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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)

INTERIM RESULTS

FOR THE SIX MONTHS ENDED 30TH JUNE 2017

INTERIM RESULTS

The Board of Directors (the “Board”) of Perennial International Limited (the “Company”) is pleased to present the interim report and the unaudited condensed consolidated interim financial information of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June 2017 together with comparative figures as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

for the six months ended 30th June 2017

	Note	Six months ended 30th June	
		2017 HK\$'000	2016 HK\$'000
Revenue	4	187,848	183,608
Cost of sales		(145,190)	(144,294)
Gross profit		42,658	39,314
Other income	5	2,476	1,744
Distribution expenses		(4,501)	(4,531)
Administrative expenses		(26,312)	(27,010)
Other operating expenses, net		(3,684)	(2,350)
Operating profit	6	10,637	7,167
Finance costs	8	(525)	(561)
Profit before taxation		10,112	6,606
Taxation	9	(2,393)	(1,540)
Profit for the period attributable to shareholders of the Company		7,719	5,066
Basic and diluted earnings per share (cents)	11	3.9	2.5

No interim dividend was proposed to shareholders of the Company. Please refer to note 10 for details.

* For identification purposes only

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)**

for the six months ended 30th June 2017

	Six months ended 30th June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit and total comprehensive income for the period attributable to shareholders of the Company	<u>7,719</u>	<u>5,066</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)

as at 30th June 2017

		30th June	31st December
		2017	2016
	<i>Note</i>	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Land use rights	12	27,942	28,289
Property, plant and equipment	13	311,599	314,584
Investment properties	14	46,990	46,990
Non-current deposits		1,094	2,801
Deferred tax assets		5,854	6,126
		<u>393,479</u>	<u>398,790</u>
Current assets			
Inventories	15	81,204	80,654
Trade and bill receivables	16	91,111	83,738
Other receivables, deposits and prepayments		5,017	5,714
Taxation recoverable		43	67
Short term fixed deposit		–	1,112
Cash and cash equivalents		73,654	67,191
		<u>251,029</u>	<u>238,476</u>
Total assets		<u>644,508</u>	<u>637,266</u>
EQUITY AND LIABILITIES			
Equity attributable to shareholders of the Company			
Share capital	17	19,896	19,896
Other reserves	18	201,909	201,909
Retained earnings		286,404	282,665
Total equity		<u>508,209</u>	<u>504,470</u>

		30th June	31st December
		2017	2016
	<i>Note</i>	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		34,327	34,316
Current liabilities			
Trade and bill payables	<i>19</i>	29,428	23,191
Other payables and accruals		25,473	28,016
Taxation payable		6,706	6,106
Bank loan	<i>20</i>	8,125	11,875
Trust receipt loans	<i>20</i>	32,240	29,292
		101,972	98,480
Total liabilities		136,299	132,796
Total equity and liabilities		644,508	637,266

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)**

for the six months ended 30th June 2017

	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
At 1st January 2017	19,896	201,909	282,665	504,470
Total comprehensive income for the period	–	–	7,719	7,719
Total transactions with owners, recognised directly in equity				
Final dividend paid for 2016	–	–	(3,980)	(3,980)
	19,896	201,909	286,404	508,209
At 30th June 2017				
Representing:				
2017 interim dividend proposed			–	
Others			286,404	
Retained earnings as at 30th June 2017			286,404	
	Share capital HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total equity HK\$'000
At 1st January 2016	19,896	214,465	272,023	506,384
Total comprehensive income for the period	–	–	5,066	5,066
Total transactions with owners, recognised directly in equity				
Final dividend paid for 2015	–	–	(3,980)	(3,980)
	19,896	214,465	273,109	507,470
At 30th June 2016				
Representing:				
2016 interim dividend proposed			–	
Others			273,109	
Retained earnings as at 30th June 2016			273,109	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
for the six months ended 30th June 2017

