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PERFECTECH INTERNATIONAL HOLDINGS LIMITED

威發國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00765)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”, each a “Director”) of Perfectech International Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		(Unaudited)	
		For the six months ended	
		30 June	
	Notes	2021	2020
		HK\$'000	HK\$'000
Revenue	3 & 4	81,571	71,344
Cost of sales		<u>(58,005)</u>	<u>(46,305)</u>
Gross profit		23,566	25,039
Other income, gains and losses, net	5	458	1,741
Impairment loss on property, plant and equipment	10	—	(1,056)
Fair value loss on an investment property		—	(1,900)
Distribution costs		(1,101)	(1,405)
Administrative expenses		(30,582)	(26,326)
Finance costs		<u>(534)</u>	<u>(1,442)</u>
Loss before tax	6	(8,193)	(5,349)
Income tax expense	7	<u>(1,238)</u>	<u>(737)</u>
Loss for the period		<u>(9,431)</u>	<u>(6,086)</u>

* *For identification purpose only*

	(Unaudited)	
	For the six months ended	
	30 June	
	2021	2020
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income (expense)		
for the period, net of tax		
<i>Item that may be reclassified subsequently</i>		
<i>to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>1,100</u>	<u>(161)</u>
Total comprehensive expense for the period	<u>(8,331)</u>	<u>(6,247)</u>
Loss for the period attributable to:		
Owners of the Company	(9,975)	(7,151)
Non-controlling interests	<u>544</u>	<u>1,065</u>
Loss for the period	<u>(9,431)</u>	<u>(6,086)</u>
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	(9,008)	(7,296)
Non-controlling interests	<u>677</u>	<u>1,049</u>
Total comprehensive expense for the period	<u>(8,331)</u>	<u>(6,247)</u>
Loss per share	9	
Basic (HK cents per share)	<u>(3.05)</u>	<u>(2.19)</u>
Diluted (HK cents per share)	<u>(3.05)</u>	<u>(2.19)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		(Unaudited) 30 June 2021 <i>HK\$'000</i>	(Audited) 31 December 2020 <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	22,609	23,800
Right-of-use assets		14,308	12,450
Deferred tax assets		2,130	2,130
		39,047	38,380
CURRENT ASSETS			
Inventories		19,767	18,330
Trade and other receivables	11	21,800	24,074
Financial assets at fair value through profit or loss (“FVTPL”)		8,405	13,391
Bank balances and cash		72,485	59,467
		122,457	115,262
Assets of a disposal group classified as held for sale	12	—	67,175
		122,457	182,437
CURRENT LIABILITIES			
Trade and other payables	13	29,352	53,423
Lease liabilities		1,134	297
Amount due to a director of subsidiaries	14	—	27,931
Tax liabilities		4,529	3,391
		35,015	85,042
Liabilities directly associated with a disposal group classified as held for sale	12	—	204
		35,015	85,246
NET CURRENT ASSETS		87,442	97,191
TOTAL ASSETS LESS CURRENT LIABILITIES		126,489	135,571
NON-CURRENT LIABILITIES			
Lease liabilities		13,844	12,685
NET ASSETS		112,645	122,886

		(Unaudited)	(Audited)
		30 June	31 December
		2021	2020
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CAPITAL AND RESERVES			
Share capital		32,692	32,692
Reserves		64,723	57,030
Amount recognised in other comprehensive income and accumulated in equity relating to non-current assets classified as held for sale	12	—	16,701
Equity attributable to owners of the Company		97,415	106,423
Non-controlling interests		15,230	16,463
TOTAL EQUITY		<u>112,645</u>	<u>122,886</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and with Hong Kong Accounting Standard (the “HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The condensed consolidated financial statements are unaudited but have been reviewed by the audit committee of the Company (the “Audit Committee”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those adopted in the annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19 Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — phase 2

The application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE

Revenue represents the amounts received and receivable for goods sold by the Group to external customers, less returns and trade discounts during the period.

