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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: 765)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 2015 and the comparative figures for 2014 were as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 December 2015

	<i>Notes</i>	2015 HK\$’000	2014 HK\$’000
Revenue	3 & 4	198,088	225,549
Cost of sales		(153,149)	(169,011)
Gross profit		44,939	56,538
Other income, gains and losses	5	(3,842)	1,682
Distribution costs		(4,674)	(5,880)
Gain from changes in fair value of investment properties		400	34
Administrative expenses		(46,900)	(38,175)
Finance costs	6	(631)	(359)

* *For identification purpose only*

	<i>Notes</i>	2015 HK\$'000	2014 <i>HK\$'000</i>
(Loss) profit before tax	7	(10,708)	13,840
Income tax expenses	8	(2,668)	(3,494)
		<u>(13,376)</u>	<u>10,346</u>
(Loss) profit for the year			
Other comprehensive expenses, net of income tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of overseas operations		(1,287)	(90)
		<u>(1,287)</u>	<u>(90)</u>
Total comprehensive (expenses) income for the year			
		<u>(14,663)</u>	<u>10,256</u>
(Loss) profit for the year attributable to:			
Owners of the Company		(16,090)	7,677
Non-controlling interests		2,714	2,669
		<u>(13,376)</u>	<u>10,346</u>
(Loss) profit for the year			

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Total comprehensive (expenses) income for the year attributable to:			
Owners of the Company		(17,105)	7,591
Non-controlling interests		2,442	2,665
		<hr/>	<hr/>
Total comprehensive (expenses) income for the year		<u>(14,663)</u>	<u>10,256</u>
(Loss) earnings per share	10		
Basic		<u>(5.20) Cents</u>	<u>2.61 Cents</u>
Diluted		<u>(5.20) Cents</u>	<u>2.57 Cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		62,418	66,991
Investment properties		31,400	44,700
Deferred tax assets		7,137	4,640
		<hr/> 100,955	<hr/> 116,331
CURRENT ASSETS			
Inventories		17,145	19,700
Trade and other receivables	11	23,974	27,690
Tax recoverable		3,443	2,422
Held for trading investments		38,937	46,993
Derivative financial instruments		244	45
Financial assets designated at fair value through profit or loss		938	–
Pledged bank deposits		1,119	1,895
Bank balances and cash		66,286	49,060
		<hr/> 152,086	<hr/> 147,805
CURRENT LIABILITIES			
Trade and other payables	12	21,511	31,289
Derivative financial instruments		2,646	4,156
Tax liabilities		3,885	1,219
Bank borrowings		26,106	30,255
		<hr/> 54,148	<hr/> 66,919
NET CURRENT ASSETS		<hr/> 97,938	<hr/> 80,886
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 198,893	<hr/> 197,217
NON-CURRENT LIABILITIES			
Deferred tax liabilities		198	319
NET ASSETS		<hr/> 198,695	<hr/> 196,898

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
CAPITAL AND RESERVES		
Share capital	31,834	29,867
Reserves	151,153	152,434
	<hr/>	<hr/>
Equity attributable to owners of the Company	182,987	182,301
Non-controlling interests	15,708	14,597
	<hr/>	<hr/>
TOTAL EQUITY	198,695	196,898
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“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 fair value of the consideration given in exchange for assets.

The principal activities of the Group are the manufacture and sale of novelties, decoration and toy products.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

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

New and revised HKFRSs applied with no material effects on the 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 2014, 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 material 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.

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 – 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 – 2013 cycle

New Hong Kong Companies Ordinance (Cap. 622)

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted

² Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted

³ The original effective date has been deferred to a date yet to be determined

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.

