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**PERFECTECH INTERNATIONAL HOLDINGS LIMITED**

**威發國際集團有限公司\***

(the “Company”)

*(incorporated in Bermuda with limited liability)*

(Stock Code: 0765)

**ANNOUNCEMENT OF ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2012**

**RESULTS**

The board of directors (the “Board”) of Perfectech International Holdings Limited (the “Company”) hereby announces that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2012 and the comparative figures in 2011 were as follows:

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended 31 December*

	<i>Notes</i>	<b>2012</b> <i>HK\$’000</i>	2011 <i>HK\$’000</i> (Restated)
Continuing operations			
Revenue	3 & 4	<b>290,079</b>	330,211
Cost of sales		<b>(227,689)</b>	(275,052)
Gross profit		<b>62,390</b>	55,159
Net other income (expenses)	5	<b>24,106</b>	(9,120)
Distribution costs		<b>(9,796)</b>	(11,675)
Increase in fair value of an investment property		<b>1,700</b>	884
Administrative expenses		<b>(33,252)</b>	(39,218)
Finance costs	6	<b>(319)</b>	(417)

\* *for identification purpose only*

	<i>Notes</i>	<b>2012</b> <b>HK\$'000</b>	2011 <i>HK\$'000</i> (Restated)
Profit (loss) before tax	7	<b>44,829</b>	(4,387)
Income tax (expenses) credit	8	<u><b>(5,660)</b></u>	<u>1,371</u>
Profit (loss) for the year from continuing operations		<u><b>39,169</b></u>	<u>(3,016)</u>
Discontinued operations			
Loss for the year from discontinued operations	9	<u><b>(1,402)</b></u>	<u>(616)</u>
Profit (loss) for the year		<u><b>37,767</b></u>	<u>(3,632)</u>
Other comprehensive income			
Exchange difference on translation of overseas operations		<u><b>1,667</b></u>	<u>379</u>
Total comprehensive income (expenses) for the year		<u><b>39,434</b></u>	<u>(3,253)</u>
Profit (loss) for the year attributable to:			
Owners of the Company		<b>33,856</b>	(5,613)
Non-controlling interests		<u><b>3,911</b></u>	<u>1,981</u>
Profit (loss) for the year		<u><b>37,767</b></u>	<u>(3,632)</u>
Total comprehensive income (expenses) for the year attributable to:			
Owners of the Company		<b>35,424</b>	(5,245)
Non-controlling interests		<u><b>4,010</b></u>	<u>1,992</u>
Total comprehensive income (expenses) for the year		<u><b>39,434</b></u>	<u>(3,253)</u>
Earnings (loss) per share	11		
From continuing and discontinued operations			
Basic		<u><b>12.93 Cents</b></u>	<u>(2.09 Cents)</u>
Diluted		<u><b>12.85 Cents</b></u>	<u>(2.09 Cents)</u>
From continuing operations			
Basic		<u><b>13.47 Cents</b></u>	<u>(1.86 Cents)</u>
Diluted		<u><b>13.39 Cents</b></u>	<u>(1.86 Cents)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December*

	<i>Notes</i>	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		35,264	38,330
Investment property		10,200	8,500
Deferred rental income		10	–
Deferred tax assets		4,075	5,984
		<b>49,549</b>	52,814
<b>CURRENT ASSETS</b>			
Inventories		39,689	60,256
Trade and other receivables	12	38,741	53,050
Deferred rental income		5	–
Amounts due from a related company		527	1,161
Tax recoverable		771	608
Investments held-for-trading		59,736	68,025
Derivative financial instruments		354	622
Pledged bank deposits		8,281	1,254
Bank balances and cash		75,318	60,399
		<b>223,422</b>	245,375
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	41,260	55,151
Derivative financial instruments		4,508	3,692
Tax liabilities		4,243	2,373
Bank borrowings		9,221	25,670
		<b>59,232</b>	86,886
<b>NET CURRENT ASSETS</b>		<b>164,190</b>	158,489
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>213,739</b>	211,303
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		245	668
<b>NET ASSETS</b>		<b>213,494</b>	210,635
<b>CAPITAL AND RESERVES</b>			
Share capital		26,072	26,381
Reserves		175,259	175,031
Equity attributable to owners of the Company		<b>201,331</b>	201,412
Non-controlling interests		12,163	9,223
<b>TOTAL EQUITY</b>		<b>213,494</b>	210,635

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31 December 2012*

### 1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### **New and revised HKFRSs applied with no material effects on the consolidated financial statements**