	(Unaudited)	
	For the six months ended	
	30 June	
	2021	2020
	HK\$'000	HK\$'000
Revenue from contracts with customers recognised at a point in time under HKFRS 15:		
Novelties and decoration products	1,044	1,827
Toy products	<u>80,527</u>	<u>69,517</u>
	<u><u>81,571</u></u>	<u><u>71,344</u></u>

4. SEGMENT REPORTING

For management purposes, the Group is currently organised into two operating segments, namely the manufacture and sale of novelties and decoration products and the manufacture and sales of toy products.

The following is an analysis of the Group's revenue and results by reportable segment:

For the six months ended 30 June 2021 (Unaudited)

	Novelties and decoration products HK\$'000	Toy products HK\$'000	Consolidated HK\$'000
REVENUE			
External sales and total revenue	<u>1,044</u>	<u>80,527</u>	<u>81,571</u>
RESULT			
Segment results	<u>(3,584)</u>	<u>1,104</u>	<u>(2,480)</u>
Gain on disposal of financial assets at FVTPL			346
Fair value loss on financial assets at FVTPL			(133)
Unallocated corporate expenses, net			(5,392)
Finance costs			<u>(534)</u>
Loss before tax			(8,193)
Income tax expense			<u>(1,238)</u>
Loss for the period			<u><u>(9,431)</u></u>

At 30 June 2021 (Unaudited)

	Novelties and decoration products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	28,762	111,183	139,945
Unallocated corporate assets			<u>21,559</u>
Consolidated total assets			<u><u>161,504</u></u>
LIABILITIES			
Segment liabilities	15,998	32,775	48,773
Unallocated corporate liabilities			<u>86</u>
Consolidated total liabilities			<u><u>48,859</u></u>

For the six months ended 30 June 2020 (Unaudited)

	Novelties and decoration products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE			
External sales and total revenue	<u>1,827</u>	<u>69,517</u>	<u>71,344</u>
RESULT			
Segment results	<u>(2,522)</u>	<u>7,638</u>	5,116
Impairment loss on property, plant and equipment			(1,056)
Fair value loss on an investment property			(1,900)
Unallocated corporate expenses, net			(6,067)
Finance costs			<u>(1,442)</u>
Loss before tax			(5,349)
Income tax expense			<u>(737)</u>
Loss for the period			<u><u>(6,086)</u></u>

At 31 December 2020 (Audited)

	Novelties and decoration products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	19,900	105,990	125,890
Unallocated corporate assets			<u>94,927</u>
Consolidated total assets			<u><u>220,817</u></u>
LIABILITIES			
Segment liabilities	15,303	54,669	69,972
Unallocated corporate liabilities			<u>27,959</u>
Consolidated total liabilities			<u><u>97,931</u></u>

Geographical Information

The Group's revenue from external customers by location of customers are detailed below:

	(Unaudited)	
	For the six months ended	
	30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue by geographical market:		
Hong Kong	3,971	1,860
Europe	3,580	2,079
United States of America	10,698	2,346
Asia (other than Hong Kong)	62,908	64,781
Others	414	278
	<u>81,571</u>	<u>71,344</u>

The following is an analysis of the carrying amount of segment assets analysed by the geographical areas in where the assets are located:

	Carrying amount of segment assets	
	(Unaudited) 30 June 2021 HK\$'000	(Audited) 31 December 2020 HK\$'000
Hong Kong	100,480	147,487
The People's Republic of China (the "PRC")	61,024	73,330
	<u>161,504</u>	<u>220,817</u>

5. OTHER INCOME, GAINS AND LOSSES, NET

	(Unaudited) For the six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Interest income from financial assets held for cash management purposes	110	173
Rental income	13	408
Scrap and sample sales (Note)	1,003	—
Tooling income (Note)	378	347
Laboratory testing income (Note)	89	198
Subsidies income from the PRC government	85	726
Gain on disposal of property, plant and equipment	23	35
Gain on disposal of Disposal Group classified as held for sale (Note 15)	249	—
Gain on disposal of financial assets at FVTPL	346	—
Fair value loss on financial assets at FVTPL	(133)	—
Gain on termination of a lease	—	28
Net foreign exchange losses	(1,808)	(340)
Others (Note)	103	166
	<u>458</u>	<u>1,741</u>

Note: These income are the revenue from contracts with customers recognised at a point in time under HKFRS 15.

