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*Perennial*

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**PERENNIAL INTERNATIONAL LIMITED**

**恒都集團有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00725)**

**ANNUAL RESULTS**

**FOR THE YEAR ENDED 31ST DECEMBER 2018**

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 2018.

**CONSOLIDATED INCOME STATEMENT**

*For the year ended 31st December 2018*

	<i>Note</i>	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue	3	<b>355,744</b>	364,401
Cost of sales		<b>(299,538)</b>	(282,099)
Gross profit		<b>56,206</b>	82,302
Other income	4	<b>7,128</b>	8,163
Distribution expenses		<b>(9,220)</b>	(9,150)
Administrative expenses		<b>(54,186)</b>	(52,213)
Other operating income/(expenses), net		<b>1,798</b>	(2,641)
Operating profit	5	<b>1,726</b>	26,461
Finance costs	6	<b>(1,104)</b>	(1,000)
Profit before taxation		<b>622</b>	25,461
Income tax	7	<b>(2,382)</b>	(6,178)
(Loss)/profit for the year attributable to shareholders of the Company		<b>(1,760)</b>	19,283
Basic and diluted (loss)/earnings per share (cents)	9	<b>(0.9)</b>	9.7

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 2018

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
(Loss)/profit for the year	<u>(1,760)</u>	<u>19,283</u>
Other comprehensive income/(loss):		
<u>Item that will not be reclassified subsequently</u> <u>to profit or loss</u>		
Revaluation surplus on land and buildings, net of tax	<b>30,789</b>	23,286
<u>Items that may be reclassified to</u> <u>profit or loss</u>		
Exchange difference arising from translation of financial statements of subsidiaries	<u>(13,361)</u>	<u>19,358</u>
Other comprehensive income for the year	<u><b>17,428</b></u>	<u>42,644</u>
Total comprehensive income for the year attributable to shareholders of the Company	<u><b>15,668</b></u>	<u>61,927</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31st December 2018

	Note	2018 HK\$'000	2017 HK\$'000
<b>ASSETS</b>			
Non-current assets			
Land use rights	11	26,696	28,470
Property, plant and equipment	12	402,067	345,655
Investment properties	13	55,290	52,150
Non-current deposits		1,101	1,105
Deferred tax assets		3,832	4,742
		<u>488,986</u>	<u>432,122</u>
Current assets			
Inventories	14	90,934	101,330
Trade and bill receivables	15	90,330	80,682
Other receivables, deposits and prepayments		11,442	7,251
Taxation recoverable		1,262	2,764
Cash and cash equivalents		49,996	68,621
		<u>243,964</u>	<u>260,648</u>
Total assets		<u>732,950</u>	<u>692,770</u>
<b>EQUITY</b>			
Equity attributable to shareholders of the Company			
Share capital	16	19,896	19,896
Other reserves	17	261,981	244,553
Retained earnings	17	296,208	297,968
Total equity		<u>578,085</u>	<u>562,417</u>

	<i>Note</i>	<b>2018</b> <b><i>HK\$'000</i></b>	2017 <i>HK\$'000</i>
<b>LIABILITIES</b>			
Non-current liabilities			
Deferred tax liabilities		<b>44,047</b>	39,092
Current liabilities			
Trade and bill payables	<i>18</i>	<b>17,387</b>	22,817
Other payables and accruals		<b>29,783</b>	29,325
Taxation payable		<b>2,114</b>	1,498
Bank loans	<i>19</i>	<b>36,800</b>	–
Trust receipt loans	<i>19</i>	<b>24,734</b>	37,621
		<b>110,818</b>	91,261
Total liabilities		<b>154,865</b>	130,353
Total equity and liabilities		<b>732,950</b>	692,770

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December 2018

	Share capital <i>HK\$'000</i>	Other reserves (note 17) <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
As at 1st January 2018	<u>19,896</u>	<u>244,553</u>	<u>297,968</u>	<u>562,417</u>
<u>Comprehensive loss</u>				
Loss for the year	–	–	(1,760)	(1,760)
<u>Other comprehensive income/(loss)</u>				
Revaluation surplus on land and buildings	–	37,304	–	37,304
Deferred tax charged to revaluation reserve	–	(6,515)	–	(6,515)
Exchange difference arising from translation of financial statements of subsidiaries	–	(13,361)	–	(13,361)
Total comprehensive income/(loss) for the year	<u>–</u>	<u>17,428</u>	<u>(1,760)</u>	<u>15,668</u>
At 31st December 2018	<u><u>19,896</u></u>	<u><u>261,981</u></u>	<u><u>296,208</u></u>	<u><u>578,085</u></u>