The accounting policies and methods of computation used in these financial statements are the same as those followed in the preparation of the Group’s financial statements for the year ended 31 December 2011, except for the following amendments to HKFRSs that the Group has applied for the first time in the current year. The application of these new and revised HKFRSs has had no impact on the Group’s financial performance and positions for the current and prior years but may affect the accounting for future transactions or arrangements.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendments)	Financial Instruments: Disclosures – Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 1 (Amendments)	Government Loans <sup>2</sup>
HKFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities <sup>2</sup>
HKFRS 9	Financial Instruments <sup>4</sup>
HKFRS 10	Consolidated Financial Statements <sup>2</sup>
HKFRS 11	Joint Arrangements <sup>2</sup>
HKFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>4</sup>
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements Disclosure of Interests in Other Entities: Transition Guidance <sup>2</sup>
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities <sup>3</sup>
HKFRS 13	Fair Value Measurement <sup>2</sup>
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>1</sup>
HKAS 19 (as revised in 2011)	Employee Benefits <sup>2</sup>
HKAS 27 (as revised in 2011)	Separate Financial Statements <sup>2</sup>
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures <sup>2</sup>
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities <sup>3</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle except for the amendments to HKAS 1 <sup>2</sup>
HK (IFRC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2014

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2015

### 3. REVENUE

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

	<b>2012</b>	2011
	<b>HK\$'000</b>	HK\$'000
Novelties and decorations products	<b>77,142</b>	81,761
Packaging products	<b>32,200</b>	50,309
Toys products	<b>180,737</b>	198,141
	<b>290,079</b>	330,211

#### 4. SEGMENTS REPORTING

For management purposes, the Group is currently organised into four operating segments, namely the manufacture and sale of novelties and decorations products, the manufacture and sale of packaging products and the manufacture and sale of toy products.

Trading of PVC films and plastic materials was discontinued in the current year. The segment information reported on the next pages does not include any amounts for these discontinued operations, which are described in more detail in note 9.

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

#### 2012

	<b>Novelties and decorations products HK\$'000</b>	<b>Packaging products HK\$'000</b>	<b>Toy products HK\$'000</b>	<b>Eliminations HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>REVENUE</b>					
External sales	77,142	32,200	180,737	–	290,079
Inter-segment sales	–	11,020	–	(11,020)	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue for continuing operations	<b>77,142</b>	<b>43,220</b>	<b>180,737</b>	<b>(11,020)</b>	<b>290,079</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>RESULT</b>					
Segment result	<b>(1,558)</b>	<b>(3,172)</b>	<b>30,001</b>	<b>–</b>	<b>25,271</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Profit from investments					18,199
Increase in fair value of investment properties					1,700
Unallocated corporate expenses					(22)
Finance costs					(319)
					<hr/>
Profit before tax					44,829
Income tax expenses					(5,660)
					<hr/>
Profit for the year					<b>39,169</b>
					<hr/> <hr/>

Inter-segment sales are charged at prevailing market rates.

	<b>Novelties and decorations products HK\$'000</b>	<b>Packaging products HK\$'000</b>	<b>Toy products HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>ASSETS</b>				
Segment assets	63,898	32,200	93,876	189,974
Unallocated corporate assets				81,344
Assets relating to PVC films and plastic materials operations				1,653
				<u>1,653</u>
Consolidated total assets				<u><u>272,971</u></u>
<b>LIABILITIES</b>				
Segment liabilities	22,638	4,162	25,800	52,600
Unallocated corporate liabilities				6,828
Liabilities relating to PVC films and plastic materials operations				49
				<u>49</u>
Consolidated total liabilities				<u><u>59,477</u></u>

	<b>Novelties and decorations products HK\$'000</b>	<b>Packaging products HK\$'000</b>	<b>Toy products HK\$'000</b>	<b>Others HK\$'000</b>	<b>Consolidated HK\$'000</b>
Additions of property, plant and equipment	680	30	5,182	53	5,945
Depreciation and amortisation	1,961	2,192	4,809	8	8,970
Interest income	20	25	15	1	61
	<u>20</u>	<u>25</u>	<u>15</u>	<u>1</u>	<u>61</u>

**2011**

	Novelties and decorations products <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE					
External sales	81,761	50,309	198,141	–	330,211
Inter-segment sales	1	15,728	–	(15,729)	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenue for continuing operations	<u>81,762</u>	<u>66,037</u>	<u>198,141</u>	<u>(15,729)</u>	<u>330,211</u>
RESULT					
Segment result	<u>3,242</u>	<u>(2,744)</u>	<u>17,675</u>	<u>–</u>	18,173
Loss from investments					(16,998)
Increase in fair value of an investment property					884
Unallocated corporate expenses					(6,029)
Finance costs					<u>(417)</u>
Loss before tax					(4,387)
Income tax credit					<u>1,371</u>
Loss for the year					<u><u>(3,016)</u></u>

Inter-segment sales are charged at prevailing market rates.