	Six months ended 30th June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Net cash generated from operations	14,372	27,185
Hong Kong profits and overseas tax paid, net	(1,223)	(1,439)
	<hr/>	<hr/>
Net cash generated from operating activities	13,149	25,746
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Cash flows from investing activities		
Purchases of property, plant and equipment	(4,247)	(18,810)
Decrease/(Increase) in deposits paid for additions of property, plant and equipment	1,707	(360)
Interest received	15	20
Decrease in short-term fixed deposit	1,112	–
Proceeds from sale of property, plant and equipment	34	40
	<hr/>	<hr/>
Net cash used in investing activities	(1,379)	(19,110)
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Cash flows from financing activities		
Net repayment of bank loan	(3,750)	(2,500)
Net additions of trust receipt loans	2,948	8,125
Dividend paid to the Company's shareholders	(3,980)	(3,980)
Interest paid	(525)	(561)
	<hr/>	<hr/>
Net cash (used in)/generated from financing activities	(5,307)	1,084
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Net increase in cash and cash equivalents	6,463	7,720
Cash and cash equivalents at the beginning of the period	67,191	66,560
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Cash and cash equivalents at the end of the period	73,654	74,280
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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Perennial International Limited (the “Company”) and its subsidiaries (together, the “Group”), manufactures and trades quality power cords and power cord sets, cables and wire, wire harnesses and plastic resins. The Group’s primary markets are America, Europe, Australia, the Mainland China, Japan and Southeast Asia where it sells to prominent multi-national producers of electrical and electronic products.

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Clarendon House, 2 Church Street Hamilton, HM11, Bermuda.

The Company has its listing on The Stock Exchange of Hong Kong Limited.

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”) unless otherwise stated.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30th June 2017 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

3 ACCOUNTING POLICIES

The accounting policies applied in the preparation of these unaudited condensed consolidated interim financial information are consistent with those applied in the annual financial statements for the year ended 31st December 2016, except as mentioned below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

- (a) **Amendments to HKFRS effective for the financial year ending 31st December 2017 do not have a material impact on the Group.**

- (b) **New and amended standards have been issued but are not effective for the financial year beginning 1st January 2017 and have not been early adopted:**

		Effective for the Group for annual periods beginning on or after
Annual Improvements Project HKFRS 1 and HKAS 28	Annual Improvements 2014–2016 Cycle	1st January 2018
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions	1st January 2018
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1st January 2018
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 15	Revenue from contracts with customers	1st January 2018
HKFRS 15 (Amendments)	Clarifications to HKFRS 15	1st January 2018
HKAS 40 (Amendments)	Transfer of Investment Property	1st January 2018
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration	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

4 REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the manufacturing and trading of electric cable and wire products business.

Revenue recognised during the period is as follows:

	Six months ended 30th June	
	2017	2016
	HK\$'000	HK\$'000
Sale of goods	187,848	183,608

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 electric cable and wire products business, including Hong Kong, the Mainland China, Other Asian Countries, America and Europe. These segments are managed separately as each segment is subject to risks and returns that are different from the others.

The unaudited segment information for the reportable segments for the six months ended 30th June 2017 are as follows:

	Six months ended 30th June 2017					
	Revenue (external sales) <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	Total segment assets <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>	Depreciation <i>HK\$'000</i>	Amortisation <i>HK\$'000</i>
Hong Kong	59,448	3,612	186,867	–	2,293	–
Mainland China	28,530	1,872	294,278	4,247	4,472	282
Other Asian Countries	6,595	335	29,059	–	–	65
America	92,721	5,524	81,295	–	–	–
Europe	554	30	165	–	–	–
Reportable segment	187,848	11,373	591,664	4,247	6,765	347
Unallocated costs, net of income		(736)				
Operating profit		10,637				

The unaudited segment information for the reportable segments for the six months ended 30th June 2016 and the audited segment assets as at 31st December 2016 are as follows:

	Six months ended 30th June 2016					
	Revenue (external sales) <i>HK\$'000</i>	Segment results <i>HK\$'000</i>	Total segment assets <i>HK\$'000</i>	Capital expenditure <i>HK\$'000</i>	Depreciation <i>HK\$'000</i>	Amortisation <i>HK\$'000</i>
Hong Kong	58,789	2,595	190,790	630	2,315	–
Mainland China	27,424	898	290,535	18,180	4,930	291
Other Asian Countries	10,723	410	30,357	–	–	–
America	86,327	3,982	72,337	–	–	–
Europe	345	13	131	–	–	–
Reportable segment	183,608	7,898	584,150	18,810	7,245	291
Unallocated costs, net of income		(731)				
Operating profit		7,167				

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

	30th June 2017 <i>HK\$'000</i>	31st December 2016 <i>HK\$'000</i>
Total segment assets	591,664	584,150
Investment properties	46,990	46,990
Deferred tax assets	5,854	6,126
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Total assets	644,508	637,266
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Unallocated costs, net of income mainly represent corporate expenses and income from investment properties.