	Share capital <i>HK\$'000</i>	Other reserves <i>(note 17)</i> <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
As at 1st January 2017	19,896	201,909	282,665	504,470
<u>Comprehensive income</u>				
Profit for the year	–	–	19,283	19,283
<u>Other comprehensive income/(loss)</u>				
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 ( <i>note 8</i> )	–	–	(3,980)	(3,980)
At 31st December 2017	<u>19,896</u>	<u>244,553</u>	<u>297,968</u>	<u>562,417</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December 2018

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Cash flows from operating activities</b>		
Net cash generated from operations	2,034	24,103
Hong Kong profits tax refunded/(paid), net	1,278	(5,432)
Overseas tax paid, net	(1,434)	(6,060)
Interest paid	(1,523)	(1,000)
	<u>355</u>	<u>11,611</u>
Net cash generated from operating activities	355	11,611
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(42,580)	(4,349)
Decrease/(increase) in deposits paid for additions of property, plant and equipment	4	(246)
Interest received	62	63
Decrease in short-term fixed deposit	–	1,112
Proceeds from sale of property, plant and equipment	101	54
	<u>(42,413)</u>	<u>(3,366)</u>
Net cash used in investing activities	(42,413)	(3,366)
<b>Cash flows from financing activities</b>		
Additions of bank loans	40,000	–
Repayment of bank loans	(3,200)	(11,875)
Net (repayment)/additions of trust receipt loans	(12,887)	8,329
Dividend paid to the Company's shareholders	–	(3,980)
	<u>23,913</u>	<u>(7,526)</u>
Net cash generated from/(used in) financing activities	23,913	(7,526)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(18,145)</b>	<b>719</b>
Cash and cash equivalents at 1st January	68,621	67,191
Exchange difference on cash and cash equivalents	(480)	711
	<u>49,996</u>	<u>68,621</u>
<b>Cash and cash equivalents at 31st December</b>	<b>49,996</b>	<b>68,621</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December 2018

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 and certain financial assets and liabilities (including derivative instruments), 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 and amended standards and interpretations adopted by the Group

The following new standards and amendments to standards and interpretations are mandatory for the financial year beginning on or after 1st January 2018:

Annual Improvements Projects Amendments to HKFRS 2	Annual Improvements 2014–2016 Cycle Classification and Measurement of Share-Based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarifications to HKFRS 15
Amendments to HKAS 40	Transfers of Investment Property
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

#### (i) **HKFRS 9: “Financial Instruments”**

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1st January 2018 resulted in changes in accounting policies. In accordance with the transitional provisions in HKFRS 9, the Group applied HKFRS 9 to items that existed at 1st January 2018, comparative figures have not been restated.



### *Classifications and measurement*

On 1st January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and there were no changes to the classification and measurement of financial instruments.

### *Impairment of financial assets*

The Group has four types of financial assets that are subject to the new expected credit loss model of the new HKFRSs:

- bill receivables
- cash at bank
- trade receivables, and
- other financial assets at amortised cost.

### *Bill receivables and cash at bank*

The Group has adopted the expected credit loss model to assess the recoverability of bill receivables and cash at bank as at 1st January 2018 and the change in impairment methodologies has no impact of the Group's consolidated financial information and there is no loss allowance as at 1st January 2018.

### *Trade receivables*

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivable have been grouped based on shared credit risk characteristics and the days past due. The Group applied different expected loss rates to different classes of trade receivables, according to their respective risk characteristics. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. The Group has assessed the expected credit loss model applied to the trade receivables as at 1st January 2018 and the change in impairment methodologies has no significant impact of the Group's consolidated financial information and the opening loss allowance is not restated in this respect.

### *Other financial assets at amortised cost*

Other financial assets at amortised cost include other receivables. The Group has adopted the expected credit loss model to assess the recoverability of other receivables as at 1st January 2018 and the change in impairment methodologies has no impact of the Group's consolidated financial information and there is no loss allowance as at 1st January 2018.

**(ii) HKFRS 15: “Revenue from Contracts with Customers”**

The Group has first time adopted HKFRS 15 from 1st January 2018 which resulted in changes in accounting policies. In accordance with the transition provisions of HKFRS 15, the Group has adopted the modified retrospective application and no comparative figures are restated.