6. LOSS BEFORE TAX

Loss before tax has been arrived at after charging:

	(Unaudited)	
	For the six months ended	
	30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation		
— property, plant and equipment	2,506	3,574
— right-of-use assets	<u>628</u>	<u>360</u>
	<u><u>3,134</u></u>	<u><u>3,934</u></u>

7. INCOME TAX EXPENSE

	(Unaudited)	
	For the six months ended	
	30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	1,329	568
PRC Enterprise Income Tax	<u>14</u>	<u>56</u>
	<u>1,343</u>	<u>624</u>
(Over) under-provision in prior years:		
Hong Kong Profits Tax	(115)	101
PRC Enterprise Income tax	<u>10</u>	<u>8</u>
	<u>(105)</u>	<u>109</u>
Deferred tax:		
Current year	<u>—</u>	<u>4</u>
Total income tax expense recognised in profit or loss	<u><u>1,238</u></u>	<u><u>737</u></u>

8. DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2021 (2020: Nil).

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the Group's loss for the period attributable to owners of the Company of approximately HK\$9,975,000 (2020: HK\$7,151,000) and the weighted average number of ordinary shares of 326,923,607 (2020: 326,923,607).

Diluted loss per share for the periods ended 30 June 2021 and 2020 was the same as basic loss per share as there were no dilutive potential ordinary shares in issue for both periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of approximately HK\$1,297,000 (2020: HK\$1,456,000).

During the period ended 30 June 2020, the Group recognised impairment loss on leasehold land and building of approximately HK\$1,056,000. The estimate of recoverable amount of the leasehold land and building was based on its fair value less cost of disposal. The fair value of the leasehold land and building at 30 June 2020 was determined by the Directors with reference to recent transaction prices in the market for similar properties.

11. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables (net of allowance for expected credit loss) of HK\$18,795,000 (31 December 2020: HK\$20,044,000). The Group allows an average credit period of 60 days to its trade customers. The following is an aging analysis of the Group's trade receivables, presented based on the invoice date and net of allowance for expected credit loss at the end of the reporting period:

	(Unaudited) 30 June 2021 HK\$'000	(Audited) 31 December 2020 HK\$'000
0-60 days	17,803	18,134
61-90 days	855	184
91-120 days	—	1,262
Over 120 days	137	464
	<u>18,795</u>	<u>20,044</u>

12. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 24 September 2020, Perfectech International (B.V.I.) Limited (the "Vendor"), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Grand Oasis Ventures Limited (the "Purchaser") relating to disposal of the entire issued share capital of Perfect Skill Limited ("Perfect Skill"), an indirectly wholly-owned subsidiary of the Company, and all obligations, liabilities and debts owing or incurred by Perfect Skill to the Vendor (the "Disposal Group") by the Vendor to the Purchaser (the "Disposal") at a consideration of HK\$67,100,000. The assets and liabilities attributable to the Disposal Group were classified as a disposal group held for sale and were presented separately in the consolidated statement of financial position at 31 December 2020. The Disposal Group were included in the Group's unallocated corporate assets and liabilities for segment reporting purposes.