Revenue of approximately HK\$94,937,000 (six months ended 30th June 2016: HK\$92,555,000) are derived from three major customers contributing 10% or more of the total revenue as below:

	Six months ended 30th June	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Customer A ¹	41,570	36,775
Customer B ¹	34,852	31,416
Customer C ²	18,515	24,364
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	94,937	92,555
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¹ Revenue from the America segment.

² Revenue from the America, the Mainland China and Other Asian Countries segments.

5 OTHER INCOME

	Six months ended 30th June	
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Scrap sales	1,218	643
Interest income	15	20
Government subsidy	171	–
Rental income from investment properties	573	295
Other income from customers	499	786
	<hr/>	<hr/>
	2,476	1,744
	<hr/>	<hr/>

6 OPERATING PROFIT

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

	Six months ended 30th June	
	2017 HK\$'000	2016 HK\$'000
Amortisation and depreciation:		
Amortisation of land use rights	347	291
Depreciation of owned property, plant and equipment	6,765	7,245
Auditor's remuneration	798	743
Cost of raw materials consumed	101,728	91,140
Net exchange loss	1,193	667
Operating lease rentals in respect of land and buildings	216	210
Outgoing expenses in respect of investment properties	69	92
Loss on disposal of property, plant and equipment	433	198
Provision for slow-moving inventories/(Reversal of provision for slow-moving inventories)	895	(53)
(Reversal of provision for returns and doubtful debts)/ Provision for returns and doubtful debts	(18)	134
Staff costs (including directors' emoluments) (note 7)	46,372	48,573

7 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Six months ended 30th June	
	2017 HK\$'000	2016 HK\$'000
Wages, salaries and fringe benefits	43,465	45,428
Social security costs	2,560	2,824
Pension costs – contribution to MPF scheme	223	257
Others	124	64
	46,372	48,573

8 FINANCE COSTS

	Six months ended 30th June	
	2017 HK\$'000	2016 HK\$'000
Interest expenses on bank borrowings	525	561

9 TAXATION

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30th June 2016: 16.5%) on the estimated assessable profit for the period.

Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

	Six months ended 30th June	
	2017 HK\$'000	2016 HK\$'000
Hong Kong profits tax	859	741
Overseas taxation	1,251	1,559
Deferred tax relating to the origination and reversal of temporary differences	283	(760)
	<u>2,393</u>	<u>1,540</u>

10 DIVIDEND

A dividend of HK\$3,980,000 that relates to the year ended 31st December 2016 was paid on 17th May 2017 (2016: HK\$3,980,000).

At a meeting held on 15th August 2017, the Board does not recommend the payment of an interim dividend for the six months ended 30th June 2017 (six months ended 30th June 2016: Nil).

11 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's unaudited profit for the six months ended 30th June 2017 of HK\$7,719,000 (Six months ended 30th June 2016: HK\$5,066,000) divided by the number of 198,958,000 (30th June 2016: 198,958,000) ordinary shares in issue during the period.

For the six months ended 30th June 2017 and 2016, diluted earnings per share is the same as basic earnings per share due to the absence of dilutive potential ordinary shares at the end of the reporting period.

12 LAND USE RIGHTS

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

	30th June 2017 HK\$'000	30th June 2016 HK\$'000
	At the beginning of the period	28,289
Amortisation of land use rights	<u>(347)</u>	<u>(291)</u>
At the end of the period	<u>27,942</u>	<u>20,831</u>

The net book value of the Group's interests in land use rights are held on leases of between 10 and 50 years outside Hong Kong, which amounted to HK\$27,942,000 (30th June 2016: HK\$20,831,000).