HKFRS 15 establishes a new framework for revenue recognition. This replaces HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard introduces a five-step model to determine when to recognise revenue and at what amount. Under the five-step model, revenue is recognised when control of goods or services is transferred to a customer and at the amount to which the entity expects to be entitled. Depending on the nature of the contracts, revenue is either recognised over time or at a point in time.

The adoption of HKFRS 15 did not result in any significant impact on the Group’s financial position and results of operations based on the current business model.

Apart from aforementioned HKFRS 9 and HKFRS 15, there are no other new standards, amendments to standards or interpretations that are effective for the first time for this reporting period that have a material financial impact on the Group.

**(b) New and amended standards, interpretations and conceptual framework not yet adopted**

Certain new and amended standards, interpretations and conceptual framework have been published that are not mandatory for the financial year ended 31st December 2018 and have not been early adopted by the Group.

		<b>Effective for accounting period beginning on or after</b>
Annual Improvements Projects	Annual Improvements 2015 – 2017 Cycle	1st January 2019
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement	1st January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1st January 2019
Amendments to HKFRS 9	Prepayment Features with Negative compensation	1st January 2019
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets Between an Investor and its Associate and Joint Venture	To be determined
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1st January 2020
HKFRS 16	Leases	1st January 2019
HKFRS 17	Insurance Contracts	1st January 2021
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments	1st January 2019
HKAS 1 (Revised)	Presentation of Financial Statements	1st January 2020
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	1st January 2020
HKFRS 3 (Revised)	Business Combinations	1st January 2020

## ***HKFRS 16: “Leases”***

### *Nature of Change*

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised 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 recognised. The only exceptions are short-term and low-value leases.

### *Impact*

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\$285,000.

Based on management’s initial assessment, the initial adoption of HKFRS 16 in the future will result in an increase in the right-of-use assets and the lease liabilities, which is expected to result in an increase in both assets and liabilities in the consolidated statement of financial position. The adoption will also front-load the expense recognition in the consolidated income statement over the period of the leases, as a result of the combination of the interest expenses arising from the lease liabilities and the amortisation of the right-of-use assets as compared to the rental expenses under existing standard.

### ***Date of adoption by Group***

The Group will apply the standard from its mandatory adoption date of 1st January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

Apart from aforementioned HKFRS 16, the directors of the Company are in the process of assessing the financial impact of the adoption of the above new and amended standards, interpretations and conceptual framework. The directors of the Company will adopt the new and amended standards, interpretations and conceptual framework when they become effective.

## **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:

	<b>2018</b>	2017
	<b><i>HK\$’000</i></b>	<i>HK\$’000</i>
Sale of goods – at a point in time	<u><b>355,744</b></u>	<u>364,401</u>

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 2018 and 2017 are as follows:

	Revenue (external sales) 2018 <i>HK\$'000</i>	Segment results 2018 <i>HK\$'000</i>	Total segment assets 2018 <i>HK\$'000</i>	Capital expenditure 2018 <i>HK\$'000</i>	Depreciation 2018 <i>HK\$'000</i>	Amortisation 2018 <i>HK\$'000</i>
Hong Kong	113,641	3,503	205,796	147	5,255	–
Mainland China	50,246	1,390	314,697	3,579	10,176	585
America	182,475	(1,397)	89,071	–	–	–
Europe	710	(20)	159	–	–	–
Other countries	8,672	(234)	64,105	42,429	–	130
Reportable segment	<u>355,744</u>	<u>3,242</u>	<u>673,828</u>	<u>46,155</u>	<u>15,431</u>	<u>715</u>
Unallocated costs		<u>(1,516)</u>				
Operating profit		<u>1,726</u>				
	Revenue (external sales) 2017 <i>HK\$'000</i>	Segment results 2017 <i>HK\$'000</i>	Total segment assets 2017 <i>HK\$'000</i>	Capital expenditure 2017 <i>HK\$'000</i>	Depreciation 2017 <i>HK\$'000</i>	Amortisation 2017 <i>HK\$'000</i>
Hong Kong	118,242	12,405	202,217	642	4,562	–
Mainland China	53,061	5,641	316,638	5,649	9,610	579
America	181,796	9,199	87,001	–	–	–
Europe	895	39	109	–	–	–
Other countries	10,407	460	29,913	–	–	130
Reportable segment	<u>364,401</u>	<u>27,744</u>	<u>635,878</u>	<u>6,291</u>	<u>14,172</u>	<u>709</u>
Unallocated costs		<u>(1,283)</u>				
Operating profit		<u>26,461</u>				