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Novelties and decoration products	36,154	57,077
Toy products	161,934	168,472
	<u>198,088</u>	<u>225,549</u>

4. SEGMENTS 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 sale of toy products.

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

	2015		
	Novelties and decoration products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE			
External sales	36,154	161,934	198,088
Inter-segment sales	—	—	—
Total revenue	<u>36,154</u>	<u>161,934</u>	<u>198,088</u>
RESULT			
Segment result	<u>(5,099)</u>	<u>19,475</u>	14,376
Loss from investments			(10,957)
Gain from changes in fair value of an investment property			400
Unallocated corporate expenses			(13,896)
Finance costs			(631)
Loss before tax			(10,708)
Income tax expenses			(2,668)
Loss for the year			<u>(13,376)</u>

	Novelties and decoration products HK\$'000	Toy products HK\$'000	Consolidated HK\$'000
ASSETS			
Segment assets	30,549	92,646	123,195
Unallocated corporate assets			129,846
			<hr/>
Consolidated total assets			253,041
			<hr/> <hr/>
LIABILITIES			
Segment liabilities	12,549	20,353	32,902
Unallocated corporate liabilities			21,444
			<hr/>
Consolidated total liabilities			54,346
			<hr/> <hr/>

	Novelties and decoration products HK\$'000	Toy products HK\$'000	Others HK\$'000	Consolidated HK\$'000
Additions of property, plant and equipment	120	4,436	1,258	5,814
Depreciation and amortisation	1,220	4,942	1,655	7,817
Interest income	35	17	47	99
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	2014		
	Novelties and decoration products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE			
External sales	57,077	168,472	225,549
Inter-segment sales	—	—	—
	<hr/>	<hr/>	<hr/>
Total revenue	<u>57,077</u>	<u>168,472</u>	<u>225,549</u>
RESULT			
Segment result	<u>(5,387)</u>	<u>22,113</u>	16,726
Loss from investments			(1,700)
Gain from changes in fair value of investment properties			34
Unallocated corporate expenses			(861)
Finance costs			(359)
			<hr/>
Profit before tax			13,840
Income tax expenses			(3,494)
			<hr/>
Profit for the year			<u>10,346</u>

	Novelties and decoration products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	39,399	83,598	122,997
Unallocated corporate assets			141,139
			<u>264,136</u>
LIABILITIES			
Segment liabilities	19,268	21,703	40,971
Unallocated corporate liabilities			26,267
			<u>67,238</u>

	Novelties and decoration products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Additions of property, plant and equipment	503	10,895	–	11,398
Depreciation and amortisation	1,430	5,207	1,550	8,187
Interest income	16	15	53	84
	<u>16</u>	<u>15</u>	<u>53</u>	<u>84</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, investment property, land and building held for own use and deferred tax assets. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segment; 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 external customers by location of operations are detailed below:

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales revenue by geographical market:		
Hong Kong	10,567	15,929
Europe	40,602	53,410
America	68,775	57,112
Asia (other than Hong Kong)	76,819	95,544
Others	1,325	3,554
	198,088	225,549

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:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	2015	2014	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	176,073	185,029	1,299	1,033
The People's Republic of China (the "PRC")	76,968	79,107	4,515	10,356
	253,041	264,136	5,814	11,389

Information about major customer

Included in revenue arising from sales of toy products of approximately HK\$161,934,000 (2014: HK\$168,472,000) are revenue of approximately HK\$154,036,000 (2014: HK\$160,632,000) which arose from sales to the Group's largest customer, representing 78% (2014: 71%) of the total revenue.

5. OTHER INCOME, GAINS AND LOSSES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Included in other income, gains and losses are:		
Bad debt recovered	335	–
Bond interest income	–	304
Dividend income from held for trading investments	1,558	1,681
Interest income	99	84
Rental income	299	131
Scrap sales	1,766	1,441
Gain on disposal of property, plant and equipment	2,715	419
Gain on disposal of an investment property	800	–
Gain (loss) on redemption of financial assets designated at fair value through profit or loss	41	(47)
Loss from changes in fair value of held for trading investments	(13,298)	(2,764)
Gain (loss) from changes in fair value of derivative financial instruments	1,709	(3,341)
Loss from changes in fair value of financial assets designated at fair value through profit or loss	(44)	–
(Loss) gain on disposal of held for trading investments	(937)	2,451
Others	1,115	1,323
	<u>(3,842)</u>	<u>1,682</u>

6. FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest on:		
Bank borrowings wholly repayable within five years	631	119
Bank borrowings not wholly repayable within five years	–	240
	<u>631</u>	<u>359</u>