	Novelties and decorations products <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>ASSETS</b>				
Segment assets	54,663	50,557	92,372	197,592
Unallocated corporate assets				82,813
Assets relating to PVC films and plastic materials operations				17,784
				<u>197,592</u>
Consolidated total assets				<u><u>298,189</u></u>
<b>LIABILITIES</b>				
Segment liabilities	37,168	8,508	28,563	74,239
Unallocated corporate liabilities				6,020
Liabilities relating to PVC films and plastic materials operations				7,295
				<u>7,295</u>
Consolidated total liabilities				<u><u>87,554</u></u>

	Novelties and decorations products <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Additions of property, plant and equipment	591	739	9,265	10,595
Depreciation and amortisation	2,225	3,345	4,463	10,033
Interest income	21	32	18	71
Release of prepaid lease payments	<u>-</u>	<u>-</u>	<u>6</u>	<u>6</u>

Segment profit represents the profit earned by each segment without allocation of central administration costs including directors' salaries, investment and other income, finance costs, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than held-for-trading investments, other financial assets, and deferred tax assets. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and

- all liabilities are allocated to operating segments other than deferred tax liabilities, other financial liabilities and borrowings. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

### Geographical Information

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

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Sales revenue by geographical market:		
Hong Kong	<b>27,358</b>	50,206
Europe	<b>60,861</b>	88,803
America	<b>68,230</b>	78,661
Asia (other than Hong Kong)	<b>122,769</b>	103,380
Others	<b>10,861</b>	9,161
	<b>290,079</b>	330,211

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	<b>Carrying amount of segment assets</b>		<b>Additions to property, plant and equipment</b>	
	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Hong Kong	<b>167,956</b>	170,322	<b>506</b>	4
The People's Republic of China (the "PRC")	<b>105,015</b>	127,867	<b>5,439</b>	10,591
	<b>272,971</b>	298,189	<b>5,945</b>	10,595

### Information about major customer

Included in revenues arising from sales of toy products of approximately HK\$180,737,000 (2011: HK\$198,141,000) are revenues of approximately HK\$113,851,000 (2011: HK\$152,663,000) which arose from sales to the Group's largest customer.

**5. NET OTHER INCOME (EXPENSES)**

	<b>2012</b>	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Bad debt recovered	<b>44</b>	283
Dividend income on investments held-for-trading	<b>2,328</b>	1,860
Gain on disposal of property, plant and equipment	<b>2,125</b>	2,676
Interest income	<b>61</b>	71
Net change in fair value of investments held-for-trading	<b>8,900</b>	(13,197)
Net change in fair value of derivative financial instruments	<b>(1,084)</b>	(309)
Rental income	<b>16</b>	116
Realised gain (loss) on disposal of investments held-for-trading	<b>8,053</b>	(5,355)
Sample sales	<b>1,092</b>	337
Scrap sales	<b>1,026</b>	1,981
Others	<b>1,545</b>	2,417
	<u><b>24,106</b></u>	<u>(9,120)</u>

**6. FINANCE COSTS**

	<b>2012</b>	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Interest on:		
Bank borrowings wholly repayable within five years	<u><b>319</b></u>	<u>417</u>

**7. PROFIT (LOSS) BEFORE TAX**

	<b>2012</b>	2011
	<b>HK\$'000</b>	<b>HK\$'000</b>
Continuing operations		
Profit (loss) before tax has been arrived at after charging:		
Auditor's remuneration	<b>890</b>	810
Allowance for doubtful debts	<b>2,677</b>	–
Cost of inventories recognised as an expense	<b>100,685</b>	131,575
Depreciation of property, plant and equipment	<b>8,970</b>	10,033
Foreign exchange losses, net	<b>69</b>	4,890
Operating lease rentals in respect of rented premises	<b>5,995</b>	5,533
Release of prepaid lease payments	–	6
Share-based payment expenses	<b>1,392</b>	6,220
Staff costs (including Directors' emoluments)	<b>93,205</b>	87,394
Written down of inventories	–	800
	<b><u>                    </u></b>	<b><u>                    </u></b>