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

	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Total segment assets	<b>673,828</b>	635,878
Investment properties	<b>55,290</b>	52,150
Deferred tax assets	<b>3,832</b>	4,742
	<hr/>	<hr/>
Total assets	<b><u>732,950</u></b>	<u>692,770</u>

Unallocated costs represent corporate expenses.

Revenue of approximately HK\$158,635,000 (2017: HK\$152,477,000) are derived from two (2017: two) major customers contributing 10% or more of the total revenue. These revenues are attributable to the America segment (2017: America segment).

	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Customer A	<b>88,106</b>	85,401
Customer B	<b>70,529</b>	67,076
	<hr/>	<hr/>
	<b><u>158,635</u></b>	<u>152,477</u>

#### 4. OTHER INCOME

	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Scrap sales	<b>4,286</b>	3,747
Interest income	<b>62</b>	63
Rental income from investment properties	<b>1,291</b>	1,253
Government subsidy	<b>360</b>	1,683
Compensation and storage income from customers	<b>765</b>	605
Other income from customers	<b>364</b>	812
	<hr/>	<hr/>
	<b><u>7,128</u></b>	<u>8,163</u>

## 5. OPERATING PROFIT

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Amortisation and depreciation:		
Amortisation of land use rights	715	709
Depreciation of property, plant and equipment	15,431	14,172
Auditor's remuneration		
– Audit services	1,525	1,460
– Non-audit services	764	2,034
Cost of inventories	206,704	189,857
Net exchange losses	1,092	1,484
Operating lease rentals in respect of land and buildings	438	435
Operating lease rentals in respect of office equipment	339	392
Loss on disposal of property, plant and equipment	31	959
Direct expenses for investment properties	129	127
Gain on revaluation of investment properties	(3,140)	(5,160)
Revaluation (surplus)/deficit of buildings	(1,738)	3,160
Provision for/(reversal of provision for) returns and loss allowance	100	(91)
Provision for slow-moving inventories	298	855
Staff costs (including directors' emoluments) ( <i>note 10</i> )	98,252	97,531
	<u>98,252</u>	<u>97,531</u>

## 6. FINANCE COSTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest expenses	1,523	1,000
Amount capitalised ( <i>Note</i> )	(419)	–
Net finance cost	<u>1,104</u>	<u>1,000</u>

*Note:*

The capitalisation rate used to determine the amount of borrowing costs to be capitalised in construction in progress is the weighted average interest rate applicable to the borrowing during the year of 3.15% (2017: nil).

## 7. TAXATION

- (a) Hong Kong profits tax has been 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 (2017: standard rate at 16.5%).

Taxation on overseas profits has been calculated on the estimated assessable profits for the year at the applicable rates of taxation prevailing in the jurisdictions 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 2018.

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

	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Hong Kong profits tax	<b>265</b>	1,040
Overseas taxation	<b>3,084</b>	3,133
(Over-provision)/under-provision in prior year	<b>(317)</b>	551
Deferred tax relating to the origination and reversal of temporary differences	<b>(650)</b>	1,454
	<b><u>2,382</u></b>	<u>6,178</u>

## 8. DIVIDEND

The dividends paid in 2017 was HK\$3,980,000 (HK\$0.02 per share). At a meeting held on 25th March 2019, the Board does not recommend the payment of final dividend for the year ended 31st December 2018.

## 9. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the Group's loss for the year of HK\$1,760,000 (2017: profit for the year of HK\$19,283,000) divided by the weighted average number of 198,958,000 (2017: 198,958,000) ordinary shares in issue during the year.

In both 2018 and 2017, diluted (loss)/earnings per share is the same as basic (loss)/earnings per share due to the absence of dilutive potential ordinary shares during the reporting period.