13 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings		Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Pleasure boats HK\$'000	Construction in progress HK\$'000	Total HK\$'000
	In HK HK\$'000	Outside HK 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	-	-	266	1,167	-	267	110	-	2,437	4,247
Disposals	-	-	-	(432)	-	-	(35)	-	-	(467)
Depreciation	(1,760)	(2,487)	(375)	(1,321)	(11)	(274)	(275)	(262)	-	(6,765)
Transfer	-	34,816	-	-	-	-	-	-	(34,816)	-
Net book value at 30th June 2017	105,590	179,704	2,470	10,682	734	4,521	2,644	5,097	157	311,599
At 30th June 2017										
At cost	-	-	11,699	83,324	5,043	13,579	6,639	14,767	157	135,208
At valuation	107,350	182,191	-	-	-	-	-	-	-	289,541
Accumulated depreciation	(1,760)	(2,487)	(9,229)	(72,642)	(4,309)	(9,058)	(3,995)	(9,670)	-	(113,150)
Net book value	105,590	179,704	2,470	10,682	734	4,521	2,644	5,097	157	311,599
	Land and buildings		Leasehold improve- ments HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Pleasure boats HK\$'000	Construction in progress HK\$'000	Total HK\$'000
	In HK HK\$'000	Outside HK 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	-	-	-	2,602	-	503	617	-	15,088	18,810
Disposals	-	-	-	(80)	-	-	(158)	-	-	(238)
Depreciation	(1,696)	(2,720)	(425)	(1,516)	(14)	(275)	(309)	(290)	-	(7,245)
Net book value at 30th June 2016	105,124	163,473	3,058	13,577	761	4,771	3,211	5,635	24,962	324,572
At 30th June 2016										
At cost	-	-	11,770	85,093	5,205	13,449	6,719	14,767	24,962	161,965
At valuation	106,820	166,193	-	-	-	-	-	-	-	273,013
Accumulated depreciation	(1,696)	(2,720)	(8,712)	(71,516)	(4,444)	(8,678)	(3,508)	(9,132)	-	(110,406)
Net book value	105,124	163,473	3,058	13,577	761	4,771	3,211	5,635	24,962	324,572

- (a) Land and buildings in Hong Kong and the Mainland China were revalued using open market basis or depreciated replacement costs by Centaline Surveyors Limited, an independent firm of chartered surveyors, as at 31st December 2016.
- (b) At 30th June 2017, the net book value of the Group's interests in leasehold land classified as finance leases are held on leases of between 10 and 50 years in Hong Kong, which amounted to HK\$91,003,000 (31st December 2016: HK\$92,520,000).
- (c) At 30th June 2017, the net book value of land and buildings pledged as security for the Group's bank loans amounted to HK\$105,590,000 (31st December 2016: HK\$107,350,000).
- (d) Construction in progress as at 30th June 2017 mainly comprises miscellaneous construction works.

14 INVESTMENT PROPERTIES

	Six months ended 30th June	
	2017	2016
	HK\$'000	HK\$'000
A fair value		
At the beginning and end of the period	<u>46,990</u>	<u>46,170</u>

- (a) 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.
- (b) The carrying value of the Group's interests in investment properties are held on leases of between 10 and 50 years in Hong Kong, which amounted to HK\$46,990,000 (31st December 2016: HK\$46,990,000).
- (c) At 30th June 2017 and 31st December 2016, the net book value of investment properties pledged as security for the Group's bank borrowings amounts to HK\$46,990,000.

15 INVENTORIES

	30th June	31st December
	2017	2016
	HK\$'000	HK\$'000
Raw materials	18,724	18,227
Work in progress	24,840	23,833
Finished goods	<u>43,989</u>	<u>44,048</u>
	87,553	86,108
Provision for slow-moving inventories	<u>(6,349)</u>	<u>(5,454)</u>
	<u>81,204</u>	<u>80,654</u>

16 TRADE AND BILL RECEIVABLES

At 30th June 2017 and 31st December 2016, the ageing analysis of trade and bill receivables based on invoice date were as follows:

	30th June	31st December
	2017	2016
	HK\$'000	HK\$'000
Current – 3 months	85,485	76,329
4–6 months	5,782	7,188
Over 6 months	<u>133</u>	<u>528</u>
	91,400	84,045
Provision for returns and doubtful debts	<u>(289)</u>	<u>(307)</u>
	<u>91,111</u>	<u>83,738</u>

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 who have long-term business relationship with the Group and did not have default in payments in the past history.

17 SHARE CAPITAL

	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:		
At 30th June 2017 and 31st December 2016, ordinary shares of HK\$0.10 each	<u>500,000,000</u>	<u>50,000</u>
Issued and fully paid:		
At 30th June 2017 and 31st December 2016, ordinary shares of HK\$0.10 each	<u>198,958,000</u>	<u>19,896</u>

18 OTHER RESERVES

	Share premium <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Land and building revaluation reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Total other reserves <i>HK\$'000</i>
At 1st January 2017 and 30th June 2017	<u>15,885</u>	<u>(4,579)</u>	<u>190,499</u>	<u>104</u>	<u>201,909</u>
At 1st January 2016 and 30th June 2016	<u>15,885</u>	<u>8,389</u>	<u>190,087</u>	<u>104</u>	<u>214,465</u>