7. (LOSS) PROFIT BEFORE TAX

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) profit before tax has been arrived at after charging (crediting):		
Auditor's remuneration	1,010	1,000
Bad debt recovered	(335)	–
Cost of inventories recognised as an expense	54,101	60,776
Depreciation of property, plant and equipment	7,817	8,187
Net foreign exchange losses	163	2,855
Operating lease rentals in respect of rented premises	5,860	6,161
Gross rental income from investment properties	(299)	(131)
Less:		
Direct operating expenses incurred for investment properties that generated rental income during the year	44	25
Direct operating expenses incurred for investment properties that did not generate rental income during the year	12	8
	<hr/>	<hr/>
	(243)	(98)
Share-based payment expenses	10,909	–
Staff costs (including Directors' emoluments)	85,358	88,339
	<hr/> <hr/>	<hr/> <hr/>

8. INCOME TAX EXPENSES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	3,056	4,235
PRC Enterprise Income Tax	312	163
	<u>3,368</u>	<u>4,398</u>
Under (over) provision in prior years:		
Hong Kong Profits Tax	1,867	(440)
PRC Enterprise Income Tax	50	85
	<u>1,917</u>	<u>(355)</u>
Deferred tax		
Current year	(2,617)	(549)
Total income tax expenses recognised in profit or loss	<u><u>2,668</u></u>	<u><u>3,494</u></u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
(Loss) profit before tax	<u><u>(10,708)</u></u>	<u><u>13,840</u></u>
Tax at Hong Kong Profits Tax rate of 16.5%	(1,767)	2,284
Tax effect of income not taxable for tax purposes	(2,332)	(1,614)
Tax effect of expenses not deductible for tax purposes	2,569	2,658
Tax effect of temporary differences not recognised	183	41
Tax effect of tax losses not recognised	1,941	577
Utilisation of tax losses not previously recognised	(164)	(17)
Under (over) provision in prior years	1,917	(355)
Effect of different tax rates of group entities operating in the PRC	321	(80)
Tax charge for the year	<u><u>2,668</u></u>	<u><u>3,494</u></u>

9. DIVIDENDS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interim, paid – 1.0 HK cent (2014: 1.0 HK cent) per share	3,184	2,958
Final paid – 2.0 HK cents per share for 2014 (2014: 10.0 HK cents per share for 2013)	<u>5,989</u>	<u>29,312</u>
	<u>9,173</u>	<u>32,270</u>

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: 2.0 HK cents per share).

10. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to owners of the Company is based on the net loss for the year of approximately HK\$16,090,000 (2014: profit of HK\$7,677,000) and the following data:

	2015	2014
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	309,176,440	294,479,716
Effect of dilutive potential ordinary shares on share options	<u>5,634,887</u>	<u>4,817,298</u>
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	<u>314,811,327</u>	<u>299,297,014</u>

Diluted loss per share for the year ended 31 December 2015 is the same as basic loss per share because the share options outstanding had an anti-dilutive effect in the calculation of diluted loss per share.

11. TRADE AND OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	20,789	28,706
Less: Impairment loss on trade receivables	<u>(6,809)</u>	<u>(7,144)</u>
	<u>13,980</u>	<u>21,562</u>
Other receivables		
Prepayment	780	498
Rental, utility and other deposit	1,108	986
Cash deposit in broker's account	6,423	875
Sundry debtors and others	<u>1,683</u>	<u>3,769</u>
	<u>9,994</u>	<u>6,128</u>
	<u>23,974</u>	<u>27,690</u>

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 doubtful debts at the end of the reporting period:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 – 60 days	13,891	18,786
61 – 90 days	61	2,068
91 – 120 days	–	444
Over 120 days	<u>28</u>	<u>264</u>
	<u>13,980</u>	<u>21,562</u>

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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Overdue by:		
0 – 60 days	2,183	4,489
61 – 90 days	–	2,068
91 – 120 days	28	707
Over 120 days	–	1
	<u>2,211</u>	<u>7,265</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Balance at the beginning of the year	7,144	7,144
Allowance for doubtful debts during the year	–	–
Amounts recovered during the year	(335)	–
Amounts written off during the year	–	–
	<u>6,809</u>	<u>7,144</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 fair value of the Group's trade and other receivables at 31 December 2015 approximated to the corresponding carrying amount.