## 10. STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Wages, salaries and fringe benefits	91,942	91,228
Social security costs	5,497	5,605
Pension costs – contribution to MPF scheme	450	436
Others	363	262
	<u>98,252</u>	<u>97,531</u>

## 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:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
At 1st January	28,470	28,289
Amortisation	(715)	(709)
Exchange adjustment	(1,059)	890
	<u>26,696</u>	<u>28,470</u>

## 12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings		Leasehold	Plant and	Furniture	Office	Motor	Pleasure	Construction	Total
	In HK	Outside HK	improvements	machinery	and fixtures	equipment	vehicles	boats	in progress	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net book value at 1st January 2018	125,870	192,998	2,932	10,927	729	4,506	2,994	4,684	15	345,655
Additions	-	-	-	4,882	-	453	842	45	39,933	46,155
Disposals	-	-	-	-	-	(1)	(131)	-	-	(132)
Depreciation	(4,267)	(6,325)	(648)	(2,606)	(18)	(547)	(570)	(450)	-	(15,431)
Revaluation	17,467	21,575	-	-	-	-	-	-	-	39,042
Exchange adjustment	-	(11,065)	(91)	(757)	(3)	(126)	(41)	-	(1,139)	(13,222)
	<u>139,070</u>	<u>197,183</u>	<u>2,193</u>	<u>12,446</u>	<u>708</u>	<u>4,285</u>	<u>3,094</u>	<u>4,279</u>	<u>38,809</u>	<u>402,067</u>
Net book value at 31st December 2018	<u>139,070</u>	<u>197,183</u>	<u>2,193</u>	<u>12,446</u>	<u>708</u>	<u>4,285</u>	<u>3,094</u>	<u>4,279</u>	<u>38,809</u>	<u>402,067</u>
At 31st December 2018										
At cost	-	-	12,345	88,545	5,079	14,166	7,120	14,421	38,809	180,485
At valuation – 2018	139,070	197,183	-	-	-	-	-	-	-	336,253
Accumulated depreciation	-	-	(10,152)	(76,099)	(4,371)	(9,881)	(4,026)	(10,142)	-	(114,671)
	<u>139,070</u>	<u>197,183</u>	<u>2,193</u>	<u>12,446</u>	<u>708</u>	<u>4,285</u>	<u>3,094</u>	<u>4,279</u>	<u>38,809</u>	<u>402,067</u>
Net book value	<u>139,070</u>	<u>197,183</u>	<u>2,193</u>	<u>12,446</u>	<u>708</u>	<u>4,285</u>	<u>3,094</u>	<u>4,279</u>	<u>38,809</u>	<u>402,067</u>



	Land and buildings		Leasehold improvements	Plant and machinery	Furniture and fixtures	Office equipment	Motor vehicles	Pleasure boats	Construction in progress	Total
	In HK	Outside HK								
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
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
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
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)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net book value	125,870	192,998	2,932	10,927	729	4,506	2,994	4,684	15	345,655
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 13. INVESTMENT PROPERTIES

	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
At fair value		
Opening balance at 1st January	<b>52,150</b>	46,990
Revaluation gain credited to the consolidated income statement	<b>3,140</b>	5,160
	<u>          </u>	<u>          </u>
Closing balance at 31st December	<b>55,290</b>	52,150
	<u>          </u>	<u>          </u>

### 14. INVENTORIES

	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Raw materials	<b>20,138</b>	20,823
Work in progress	<b>23,251</b>	27,017
Finished goods	<b>54,152</b>	59,799
	<u>          </u>	<u>          </u>
	<b>97,541</b>	107,639
Provision for slow-moving inventories	<b>(6,607)</b>	(6,309)
	<u>          </u>	<u>          </u>
	<b>90,934</b>	101,330
	<u>          </u>	<u>          </u>

## 15. TRADE AND BILL RECEIVABLES

At 31st December 2018, the ageing analysis of trade and bill receivables based on invoice date is as follows:

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Up to 3 months	<b>76,900</b>	75,047
4-6 months	<b>12,584</b>	5,223
Over 6 months	<b>846</b>	628
Provision for returns and loss allowance	<u>—</u>	<u>(216)</u>
	<b><u>90,330</u></b>	<b><u>80,682</u></b>

## 16. SHARE CAPITAL

	<i>No. of shares</i>	<i>HK\$'000</i>
Authorised		
At 1st January 2017 and 31st December 2017 and 2018, ordinary shares of HK\$0.10 each	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid		
At 1st January 2017 and 31st December 2017 and 2018, ordinary shares of HK\$0.10 each	<u>198,958,000</u>	<u>19,896</u>