The major classes of assets and liabilities of the Disposal Group classified as held for sale were as follows:

	(Audited) 31 December 2020 <i>HK\$'000</i>
Property, plant and equipment	30,471
Investment property	36,329
Other receivables	41
Bank balances and cash	<u>334</u>
Assets of a disposal group classified as held for sale	<u>67,175</u>
Other payables	<u>(204)</u>
Liabilities directly associated with a disposal group classified as held for sale	<u>(204)</u>

Cumulative property revaluation reserve amount of HK\$16,701,000 relating to the Disposal Group classified as held for sale was separately presented in equity at 31 December 2020.

The Disposal was completed on 10 February 2021 and gain of HK\$249,000 was recognised in other income, gains and losses, net in the condensed consolidated financial statements.

13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$17,862,000 (31 December 2020: HK\$12,993,000). The following is an aging analysis of the Group's trade payables, presented based on the invoice date at the end of reporting period:

	(Unaudited) 30 June 2021 <i>HK\$'000</i>	(Audited) 31 December 2020 <i>HK\$'000</i>
0-60 days	13,459	10,292
61-90 days	2,576	1,387
91-120 days	856	154
Over 120 days	<u>971</u>	<u>1,160</u>
	<u>17,862</u>	<u>12,993</u>

14. AMOUNT DUE TO A DIRECTOR OF SUBSIDIARIES

The amount represented amounts due to Ms. Lau Kwai Ngor, the inheritor of a former director of subsidiaries of the Company who passed away on 28 October 2019. It was conducted on normal commercial terms, bearing interest at a rate of 4% per annum, unsecured, and repayable on demand.

15. DISPOSAL OF A DISPOSAL GROUP

As referred to note 12, the Group disposed of the Disposal Group, including Perfect Skill and its subsidiary. The related gain at the date of disposal was as follows:

	(Unaudited) For the six months ended 30 June 2021 HK\$'000
Gain on disposal of the Disposal Group:	
Consideration received	67,100
Net assets disposed of (<i>Note a</i>)	<u>(66,851)</u>
Gain on disposal of the Disposal Group	<u><u>249</u></u>

Note a: The net assets included a rental deposit received of HK\$120,000 in respect of office premise owned by the Disposal Group.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board does not recommend the payment of a interim dividend for the six months ended 30 June 2021 (2020: Nil).

BUSINESS AND FINANCIAL REVIEW

Affected by the outbreak of Coronavirus Disease 2019 (the “COVID-19”) pandemic, the Group’s operating environment remained challenging in the first half of 2021. During the six months ended 30 June 2021, the Group’s revenue rose by 14% year-on-year to approximately HK\$81,571,000 (2020: HK\$71,344,000) despite facing the tough operating environment. The increase in revenue was driven by higher sales of toy products, which offset decline in sales of novelties and decoration products. The Group recorded a loss for the period attributable to owners of the Company of approximately HK\$9,975,000 (2020: HK\$7,151,000). The basic and diluted loss per share were both at 3.05 HK cents (2020: both 2.19 HK cents).

For the six months ended 30 June 2021, the Group’s core business recorded a loss of HK\$2,480,000 (2020: profit of HK\$5,116,000). The performance of each segment of the core business is discussed below.

Toy products

The revenue of toy products segment increased by about 16% year-on-year to approximately HK\$80,527,000 (2020: HK\$69,517,000), and accounted for about 99% of total revenue of the Group. The increase in revenue of this segment was primarily driven by the higher sales in the United States of America, Hong Kong and Europe, which offset the decline in sales in Asia (other than Hong Kong). The profit of this segment reduced to approximately HK\$1,104,000 (2020: HK\$7,638,000) as the gross profit and gross profit margin decreased, resulting from the increase in the costs of raw materials, costs of subcontracting and social insurance for the production staff in the PRC. The increase in foreign exchange loss as a result of the appreciation of Renminbi also contributed to the decrease in profit.

Novelties and decoration products

The revenue of the novelties and decoration products segment decreased by about 43% year-on-year to approximately HK\$1,044,000 (2020: HK\$1,827,000) and the loss of this segment was approximately HK\$3,584,000 (2020: HK\$2,522,000). It was mainly attributable to the decline in demand of novelties and decoration products in the United States of America and Europe under COVID-19 pandemic.