**8. INCOME TAX EXPENSES (CREDIT)**

	<b>2012</b>	2011
	<b>HK\$'000</b>	<b>HK\$'000</b>
Relating to continuing operations		
Current tax:		
Hong Kong Profits Tax	<b>3,785</b>	2,351
PRC Enterprise Income Tax	<b>212</b>	–
	<b><u>                    </u></b>	<b><u>                    </u></b>
	<b>3,997</b>	2,351
	<b><u>                    </u></b>	<b><u>                    </u></b>
(Over) under provision in prior years:		
Hong Kong Profits Tax	<b>(60)</b>	–
PRC Enterprise Income Tax	<b>53</b>	1
	<b><u>                    </u></b>	<b><u>                    </u></b>
	<b>(7)</b>	1
	<b><u>                    </u></b>	<b><u>                    </u></b>
Deferred tax		
Current year	<b>1,670</b>	(3,723)
	<b><u>                    </u></b>	<b><u>                    </u></b>
Total income tax expenses (credit) recognised in profit or loss	<b><u>                    </u></b>	<b><u>                    </u></b>
	<b>5,660</b>	(1,371)
	<b><u>                    </u></b>	<b><u>                    </u></b>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% for both years.

The tax charge (credit) for the year can be reconciled to the profit (loss) before tax as follows:

	<b>2012</b>	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit (loss) before tax (from continuing operations)	<b>44,829</b>	(4,387)
Tax at Hong Kong Profits Tax of 16.5%	<b>7,397</b>	(724)
Tax effect of income not taxable for tax purposes	<b>(3,909)</b>	(2,026)
Tax effect of expenses not deductible for tax purposes	<b>1,967</b>	644
Tax effect on temporary differences not recognised	<b>(1)</b>	(1)
Tax effect on tax losses not recognised	<b>474</b>	508
Utilisation of tax losses not previously recognised	<b>3</b>	8
(Over) under provision in prior year	<b>(7)</b>	1
Effect of different tax rates of group entities operating in the PRC	<b>(264)</b>	219
Tax charge (credit) for the year (relating to continuing operations)	<b>5,660</b>	(1,371)

## 9. DISCONTINUED OPERATIONS

Discontinue of trading of PVC films and plastic materials operations

During the year, the directors had resolved to terminate the operations of trading of PVC films and plastic materials as a result of its poor performance and the lack of sign of improvement in the future.

Analysis of loss for the year from discontinued operations

The results of the discontinued operations (trading of PVC films and plastic materials) included in the loss for the year are set out below. The comparative loss and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Loss for the year from discontinued operations		
Revenue	<b>9,299</b>	52,752
Cost of sales	<b>(9,595)</b>	(49,321)
Gross (loss) profit	<b>(296)</b>	3,431
Net other income	<b>90</b>	3
Distribution costs	<b>(328)</b>	(1,244)
Administrative expenses	<b>(991)</b>	(2,997)
Finance costs	<b>(52)</b>	(61)
Loss before tax	<b>(1,577)</b>	(868)
Income tax credit	<b>175</b>	252
Loss for the year from discontinued operations	<b>(1,402)</b>	(616)
Discontinued operations		
Loss for the year from discontinued operations	<b>(1,402)</b>	(616)
Loss for the year from discontinued operations include the following:		
Depreciation and amortisation	<b>13</b>	31
Auditor's remuneration	<b>40</b>	40
Cash flows from discontinued operations		
Net cash inflows (outflows) from operating activities	<b>1,870</b>	(4,767)
Net cash inflows from investing activities	<b>2</b>	–
Net cash (outflows) inflows from financing activities	<b>(4,425)</b>	4,313
Net cash outflows	<b>(2,553)</b>	(454)
<b>10. DIVIDENDS</b>		
	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Interim, paid –2.0 HK cents (2011: 1.0 HK cent) per share	<b>5,230</b>	2,658
Final and special, paid – 11.0 HK cents per share for 2011 (2011: 2.5 HK cents per share for 2010)	<b>28,766</b>	6,756
	<b>33,996</b>	9,414

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2012 of 4.0 HK cents (2011: 1.0 HK cent) per share and a special one-off dividend of 7.0 HK cents per share have been proposed by the Directors and is subject to approval by the shareholders in general meeting.