## 17. RESERVES

	Share premium <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Land and buildings revaluation reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Total other reserves <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January 2018	15,885	14,779	213,785	104	244,553	297,968	542,521
Loss for the year	-	-	-	-	-	(1,760)	(1,760)
Revaluation surplus on land and buildings	-	-	37,304	-	37,304	-	37,304
Deferred tax charged to revaluation reserve	-	-	(6,515)	-	(6,515)	-	(6,515)
Currency translation difference	-	(13,361)	-	-	(13,361)	-	(13,361)
At 31st December 2018	<u>15,885</u>	<u>1,418</u>	<u>244,574</u>	<u>104</u>	<u>261,981</u>	<u>296,208</u>	<u>558,189</u>
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 charged to revaluation reserve	-	-	(4,706)	-	(4,706)	-	(4,706)
Currency translation difference	-	19,358	-	-	19,358	-	19,358
Dividend paid	-	-	-	-	-	(3,980)	(3,980)
At 31st December 2017	<u>15,885</u>	<u>14,779</u>	<u>213,785</u>	<u>104</u>	<u>244,553</u>	<u>297,968</u>	<u>542,521</u>

## 18. TRADE AND BILL PAYABLES

At 31st December 2018, the ageing analysis of trade and bill payables based on invoice date is as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Up to 3 months	15,030	21,631
4-6 months	2,096	879
Over 6 months	261	307
	<u>17,387</u>	<u>22,817</u>

## 19. BORROWINGS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<b>Current liabilities</b>		
Trust receipt loans	24,734	37,621
Bank loans	36,800	–
	<u>61,534</u>	<u>37,621</u>
Total borrowings	<u><u>61,534</u></u>	<u><u>37,621</u></u>

Total borrowings included secured liabilities of HK\$44,734,000 (2017: HK\$37,621,000), which are secured by certain land and buildings and investment properties of the Group (notes 12 and 13). The borrowings of HK\$61,534,000 are also supported by guarantees given by the Company and certain subsidiaries.

## 20. COMMITMENTS

### (a) Capital commitments

At 31st December 2018, the Group had the following capital commitments for property, plant and machinery:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Contracted but not provided for	5,858	636
	<u><u>5,858</u></u>	<u><u>636</u></u>

### (b) Commitments under operating leases as lessee

At 31st December 2018, the Group had future aggregate minimum lease payments under noncancellable operating leases as follows:

	<b>Land and buildings and office equipment</b>	
	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Not later than one year	235	735
Later than one year and no later than five years	50	225
	<u><u>285</u></u>	<u><u>960</u></u>

(c) **Commitments under operating lease as lessor**

At 31st December 2018, the Group had future aggregate minimum rental receivables under non-cancellable operating leases as follows:

	<b>Land and buildings</b>	
	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Not later than one year	<b>700</b>	1,365
Later than one year and not later than five years	<b>–</b>	700
	<b>700</b>	<b>2,065</b>

**21. FINANCIAL GUARANTEES AND PLEDGE**

At 31st December 2018, the Group had the following banking facilities, of which approximately HK\$186,000,000 (2017: HK\$186,000,000) were secured by legal charges over certain land and buildings and investment properties of the Group with a total carrying value of approximately HK\$170,570,000 (2017: HK\$178,020,000).

	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Trade and loan finance facilities	<b>206,000</b>	226,000
Forward exchange contract line	<b>62,312</b>	62,432

In addition, the Company and 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 approximately HK\$355,744,000 (2017: HK\$364,401,000). Loss for the year was approximately HK\$1,760,000 compared to the profit for the year approximately HK\$19,283,000 in 2017. Losses per share was HK\$0.009 (2017 Earnings per share: HK\$0.097).

### **Final Dividend**

The Board does not recommend the final dividend for the year ended 31st December 2018. The Group did not pay any final dividend for the year ended 31st December 2017.

### **Liquidity and Financial Resources**

As at 31st December 2018, the consolidated short-term indebtedness of the Group was approximately HK\$61,534,000. The borrowings are denominated in Hong Kong dollars. The bank balances and cash amounted to approximately HK\$49,996,000.

As at 31st December 2018, the Group's trade and bill receivables balance was approximately HK\$90,330,000, representing 25.4% of the year's revenue of approximately HK\$355,744,000. The Group adopted a stringent credit policy to minimize credit risk.

As at 31st December 2018, the Group's gearing ratio, which is calculated by dividing total borrowings to total equity, was 10.6% (2017: 6.7%).