19 TRADE AND BILL PAYABLES

At 30th June 2017 and 31st December 2016, the ageing analysis of trade and bill payables based on invoice date were as follows:

	30th June 2017 <i>HK\$'000</i>	31st December 2016 <i>HK\$'000</i>
Current–3 months	25,252	21,916
4–6 months	3,718	829
Over 6 months	458	446
	<u>29,428</u>	<u>23,191</u>

20 BORROWINGS

	30th June 2017 HK\$'000	31st December 2016 HK\$'000
Current liabilities		
Trust receipt loans	32,240	29,292
Bank loan	8,125	11,875
	<hr/>	<hr/>
Total borrowings	40,365	41,167

Total borrowings included secured liabilities of HK\$29,367,000 (31st December 2016: HK\$24,500,000), which are secured by certain land and buildings and investment properties of the Group.

The borrowings are supported by guarantees given by the Company and its certain subsidiaries.

21 FINANCIAL GUARANTEES AND PLEDGE

At 30th June 2017, the Group has the following banking facilities, of which HK\$186,000,000 (31st December 2016: HK\$186,000,000) were secured by the legal charges over certain land and buildings and investment properties of the Group with a total net book value of HK\$152,580,000 (31st December 2016: HK\$154,340,000).

	30th June 2017 HK\$'000	31st December 2016 HK\$'000
Trade and loan finance facilities	224,125	227,875
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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 COMMITMENTS

(a) Capital Commitments

At 30th June 2017 and 31st December 2016, the Group had the following capital commitments for buildings, leasehold improvements, plant and machinery, office equipment and motor vehicles:

	30th June 2017 HK\$'000	31st December 2016 HK\$'000
Contracted for but not provided for	1,724	3,235
	<hr/>	<hr/>

(b) Commitments Under Operating Leases as Lessee

At 30th June 2017 and 31st December 2016, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings and office equipment	
	30th June 2017 HK\$'000	31st December 2016 HK\$'000
Not later than one year	728	173
Later than one year and not later than five years	502	20
	1,230	193

(c) Commitments under operating lease as lessor

At 30th June 2017 and 31st December 2016, the Group had future aggregate minimum rental receivables under non-cancellable operating leases as follows:

	Land and buildings	
	30th June 2017 HK\$'000	31st December 2016 HK\$'000
Not later than one year	1,509	1,509
Later than one year and not later than five years	1,388	2,017
	2,897	3,526

FINANCIAL REVIEW

Results

The Group's revenue for the six months ended 30th June 2017 was HK\$187,848,000 (2016: HK\$183,608,000). Unaudited consolidated profit attributable to shareholders was HK\$7,719,000 (2016: HK\$5,066,000). Earnings per share were HK\$3.9 cents (2016: HK\$2.5 cents).

The Board of Directors of the Company does not recommend the payment of interim dividend (2016: Nil).

Liquidity and Financial Resources

As at 30th June 2017, the Group's bank balances and cash was HK\$73,654,000. The consolidated indebtedness of the Group was HK\$40,365,000 which was in short-term borrowings. The borrowings were denominated in Hong Kong dollars and bore interest at floating rates.

The amount of the Group's current working capital was HK\$149,057,000 (31st December 2016: HK\$139,996,000). The current ratio was 2.46. The Group's trade and bill receivables were HK\$91,111,000, representing 48.5% of the period's revenue of HK\$187,848,000.

Capital Structure

The equity of the Group was HK\$508,209,000, representing an increase of 0.1% over that of the last corresponding period. The gearing ratio, calculated by dividing total liabilities by shareholders' equity, was approximately 26.8%.

Pledge of Assets

As at 30th June 2017, the Group's utilised banking facilities amounting to approximately HK\$35,234,000 (31st December 2016: HK\$29,560,000) were secured by legal charges over certain land and buildings and investment properties of the Group with a total net book value of HK\$152,580,000 (31st December 2016: HK\$154,340,000), and corporate guarantee given by the Company and its subsidiaries.

FOREIGN EXCHANGE EXPOSURE

All foreseeable foreign exchange risk of the Company are appropriately managed or hedged.

CONTINGENT LIABILITIES

As at 30th June 2017, the Group did not have any material contingent liabilities.