## 11. EARNINGS (LOSS) PER SHARE

### From continuing and discontinued operations

The calculation of the basic and diluted earnings (loss) per share attributable to owners of the Company is based on the net profit for the year of approximately HK\$33,856,000 (2011: loss of HK\$5,613,000) and the following data:

	2012	2011
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	<b>261,871,378</b>	268,829,032
Effect of dilutive potential ordinary shares on share options	<b>1,552,807</b>	—
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	<b><u>263,424,185</u></b>	<b><u>268,829,032</u></b>

No diluted loss per share has been presented for the 2011 because the share options outstanding had an anti-dilutive effect in the calculation of diluted loss per share.

### From continuing operations

The calculation of the basic and diluted earnings (loss) per share from continuing operations attributable to owners of the Company is based on the following data:

Earnings (loss) figures are calculated as follows:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Profit (loss) for the year attributable to owners of the Company	<b>33,856</b>	(5,613)
Add: Loss for the year from discontinued operations	<b>1,417</b>	615
Earnings (loss) for the purpose of basic and diluted earnings (loss) per share from continuing operations	<b><u>35,273</u></b>	<b><u>(4,998)</u></b>

The denominators used are the same as those detailed above for both basic and diluted earnings (loss) per share.

### From discontinued operations

Basic loss per share for the discontinued operations is 0.54 HK cents per share (2011: 0.23 HK cents per share) and diluted loss per share for the discontinued operations is 0.54 HK cents per share (2011: 0.23 HK cents per share), based on the loss for the year from the discontinued operations of HK\$ 1.4 million (2011: HK\$ 0.6 million) and the denominators detailed above for both basic and diluted earnings (loss) per share.

## 12. TRADE AND OTHER RECEIVABLES

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Trade receivables	<b>50,864</b>	60,935
Less: impairment loss on trade receivables	<b>(17,956)</b>	(15,397)
	<b>32,908</b>	45,538
Prepayment and other receivables	<b>5,833</b>	7,512
	<b>38,741</b>	53,050

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 by age, presented based on the invoice date and net of allowance for doubtful debts at the end of the reporting period:

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
0 – 60 days	<b>31,451</b>	36,506
61 – 90 days	<b>1,018</b>	2,998
91 – 120 days	<b>171</b>	2,044
Over 120 days	<b>268</b>	3,990
	<b>32,908</b>	45,538

Trade receivables disclosed above include amounts which are past due at the end of reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.



The following is an aging analysis of the Group's trade receivables that are past due but not impaired at the end of the reporting period:

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Overdue by:		
0 – 60 days	<b>4,881</b>	6,032
61 – 90 days	<b>9</b>	293
91 – 120 days	–	79
Over 120 days	–	66
	<u><b>4,890</b></u>	<u>6,470</u>

The following is the movement in the allowance for doubtful debts:

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Balance at the beginning of the year	<b>15,397</b>	15,696
Allowance for doubtful debts during the year	<b>2,777</b>	1,324
Amounts recovered during the year	<b>(45)</b>	(283)
Amounts written off during the year	<b>(173)</b>	(1,340)
	<u><b>17,956</b></u>	<u>15,397</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. The fair value of the Group's trade and other receivables at 31 December 2012 approximate to the corresponding carrying amount.

The following is an aging analysis of the Group's impaired trade receivables:

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Overdue by:		
0 – 60 days	<b>528</b>	–
61 – 90 days	<b>2,093</b>	–
91 – 120 days	–	–
Over 120 days	<b>15,335</b>	15,397
	<u><b>17,956</b></u>	<u>15,397</u>

### 13. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables at the end of reporting period:

	<b>2012</b>	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 60 days	<b>10,303</b>	21,705
61 – 90 days	<b>2,667</b>	1,621
91 – 120 days	<b>1,361</b>	322
Over 120 days	<b>780</b>	544
	<hr/>	<hr/>
Trade payable	<b>15,111</b>	24,192
Other payable	<b>26,149</b>	30,959
	<hr/>	<hr/>
	<b>41,260</b>	55,151
	<hr/> <hr/>	<hr/> <hr/>

The fair value of the Group's trade and other payables at 31 December 2012 approximates to the corresponding carrying amount.

## CHAIRMAN'S STATEMENT

### RESULTS

The board of directors of the Company (the "Board") has resolved to announce the audited consolidated results for the year ended 31 December 2012. Total revenue for the year amounted to approximately HK\$299,378,000 (2011: HK\$382,963,000), representing a decrease of about 22%, of which HK\$290,079,000 (2011:HK\$330,211,000) was from the continuing operations, representing a decrease of about 12%. The net profit for the year stood at approximately HK\$33,856,000 (2011: loss of HK\$5,613,000). Basic earnings per share was approximately 12.93 HK cents (2011: loss of 2.09 HK cents).