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Overdue by:		
0 – 60 days	–	–
61 – 90 days	–	–
91 – 120 days	–	–
Over 120 days	6,809	7,144
	<u>6,809</u>	<u>7,144</u>

12. TRADE AND OTHER PAYABLES

The following is an aging analysis of the Group's trade payables, presented based on the invoice date at the end of reporting period:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables		
0 – 60 days	6,723	6,700
61 – 90 days	1,064	3,251
91 – 120 days	94	1,153
Over 120 days	588	691
	<hr/> 8,469	<hr/> 11,795
Other payables		
Accrued salary, bonus and commission	5,633	6,910
Deposits received from customers	3,623	5,214
Amount due on share trading account	563	4,225
Accrued expenses and others	3,223	3,145
	<hr/> 13,042	<hr/> 19,494
	<hr/> 21,511	<hr/> 31,289

The average credit period on purchases of certain goods is 45 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame. The fair value of the Group's trade and other payables at 31 December 2015 approximated 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 2015. Total revenue for the year amounted to approximately HK\$198,088,000 (2014: HK\$225,549,000), representing a decrease of about 12%. The net loss for the year stood at approximately HK\$16,090,000 (2014: profit of HK\$7,677,000). Basic loss per share was approximately 5.20 HK cents (2014: earnings of 2.61 HK cents).

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: 2.0 HK cents per share). An interim dividend of 1.0 HK cent per share (2014: 1.0 HK cent per share) was paid on 8 October 2015.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the eligibility of shareholders to attend and vote at the AGM, the Register of Members will be closed from 30 May 2016, Monday, to 31 May 2016, Tuesday (both dates inclusive). During the above closure period, no share transfer will be registered. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong at Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on 27 May 2016, Friday.

BUSINESS REVIEW

As stated above, the revenue of the Group dropped by about 12% and both segments recorded a negative growth, details of the performance of the two segments are disclosed below. This was mainly due to, among others, the slow down of the global economy, including Europe and Mainland China, weakening the demand for consumer products together with the price and product repositioning of the novelties and decoration products segment which was under reformation.

On the other hand, due to the influence of the expectation of rise in interest rate, the sudden deflation of Renminbi in the second half of the year together with the continuous decrease in the price of oil, global financial market fluctuates a lot and the Group recorded a substantial loss from investment during the year under review. Details of the breakdown of income from investment will be disclosed below.

For the year of 2015, the loss of the Group included loss on disposal of held for trading investments of approximately HK\$937,000 (2014: gain of HK\$2,451,000), loss from changes in fair value of held for trading investments of approximately HK\$13,298,000 (2014: loss of HK\$2,764,000) and gain from changes in fair value of derivative financial instruments of approximately HK\$1,709,000 (2014: loss of HK\$3,341,000).

Besides, administrative expenses increased by about 23% to approximately HK\$46,900,000 (2014: HK\$38,175,000). Such increase was mainly due to, among others, the increase in share-based payment expenses, which amounted to approximately HK\$10,909,000 (2014: HK\$Nil). On the other hand, distribution costs decreased by about 21% to HK\$4,674,000 (2014: HK\$5,880,000).

Finance costs increased by about 76% to approximately HK\$631,000 (2014: HK\$359,000) as a result of the drawdown of loan for the acquisition of the investment property in 2014.

FUTURE PLAN & PROSPECT

Though the costs of production in mainland China are relatively high and even it is not easy to recruit labour in southern China, high technique-based manufacturing businesses are still profitable. For the novelties and decorations segment, as competition is keen, scaling down of the segment may be one solution.

In order to diversify its income sources, the Group will continue to invest in the financial market with available fund on hand and in accordance with the Group's treasury policy. Investments in investment properties and blue chip stocks in Hong Kong provide the Group with stabilized incomes.

Looking ahead, with the concentration on the development of toy products segments, the Board is prudently optimistic that the performance of the Group in coming years may improve and sustain.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENTAL RESULTS

Novelties and decoration

The revenue of this segment for the year under review showed a further decrease of about 37% to approximately HK\$36,154,000 (2014: HK\$57,077,000), and the segment recorded a loss before interests and tax of approximately HK\$5,099,000 (2014: HK\$5,387,000). Included in the loss there was a gain on disposal of property, plant and equipment of approximately HK\$2,709,000 (2014: HK\$2,000).