Distribution costs and administrative expenses

Distribution costs decreased by about 22% year-on-year to approximately HK\$1,101,000 (2020: HK\$1,405,000) as a result of stringent cost control measures implemented by the Group.

Administrative expenses mainly represented staff costs (including directors' emoluments), social insurance for the administrative staff in the PRC, depreciation of property, plant and equipment and right-of-use assets, legal and professional fee and other administrative expenses. The amount increased by about 16% year-on-year to approximately HK\$30,582,000 (2020: HK\$26,326,000), which was mainly attributable to the increase in staff costs and social insurance for the administrative staff in the PRC.

Finance costs

Finance costs decreased by about 63% year-on-year to approximately HK\$534,000 (2020: HK\$1,442,000), as a result of the decrease in interest on amount due to a director of subsidiaries and bank borrowings.

Liquidity and financial resources

As at 30 June 2021, the Group had amount due to a director of subsidiaries of HK\$Nil (31 December 2020: HK\$27,931,000). The Group's gearing ratio, calculated on the basis of the amount due to a director of subsidiaries over the equity attributable to owners of the Company, was 0% (31 December 2020: 26%).

As at 30 June 2021, the Group had bank balances and cash of approximately HK\$72,485,000 (31 December 2020: HK\$59,467,000). With net current assets as at 30 June 2021 of approximately HK\$87,442,000 (31 December 2020: HK\$97,191,000), the Group had sufficient financial resources to satisfy its commitments and working capital requirements.

Net asset value

The net asset value per share as at 30 June 2021 was approximately HK\$0.30 (31 December 2020: HK\$0.33), calculated on the basis of the equity attributable to owners of the Company of approximately HK\$97,415,000 (31 December 2020: HK\$106,423,000) over the actual number of shares in issue on that date of 326,923,607 (31 December 2020: 326,923,607).

Pledge of Assets

The Group did not have any pledge of asset as at 30 June 2021 and 31 December 2020.

Contingent Liabilities

There have been no changes in the Group's contingent liabilities since the year ended 31 December 2020.

Significant investments

As at 30 June 2021, the Group held financial assets at fair value through profit or loss amounted to approximately HK\$8,405,000 (31 December 2020: HK\$13,391,000), including equity securities listed in Hong Kong of HK\$Nil (31 December 2020: HK\$158,000), debt securities listed outside Hong Kong of approximately HK\$2,976,000 (31 December 2020: HK\$3,094,000), unlisted managed funds of approximately HK\$3,929,000 (31 December 2020: HK\$10,139,000) and unlisted securities of approximately HK\$1,500,000 (31 December 2020: HK\$Nil). Gain on disposal of financial assets at fair value through profit or loss amounted to approximately HK\$346,000 (2020: HK\$Nil) and fair value loss on financial assets at fair value through profit or loss amounted to approximately HK\$133,000 (2020: HK\$Nil) during the period.

Disposals of subsidiaries

On 24 September 2020, Perfectech International (B.V.I.) Limited (the “Vendor”), a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Grand Oasis Ventures Limited relating to the disposal of the entire issued share capital of Perfect Skill Limited (“Perfect Skill”), an indirectly wholly-owned subsidiary of the Company, and all obligations, liabilities and debts owing or incurred by Perfect Skill to the Vendor (the “Disposal Group”) at the consideration of approximately HK\$67,100,000. The principal assets in the Disposal Group were the Group’s leasehold land and buildings of approximately HK\$30,471,000 and investment property of approximately HK\$36,329,000 at 31 December 2020. The assets and liabilities attributable to the Disposal Group were classified as a disposal group held for sale and presented separately in the consolidated statement of financial position at 31 December 2020. The transaction was completed on 10 February 2021.

