9th May 2018 ("2018 AGM").

The register of members of the Company will be closed during the periods from 4th May 2018 to 9th May 2018, 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 2018 AGM. In order to be eligible to attend and vote at the 2018 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 3rd May 2018.

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, 20th March 2018

The figures set out in the preliminary announcement in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31st December 2017 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

As at the date of this announcement, the executive Directors are Mr. MON Chung Hung, Mr. SIU Yuk Shing, Marco, Ms. MON Wai Ki, Vicky and Ms. MON Tiffany, the non-executive Director is Ms. KOO Di An, Louise and the independent non-executive Directors are Mr. LAU Chun Kay, Mr. LEE Chung Nai, Jones and Ms. Chung Kit Ying.