### FINAL AND SPECIAL DIVIDENDS

The Board recommends the payment of a final dividend for the year ended 31 December 2012 of 4.0 HK cents per share (2011: 1.0 HK cent per share) payable to shareholders on the register of members of the Company (the "Register of Members") on 31 May 2013. This dividend together with the interim dividend of 2.0 HK cents per share (2011: 1.0 HK cent per share) will make a total of 6.0 HK cents per share for the year (2011: 2.0 HK cents per share). In order to well utilize cash on hand and reward the shareholders of the Company, a special one-off dividend of 7.0 HK cents per share is recommended by the Board. Subject to the approval of shareholders at the forthcoming Annual General Meeting (the "AGM"), the final dividend together with the special dividend will be paid on or about 14 June 2013.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purposes of determining the eligibility of shareholders to attend and vote at the AGM, and entitlement to the final and special dividends, the Register of Members will be closed. Details of such closures are set out below:

- (i) For determining the eligibility to attend and vote at the AGM:

Latest time to lodge transfer documents  
for registration – 4:30 pm on  
Tuesday, 21 May 2013

Closure of the Register of Members – Wednesday, 22 May 2013 to  
Thursday, 23 May 2013  
(both dates inclusive)

Record date – Thursday, 23 May 2013

- (ii) For determining the eligibility to receive the final and special dividend:

Latest time to lodge transfer documents  
for registration – 4:30 pm on  
Wednesday, 29 May 2013

Closure of the Register of Members – Thursday, 30 May 2013 to  
Friday, 31 May 2013  
(both dates inclusive)

Record date – Friday, 31 May 2013

During the above closure periods, no share transfer will be registered. In order to be eligible to attend and vote at the AGM, and to qualify for the proposed final dividend and special dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong at Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than the aforementioned latest time.

## **BUSINESS REVIEW**

It was a hard year for manufacturers in 2012. Three out of four business segments of the Group recorded negative results before interest and tax. Keen competitions and ever increasing costs of production in the mainland China squeezed profit margin. Global economic uncertainties led to the development of prudential attitude of customers and investors. On the other hand, the effect of quantitative easing continued resulting in the problem of inflating prices of commodities.

Nevertheless, global financial markets remained relatively stable and stock markets recovered. Income from securities investment contributed significantly to the results of the Group. Together with the returns from high technique-based manufacturing, the results of the Group improved quite significantly and satisfactorily.

During the year, the revenue of the Group stood/remained quite stable at approximately HK\$299,378,000 (2011: HK\$382,963,000), representing a drop of about 22%, of which HK\$290,079,000 (2011: HK\$330,211,000) was from the continuing operations, representing a drop of about 12%, and the Group recorded a net profit attributable to owners of the Company of approximately HK\$33,856,000 (2011: loss of HK\$5,613,000). The improvement in annual results of the Group was mainly due to the increase in income from investment together with the increase of profit margin of the toy products segment.

For the year 2012, the profit of the Group included gain on disposal of investments held-for-trading of approximately HK\$8,053,000 (2011: loss of HK\$5,355,000), increase in fair value of investments held-for-trading of approximately HK\$8,900,000(2011: decrease of HK\$13,197,000) and decrease in fair value of derivative financial instruments of approximately HK\$1,084,000 (2011: HK\$309,000).

Besides, administrative expenses decreased by about 15% to approximately HK\$33,252,000 (2011: HK\$39,218,000). Such decrease was mainly due to, among others, the decrease in share-based payments expenses incurred of approximately HK\$1,392,000 (2011: HK\$6,220,000) as a result of options granted during the year.

Finance costs decreased further by about 24% to approximately HK\$319,000 (2011: HK\$417,000) as a result of a continuing low level of interest rates and constant level of gearing of the Group.

## **FUTURE PLAN & PROSPECT**

As the overall environment for manufacturers is challenging or sometimes difficult, the Board decided to concentrate the Group's resources for the development of more profitable manufacturing business only. Unprofitable business will be terminated determinedly in order to stop incurring further loss.

As the Board considers that the performance of the novelties and decorations segment has been deteriorating gradually and has been striving hard for survival in the recent years, the Board decided to relocate the production facilities in Zhuhai used for the manufacturing of novelties and festival decorations to Zhongshan and merged with the production facilities there stage by stage in order to benefit from the economies of scales.