Employees and remuneration policies

As at 30 June 2021, the Group employed approximately 710 (31 December 2020: 700) full time employees. The Group remunerates its employees primarily based on prevailing industry practice as well as individual merits. The Group has also established a share option scheme for its full time employees.

Foreign currency exposure

The Group’s sales and purchases are mainly denominated in Hong Kong Dollar and United States Dollar (the “US Dollar”). As all of its factories are located in the PRC, expenses incurred there are denominated in Renminbi. Since Hong Kong Dollar remains pegged to US Dollar, the Group does not foresee a substantial exposure in this area, and will closely monitor the trend of Renminbi to see if any action is required. As at 30 June 2021, the Group did not enter into any financial instrument for the hedging of exposure in foreign currencies.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As referred to in the Company's announcement titled "Inside Information in Relation to Framework Sale and Purchase Agreement" dated 15 August 2019 and further discussed in the annual report of the Company for the year ended 31 December 2020, on 15 August 2019, the Company entered into a framework sale and purchase agreement with Sino-Science Netherlands Petroleum B.V., a company incorporated under the laws of Netherlands ("SSNP"), pursuant to which the Company has conditionally agreed to acquire more than 50% of the total participating interests or shares of Sozak Oil and Gas JSC (formerly known as Sozak Oil and Gas LLP) ("Sozak"), established under the laws of Kazakhstan ("Proposed Acquisition"). Sozak is principally engaged in the exploration of oil and natural gas in South-Kazakhstan and Kyzylorda region and the petroleum assets are located in the Marsel Block in the Chu-Sarysu Basin of Kazakhstan which is currently under appraisal. The consideration for the Proposed Acquisition shall be paid by the Company through a combination of cash, the allotment and issue of new shares of the Company and/or other forms of securities issued by the Company at a price to be agreed upon by SSNP and the Company. The material terms of the Proposed Acquisition are yet to be agreed and are subject to the execution of the final definitive agreement.

Up to the date of this announcement, the directors of the Company are still in the course of negotiating material terms with SSNP and making appropriate arrangements for the Proposed Acquisition, with the aim of materialising the Proposed Acquisition as soon as practicable.

As referred to in the Company's announcement dated 18 March 2021 concerning the BOINC Strategic Cooperation Agreement entered into between the Company, California Super Computing Network Technology, Inc. and Affluence Energy Holding SARL and the Chainup Strategic Cooperation Agreement entered into between the Company, Chainup Pte. Ltd. and Sozak; and Company's announcement dated 31 March 2021 concerning the DCOIN Strategic Cooperation Agreement entered into between the Company and Davox Technology AG (the BOINC Strategic Cooperation Agreement, together with the Chainup Strategic Cooperation Agreement and DCOIN Strategic Cooperation Agreement, collectively referred to as the "Strategic Cooperation Agreements"), the Company entered into the Strategic Cooperation Agreements with relevant parties with the aim of stepping into the business in the field of blockchain and cryptocurrency.

As at the date of this announcement, the Company and the parties to the Strategic Cooperation Agreements have not yet conducted any transactions. Any possible cooperation contemplated under the Strategic Cooperation Agreements can be carried out only after the Company enters into a final agreement with the relevant parties involved. Since the cooperation may not necessarily proceed, shareholders and prospective investors of the Company are advised to exercise caution when trading in the Company's shares.

The Company will make further announcements regarding the project development under the Strategic Cooperation Agreements in compliance with the Listing Rules where appropriate.

PROSPECT

The Directors believes that the entering into of the Strategic Cooperation Agreements, subject to the execution of the final agreement with the parties involved, will be conducive to facilitating the Group to commence the business in the field of blockchain and cryptocurrency. The parties involved will jointly boost the development of the blockchain technology and the industry with their respective capital, platform and resources advantages.