Toy products

The revenue of this segment decreased slightly by about 4% to approximately HK\$161,934,000 (2014: HK\$168,472,000), and the segment result therefrom also decreased by about 12% to approximately HK\$19,475,000 (2014: HK\$22,113,000). The performance of the segment improved significantly in the second half of the year and continued to be the best performing one within the Group.

Investments

To well utilise the available cash on hand, the Group has invested in the securities of various listed companies, which are held for trading purposes for capital gain in the value of the securities. As at 31 December 2015, the market value of held for trading investments was approximately HK\$38,937,000 (2014: HK\$46,993,000).

In addition, the Group may utilise its cash on hand by investing in other types of investment with a view to enhancing the return to the shareholders. However, that must be carried out in accordance with the Company's treasury policies on investment transactions, details of which are posted on the Company's website, www.perfectech.com.hk.

Foreign currency exposure

The Group's sales and purchases are mainly denominated in Hong Kong Dollar and US Dollar. As all of 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, and will closely monitor the trend of Renminbi to see if any action is required.

As at 31 December 2015, the Group had not entered into any financial instrument for the hedging of foreign currency.

Liquidity and financial resources

As at 31 December 2015, there were no long-term finance lease obligation and bank loan of the Group (2014: nil), while the short term bank borrowings were approximately HK\$26,106,000 (2014: HK\$30,255,000), and none of the Group's plant and machinery (2014: 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 14% (2014: 17%). As at 31 December 2015, the Group had bank balances and cash of approximately HK\$66,286,000 (2014: HK\$49,060,000).

With cash and other current assets as at 31 December 2015 of HK\$152,086,000 (2014: HK\$147,805,000) 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 2015 was approximately HK\$0.57 (2014: HK\$0.61) per share based on the actual number of 318,337,607 (2014: 298,665,607) shares in issue on that date.

Employees and remuneration policies

As at 31 December 2015, the Group employed approximately 1,130 (2014: 1,200) 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 2015, they complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2015, the Company has adopted the code provisions (the "Code Provisions") set out in the "Corporate Governance Code and Corporate Governance Report" in Appendix 14 (the "Code") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its corporate governance code, and has taken steps to comply with the Code Provisions wherever appropriate.

On 29 August 2013, the Company has adopted a corporate governance code prepared on the code provisions (the "Code Provisions") of the latest revised code on corporate governance (the "Code") as set out in Appendix 14 to the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as the guidelines for corporate governance of the Company, and has taken steps to comply with the Code wherever appropriate.

Throughout the year ended 31 December 2015, the Company has complied with the Code Provisions save for the following deviations:

Under Code Provision A.2.1, 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 (the "Chairman") of the board of directors of the Company (the "Board") 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 caliber 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 performing the roles of Chairman and Managing Director is beneficial to the business prospects of the Company.

Under Code Provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of the shareholders.

Due to other pre-arranged business commitments which must be attended to by him, Mr. Yip Chi Hung, being the independent non-executive director of the Company, was not present at the annual general meeting of the Company held on 27 May 2015.

Under Code Provision C.3.3(b), the Audit Committee shall review and monitor the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences.

Due to the tight timeline of the audit timetable for the year ended 31 December 2015, the Audit Committee did not meet physically with the external auditors to discuss the nature and scope of the 2015 annual audit before the audit commenced. However, to ensure the effectiveness of the 2015 annual audit, audit issues, if any, were reported by the external auditors from time to time during the 2015 annual audit summarizing matters arising from their audit of the Group for the year 2015.

Under Code Provision D.1.4, all directors should clearly understand delegation arrangements in place, and 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 of the Company (the “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 said 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.

Under Code Provision F.1.1, the company secretary 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 with 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 ("INEDs"), 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 2015 of the Company now reported on.

SCOPE OF WORK OF MESSRS. HLM CPA LIMITED

The figures in respect of the Group consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. HLM CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. HLM CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagement or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. HLM CPA Limited in this announcement.

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

During the year under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed its own shares through the Stock Exchange or otherwise.

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 under review.

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

Hong Kong, 30 March 2016

As at the date of this announcement, the Board comprises of Mr. Poon Siu Chung, 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.