BUSINESS REVIEW

During the period under review, sales in power cords, cables and wires and, wire harnesses and plastic resins accounted for 58%, 8%, 32% and 2% of the Group's turnover respectively.

The Group's revenue slightly increased by 2.3% to approximately HK\$188 million. The gross margin increased from 21.4% in the first half of 2016 to 22.7% in the first half of 2017. The slight improvement in revenue was due to the increase in sales generated from major customers. The increase in gross margin was mainly due to depreciation of Renminbi, which resulted in lower operations costs in China. Also, labor costs are lower due to gradual shift of labor intensive production to Dongyuan County, Heyuan City, the PRC ("Dongyuan Factory").

The net margin increased from 2.8% in the first half of 2016 to 4.1% in the first half of 2017. The increase in net margin was mainly due to increase in gross margin.

The Group's operating environment is improving slightly. The moderate growth in US household appliance market performance led to increase sales in US market segment. The price of copper has ceased declining and steadily increased which provide a more favourable environment for selling price determination. The challenge for the Group in 2017 is to recruit sufficient number of labors for the Dongyuan Factory. The labor pool in Heyuan City is as big or versatile as that in Shenzhen City. Bigger effort is required to recruit and retain labors. The Group has worked with Labor Bureau and technical schools in Dongyuan County to strengthen the labor recruitment.

FUTURE PROSPECTS

The pace of redeveloping the existing plant of the Dongyuan factory is geared with the recruitment of suitable electric wire specialists as the Group is desirous of moving some capital intensive production to the Dongyuan Factory from old factory in Shenzhen City ("Shenzhen Factory"). Once the specialists are recruited, the Group will commence the redevelopment.

Regarding the factory construction in Quang Ngai, Vietnam, the Group has completed the drawings. The Group has also recruited some Vietnamese technicians to receive technical training in the PRC factories. The schedule for the commencement of the factory construction is subject to the recruitment of sufficient level of Vietnamese technicians and management level personnel and order prospects. The Group will exercise caution in its investment in overseas manufacturing facilities.

The Group has constantly received enquiries regarding the development of Shenzhen Factory site. In the foreseeable future, the Group still retains a certain level of production in the Shenzhen Factory. There is no concrete development plan regarding the site of Shenzhen Factory.

EMPLOYEES AND REMUNERATION POLICIES

As at 30th June 2017, the Group employed approximately 1,100 full time management, administrative and production staff in Hong Kong and the mainland China. The Group follows market practice on remuneration packages. Employees' remuneration is reviewed and determined by senior management annually depending on the employee's performance, experience and industry practice. The Group invests in its human capital. In addition to on-job training, the Group encourages employees to further their studies in extramural courses.

REVIEWED BY THE AUDIT COMMITTEE

The Audit Committee has reviewed with the management for the accounting principles and practices adopted by the Group and discussed risk management and internal controls and financial reporting matters, including a review of the unaudited condensed consolidated financial information for the six months ended 30th June 2017 with the Directors.

CORPORATE GOVERNANCE

The Group is committed to safeguarding shareholders' rights and enhancing corporate governance standard. As a result, we established the Compliance Committee, Audit Committee, Remuneration Committee and Nomination Committee to adhere to best practices.

SOCIAL RESPONSIBILITY

The Group holds a strong belief in corporate social responsibility. Hence we continue to participate in and support community activities in both Hong Kong and the PRC.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors confirm that during the six months ended 30th June 2017, the Company has complied with the code provisions set out in the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules, and adopted recommended best practices set out in the Code whenever appropriate except that Mr. Ma Chun Hon, Richard, an Independent Non-Executive Director was unable to attend the Company's annual general meeting held on 27th April 2017 due to his own business engagements.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding Directors' and employees' securities transactions on terms no less exacting than the required standards of 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 to all Directors, the Company confirms that all the Directors complied with the required standards of the said code during the period from 1st January 2017 to 30th June 2017 (both dates inclusive).

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

Neither the Company nor its subsidiaries has purchased, redeemed or sold any of the listed securities of the Company during the six months ended 30th June 2017.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE OF HONG KONG LIMITED AND THE COMPANY

The information required by paragraphs 46(1) to 46(9) of Appendix 16 to the Listing Rules has been published on the website <http://www.hkex.com.hk> of The Stock Exchange of Hong Kong Limited and the Company's website <http://perennial.todayir.com> in due course.

VOTE OF THANKS

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
Koo Di An, Louise
Chairman

Hong Kong, 15th August 2017

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.