The interest cover in 2018 was 1.6 times as compared to 26.5 times in 2017.

### **Capital Expenditure and Material Acquisitions**

During the year under review, capital expenditure approximate to HK\$46,155,000.

### **Capital Structure**

As at 31st December 2018, the consolidated shareholders' equity of the Group was approximately HK\$578,085,000, representing an increase of 2.8% over that of the previous year. The debt to equity ratio, which is calculated by dividing total liabilities to shareholders' equity, was approximately 26.8%.

### **Pledge of Assets**

As at 31st December 2018, the Group's trade and loan finance facilities amounted to approximately HK\$206,000,000, and of which approximately HK\$186,000,000 were secured by legal charges over certain land and buildings and investment properties of the Group with a total carrying value of approximately HK\$170,570,000.

## **Foreign Exchange Exposure**

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

## **Contingent Liabilities**

As at 31st December 2018, the Group did not have any material contingent liabilities.

## **BUSINESS REVIEW**

The Group's revenue decreased by 2.4% to HK\$356 million in this financial year. The decrease in revenue was mainly due to reduction of sales orders as a result of intense price competitions in the market. Revenue in terms of sales mix was relatively stable when compared with that of last year. Sales in power cords and plastic resins accounted for 61% of the Group's revenue, and cables, wires and wire harness accounted for 39% of the Group's revenue.

The gross margin decreased from 22.6% in 2017 to 15.8% in 2018. The decrease in gross margin was due to several reasons including the drop of revenue as a result of price competitions, the increase in purchase price of major raw materials, the appreciation in the exchange rate of Renminbi against Hong Kong dollars on full year basis and the additional tariff imposed by United States on Chinese products as a result of United States and China trade disputes.

The Group recorded a negative net profit margin of 0.5% in 2018 compared to positive net profit margin 5.3% in 2017. The net loss was mainly due to decrease in gross margin.

As the trade disputes between United States and China still continue, the Group has maintained conservative approach on the development of the disputes. The additional 10% tariff by United States on Chinese products has created certain impact on our products. But notwithstanding this, the Group has taken an active approach to reduce our operation costs.

As to the factory construction in Quang Ngai, Vietnam, the phase I construction works consisting of the construction of a factory building and one canteen, was substantially completed by the end of the year. The Group has entered into a construction contract with the same contractor as phase I construction for the phase II construction works consisting of the construction of two factory buildings on phase II development of the land. The phase II construction project was expected to be completed in March 2019. For details of the transaction, please refer to Company's announcements dated 12th January 2018 and 4th September 2018.

## **FUTURE PROSPECT**

Although the business environment is still uncertain, the Group is very positive to the future prospect of the business operations. Regarding the factory construction in Quang Ngai, Vietnam, the Group is taking consideration and assessment on the business needs to launch the phase III construction. It is probable that the phase III construction work will be engaged in cable manufacturing. The Group will exercise caution in its investment in overseas manufacturing facilities. With the commencement of operations in Quang Ngai, Vietnam, the Group is more flexible in leveraging the productions in Vietnam, Shenzhen City and Heyuan City to attain maximum efficiency in the deployment of resources of the Group to achieve high standard of cost rationalisation. This is in line with the objective of the Group to maintain long term sustainability and growth of the business. The feedback from customers regarding our manufacturing facilities in Vietnam has been very encouraging including the price sensitive customers.

## **EMPLOYEES' REMUNERATION POLICY**

As at 31st December 2018, the Group employed 930 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.



## **AUDIT COMMITTEE**

During the year, the audit committee of the Board (the “Audit Committee”) reviewed the interim financial report and the audited consolidated financial results of the Group for the year ended 31st December 2018 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. During the year, Ms. Koo Di An, Louise, the 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 Tuesday, 7th May 2019 (“2019 AGM”).

The register of members of the Company will be closed during the periods from Thursday, 2nd May 2019 to Tuesday, 7th May 2019, both days inclusive, during which no share transfer will be effected, for the purpose of ascertaining shareholders’ eligibility to attend and vote at the 2019 AGM. In order to be eligible to attend and vote at the 2019 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 Tuesday, 30th April 2019.

## 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  
**Perennial International Limited**  
**Ms. KOO DI AN, LOUISE**  
*Chairman*

Hong Kong, 25th March 2019

*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 2018 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.*