While pushing forward with the business in the field of blockchain and cryptocurrencies, the Company will continue to look for more quality mergers and acquisitions and integration opportunities in the field of oil and gas exploration and production, and build itself into a resource integration company with energy as its core advantage.

The Directors endeavour to materialise the Proposed Acquisition and the Strategic Cooperation Agreements in order to bring additional value and new income streams to the Group, and create long-term returns for the shareholders of the Company with enhanced values.

Meanwhile, the outbreak of COVID-19 pandemic are expected to continue to cast uncertainty and challenges to the Group's operating environment in this year. The Directors are moving ahead cautiously. The Group will continue to optimise its product mix to meet the demand of the customers, strengthen production and operational efficiency, as well as implement stringent cost management in order to minimise the impact of these challenges.

With the joint efforts of all of its employees, the Group endeavors to maintain a good business relationship with its customers, business partners and shareholders to maximise its corporate value and deliver promising returns to its shareholders.

EVENTS AFTER REPORTING PERIOD

As disclosed in the announcement of the Company dated 30 August 2021:

Mr. Leung Tak Ho ("Mr. Leung") has tendered his resignation as the company secretary (the "Company Secretary") of the Company and the authorised representative (the "Authorised Representative") of the Company under Rule 3.05 of the Listing Rules, all with effect from 30 August 2021, due to his other personal commitments which require more of his dedication and time commitment. Ms. Ng Chi Man has been appointed as the Company Secretary and the Authorised Representative with effect from 30 August 2021 to replace Mr. Leung.

Mr. Leung also tendered his resignation as the chief financial officer of the Company with effect from 6 September 2021 due to his other personal commitments which require more of his dedication and time commitment.

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities whether on the Stock Exchange or otherwise.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the corporate governance code and amended it from time to time, based on the code provisions (the "Code Provisions") of the latest revised code on corporate governance as set out in Appendix 14 to the Listing Rules.

Throughout the six months ended 30 June 2021, the Company has complied with the Code Provisions save for the following deviation:

Code Provision A.2.1 of the Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual.

After the resignation of Ms. Zhu Yuqi as the non-executive director, the chairman of the Board (the "Chairman") and the chairman of the nomination committee of the Company (the "Nomination Committee") on 15 December 2020, the duties of the Chairman have been undertaken by all members of the Board and the Company Secretary collectively.

The Board believes that with the support of the management, vesting the role of the Chairman in the Board and the Company Secretary collectively can facilitate the execution of the Group's business strategies and enhance the effectiveness of its operation. Further, the Board considers that the current structure will enhance the balance of power and authority between the Board and the management of the Group as the Board, which comprises experienced and high calibre individuals who met regularly to discuss issues pertaining to the operations of the Company, assumes collective responsibility on the decision making process of the Company's business strategies and operation.

The Board is in the process of identifying a suitable candidates with appropriate experience to act as the Chairman, before which the duties of the Chairman will continue to be undertaken by the Directors and the Company Secretary collectively.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted a code of conduct regarding Directors' securities transaction on terms no less exacting than the required standard as set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiries have been made with all Directors and they have confirmed that throughout the six months ended 30 June 2021, they complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, Mr. Xie Xiaohong, Mr. Geng Jianhua and Mr. Lau Shu Yan, who is also the chairman of the Audit Committee. The Audit Committee has reviewed the Group's unaudited consolidated interim results and interim report for the six months ended 30 June 2021.

PUBLICATION OF 2021 INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company's website (www.perfectech.hk). The interim report for the six months ended 30 June 2021 of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the above-mentioned websites in due course.

By order of the Board
Perfectech International Holdings Limited
Li Shaohua
Director

Hong Kong, 30 August 2021

As at the date of this announcement, the Board is composed of Mr. Li Shaohua and Mr. Poon Wai Yip, Albert as executive Directors, and Mr. Lau Shu Yan, Mr. Xie Xiaohong and Mr. Geng Jianhua as independent non-executive Directors.