Further investment in plant and machinery will be concentrated on profitable business so as to further improve the comparative advantage in the industry. Besides securities investment which the Group is currently engaging in and is gradually decreasing in size, other prudent investment projects will be studied to determine their feasibility and whether they are beneficial to the Group. Acquisition of a property for own use will also be considered.

Looking ahead, although the mainland and global economic environment is still uncertain, with solid financial position and experienced and well developed technique in the industry, the Board is optimistic that the performance of the Group will sustain.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **SEGMENT RESULTS**

#### **Novelties and decorations**

The turnover of this segment for the year showed a drop of about 6% and stood at approximately HK\$77,142,000 (2011: HK\$81,761,000). The segment recorded a negative result before interests and tax of approximately HK\$1,558,000 (2011: gain of HK\$3,242,000). Included in the loss was a provision of doubtful debts amounting to HK\$2,634,000 (2011: HK\$Nil).

#### **Packaging products**

The revenue of this segment decreased further by about 36% to approximately HK\$32,200,000 (2011: HK\$50,309,000), while the segment result recorded a further loss of approximately HK\$3,172,000 (2011: HK\$2,744,000). Included in the loss for the year was a gain from the disposal of fixed assets of approximately HK\$1,985,000 (2011: HK\$2,317,000). The Board considers that the businesses in this segment would no longer profitable in the future, and it is the intention of the Board to terminate the business in this segment in the near future.

#### **Trading activities**

The revenue of the trading of PVC film and plastic materials decreased substantially by about 82% to approximately HK\$9,299,000 (2011: HK\$52,752,000) as a result of the Board's decision to terminate the business of the segment in the first half of 2012 due to the continuous loss incurred. This segment recorded a loss of approximately HK\$1,402,000 (2011: HK\$616,000) for the year.

#### **Toy products**

The turnover of this segment decreased by about 9% to approximately HK\$180,737,000 (2011: HK\$198,141,000), while the segment result improved substantially to approximately HK\$30,001,000 (2011: HK\$17,675,000), representing a further growth of about 70%. Increase in contribution was due to improved efficiency in certain of its sub-segment, even though the costs of production had increased.

## **Investments**

To well utilise the available cash on hand, the Group has invested in securities of various listed companies. Those securities are held for trading purposes for capital gain in their value. As at 31 December 2012, the market value of investments-held-for-trading was approximately HK\$59,736,000 (2011: HK\$68,025,000).

In addition, the Group would also apply its cash on hand on other types of investment with a view to enhance the return to the shareholders. All investments would be done in accordance with the Group's guidelines on investment transactions, details of which are posted on the Company's website, [www.perfectech.com.hk](http://www.perfectech.com.hk).

## **Foreign currency exposure**

The Group's sales and purchases are mainly denominated in either Hong Kong Dollar or US Dollar. As all its factories are located in the PRC, expenses incurred there are dominated in Renminbi.

Since Hong Kong Dollar remains pegged to US Dollar, the Group does not foresee a substantial exposure in this area. The Group however will closely monitor the trend of Renminbi to see if any hedging action is required.

As at 31 December 2012, the Group had not entered into any financial instrument for hedging foreign currency exposures.

## **Liquidity and financial resources**

As at 31 December 2012, the long-term finance lease obligation and bank loan of the Group were nil (2011: nil), while the short term bank borrowings were approximately HK\$9,221,000 (2011: 25,670,000), and none of the Group's plant and machinery (2011: HK\$nil) was held under a finance lease. The gearing ratio, measured by total bank and other borrowings divided by equity, of the Group was 5% (2011: 13%).

As at 31 December 2012, the Group had bank balances and cash of approximately HK\$75,318,000 (2011: HK\$60,399,000).

With cash and other current assets as at 31 December 2012 of HK\$223,422,000 (2011: HK\$245,375,000) as well as available banking facilities, the Group had sufficient financial resources to satisfy its commitments and working capital requirements.

## **Net asset value**

The net asset value of the Group as at 31 December 2012 was approximately HK\$0.77 (2011: HK\$0.76) per share based on the actual number of 260,717,607 (2011: 263,807,607) shares in issue on that date.

## **Employees and remuneration policies**

As at 31 December 2012, the Group employed approximately 1,500 (2011: 1,600) full time employees. The Group remunerates its employees largely based on prevailing industry practice as well as individual merits. The Group has also established a share option scheme for its full time employees.

## **Directors' Securities Transactions**

The Company has adopted a code of conduct governing the Directors' transactions in securities of the Group on terms no less exacting than the standard set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" contained in Appendix 10 to the Listing Rules (the "Model Code").

Following specific enquiry by the Group, all Directors have confirmed that throughout the year 2012, they complied with the required standard set out in the Model Code for securities transactions.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

Throughout the year ended 31 December 2012, the Company has adopted the code provisions (the "Code Provisions") set out in the "Corporate Governance Code and Corporate Governance Report" (the "Codes") issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as its corporate governance code and has complied with the Code Provisions, save for the following deviations.

### **Code Provision A.2.1**

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

While the Company does not have the position of chief executive officer, the responsibilities normally assumed by such a role are taken up by the managing director of the Company. Mr. Poon Siu Chung is the chairman of the Board (the "Chairman") and the managing director of the Company (the "Managing Director"). The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The balance of power and authority is ensured by the operations of the Board, which comprises experienced and high calibre individuals who meet regularly to discuss issues affecting the operations of the Company. The Board believes that this structure is conducive to strong and consistent leadership, enabling the Group to make and implement decisions promptly and efficiently. The Board has full confidence in Mr. Poon and believes that having Mr. Poon to performing the roles of Chairman and Managing Director is beneficial to the business prospects of the Company.

### **Code Provision D.1.4**

Code Provision D.1.4 stipulates that all directors should clearly understand delegation arrangements in place. The Company should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

The Company has no formal letters of appointment for the independent non-executive directors, namely Mr. Lam Yat Cheong, Mr. Yip Chi Hung and Mr. Choy Wing Keung, David, as all of them have been serving as directors for a considerable period of time, a clear understanding of the terms and conditions of their appointment already exists between the Company and the directors, and so there is no written record of the same. In any event, all directors, including those without a letter of appointment and those appointed for a specific term, shall be subject to retirement by rotation in the manner prescribed under the bye-laws of the Company, and on re-election of the retiring directors, shareholders are given the information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant directors.

### **Code Provision F.1.1**

Code Provision F.1.1 stipulates that company secretary of the Company should be an employee of the Company and have day-to-day knowledge of the Company's affairs.

The company secretary of the Company, Ms. Pang Siu Yin, is a partner of the Company's legal adviser, Cheung, Tong & Rosa Solicitors. Ms. Pang has been appointed as the company secretary of the Company since 1 April 1998. The Company has also assigned Mr. Poon Wai Yip, Albert, an executive director of the Company, and Mr. Yuen Che Wai, Victor, the financial controller of the Company, as the contact persons with Ms. Pang. Information in relation to the performance, financial position and other major developments and affairs of the Group (including but not limited to the management monthly report to the Board) are speedily delivered to Ms. Pang through the contact persons assigned. Given the long-term relationship between Ms. Pang and the Group, she is very familiar with the operations of the Group and has an in depth knowledge of the management of the Group. Having in place a mechanism that she will get hold of the Group's development promptly without material delay and with her expertise and experience, the Board is confident that having Ms. Pang as the company secretary is beneficial to the Group's compliance of the relevant board procedures, applicable laws, rules and regulations.

### **AUDIT COMMITTEE**

The Company has established an audit committee which comprises all independent non-executive Directors, Mr. Choy Wing Keung, David, Mr. Yip Chi Hung and Mr. Lam Yat Cheong, who is also the chairman of the committee.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed with the management matters related to internal controls assessments and financial reporting including reviewing the audited financial statements for the year ended 31 December 2012 of the Company now reported on.



## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchase	No. of shares of HK\$0.10 each	Price per share		Total amount paid HK\$
		Highest HK\$	Lowest HK\$	
January 2012	2,200,000	0.710	0.710	1,571,577
April 2012	1,800,000	0.770	0.770	1,394,117
May 2012	1,800,000	0.770	0.760	1,382,086
October 2012	290,000	0.710	0.710	207,163
November 2012	500,000	0.740	0.740	372,216
	<u>6,590,000</u>			<u>4,927,159</u>

### Appreciation

Finally, I would like to take this opportunity to thank all my fellow Directors and the staff for their contribution and cordial support during the year.

On behalf of the Board  
**Poon Siu Chung**  
*Chairman & Managing Director*

Hong Kong, 27 March 2013

*As at the date of this announcement, the Board is composed of Mr. Poon Siu Chung, Mr. Tsui Yan Lee, Benjamin, Dr. Poon Wai Tsun, William and Mr. Poon Wai Yip, Albert as executive directors, Mr. Lam Yat Cheong, Mr. Yip Chi Hung and Mr. Choy Wing Keung, David as independent non-executive directors.*