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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

RESULTS

The board (the “Board”) of directors (the “Directors”, and each a “Director”) of Perfectech International Holdings Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2022 together with the comparative figures for 2021 are set out as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	3 & 4	177,458	186,211
Cost of sales		<u>(115,953)</u>	<u>(129,323)</u>
Gross profit		61,505	56,888
Other income, gains and losses, net	5	6,600	(1,317)
Distribution costs		(1,984)	(2,313)
Administrative expenses		(71,201)	(55,719)
Finance costs	6	<u>(738)</u>	<u>(924)</u>
Loss before tax	7	(5,818)	(3,385)
Income tax expense	8	<u>(153)</u>	<u>(1,482)</u>
Loss for the year		<u>(5,971)</u>	<u>(4,867)</u>

* for identification purposes only

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Other comprehensive income:			
<i>Items that may be/have been reclassified subsequently to profit or loss:</i>			
Release of translation reserve upon deregistration of a subsidiary		—	(2,021)
Exchange differences arising on translation of foreign operations		<u>(3,515)</u>	<u>4,123</u>
Other comprehensive (expense) income for the year, net of tax		<u>(3,515)</u>	<u>2,102</u>
Total comprehensive expense for the year		<u>(9,486)</u>	<u>(2,765)</u>
(Loss) profit for the year attributable to:			
Owners of the Company		(6,825)	(6,520)
Non-controlling interests		<u>854</u>	<u>1,653</u>
Loss for the year		<u>(5,971)</u>	<u>(4,867)</u>
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(9,803)	(4,872)
Non-controlling interests		<u>317</u>	<u>2,107</u>
Total comprehensive expense for the year		<u>(9,486)</u>	<u>(2,765)</u>
Loss per share	10		
Basic (HK cents per share)		<u>(2.09)</u>	<u>(1.99)</u>
Diluted (HK cents per share)		<u>(2.09)</u>	<u>(1.99)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		16,239	20,493
Right-of-use assets		12,226	13,614
Deferred tax assets		2,130	2,130
		<u>30,595</u>	<u>36,237</u>
CURRENT ASSETS			
Inventories		14,916	14,947
Trade and other receivables	11	37,478	32,667
Financial assets at fair value through profit or loss		5,299	10,516
Tax recoverable		2,052	1,295
Bank balances and cash		67,298	61,383
		<u>127,043</u>	<u>120,808</u>
CURRENT LIABILITIES			
Trade and other payables	12	37,680	24,353
Lease liabilities		1,151	1,158
Tax liabilities		158	63
		<u>38,989</u>	<u>25,574</u>
NET CURRENT ASSETS		<u>88,054</u>	<u>95,234</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>118,649</u>	<u>131,471</u>
NON-CURRENT LIABILITY			
Lease liabilities		12,110	13,261
NET ASSETS		<u>106,539</u>	<u>118,210</u>

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
CAPITAL AND RESERVES			
Share capital		32,692	32,692
Reserves		59,056	68,859
		<hr/>	<hr/>
Equity attributable to owners of the Company		91,748	101,551
Non-controlling interests		14,791	16,659
		<hr/>	<hr/>
TOTAL EQUITY		106,539	118,210
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 (the “Listing Rules”) and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period. Historical cost is generally based on fair value of the consideration given in exchange for goods and services.

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 (“HK\$”), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements.

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendment to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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 years and/or on the disclosures set out in the consolidated financial statements.

New and amendments to HKFRS in issue but not yet effective

The Group has not early applied the following new standards, interpretations, amendments and improvements to existing standards that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

The management of the Group anticipates that the application of these new and amendments to HKFRSs will have no material impact on the Group's consolidated financial statements in the foreseeable future.

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 year.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers recognised at a point in time under HKFRS 15 <i>Revenue from Contracts with Customers</i> ("HKFRS 15"):		
Novelties and decoration products	6,563	6,933
Toy products	<u>170,895</u>	<u>179,278</u>
	<u><u>177,458</u></u>	<u><u>186,211</u></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 segments:

2022

	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>6,563</u>	<u>170,895</u>	<u>177,458</u>
RESULT			
Segment results	<u>(6,273)</u>	<u>6,988</u>	715
Loss on disposal of financial assets at fair value through profit or loss ("FVTPL")			(576)
Fair value loss on financial assets at FVTPL			(279)
Unallocated corporate expenses, net			(4,940)
Finance costs			<u>(738)</u>
Loss before tax			(5,818)
Income tax expense			<u>(153)</u>
Loss for the year			<u>(5,971)</u>
	Novelties and decoration products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	12,218	133,700	145,918
Unallocated corporate assets			<u>11,720</u>
Consolidated total assets			<u>157,638</u>
LIABILITIES			
Segment liabilities	6,129	44,240	50,369
Unallocated corporate liabilities			<u>730</u>
Consolidated total liabilities			<u>51,099</u>

	Novelties and decoration products HK\$'000	Toy products HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Additions of property, plant and equipment	—	3,657	—	3,657
Depreciation of property, plant and equipment	—	4,807	223	5,030
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2021				
		Novelties and decoration products HK\$'000	Toy products HK\$'000	Consolidated HK\$'000
REVENUE				
External sales and total revenue		6,933	179,278	186,211
		<u> </u>	<u> </u>	<u> </u>
RESULT				
Segment results		(3,060)	14,513	11,453
		<u> </u>	<u> </u>	
Loss on disposal of financial assets at fair value through profit or loss (“FVTPL”)				(531)
Fair value loss on financial assets at FVTPL				(1,694)
Unallocated corporate expenses, net				(11,689)
Finance costs				(924)
				<u> </u>
Loss before tax				(3,385)
Income tax expense				(1,482)
				<u> </u>
Loss for the year				(4,867)
				<u> </u>

	Novelties and decoration products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	27,438	115,252	142,690
Unallocated corporate assets			<u>14,355</u>
Consolidated total assets			<u><u>157,045</u></u>
LIABILITIES			
Segment liabilities	6,558	30,897	37,455
Unallocated corporate liabilities			<u>1,380</u>
Consolidated total liabilities			<u><u>38,835</u></u>

	Novelties and decoration products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Additions of property, plant and equipment	432	1,823	19	2,274
Depreciation of property, plant and equipment	<u>159</u>	<u>5,757</u>	<u>191</u>	<u>6,107</u>

Segment result represents the result produced by each segment without allocation of central administration costs including directors' salaries, other income, finance costs, gain/loss on disposal of financial assets at FVTPL, fair value gain/loss on financial assets at FVTPL, 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 certain financial assets, which are held for central administrative purpose. 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 certain financial liabilities incurred for central administrative purpose. Liabilities for segments which are jointly liable are allocated in proportion to segment assets.

Geographical Information

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	14,060	9,301
Europe	15,986	16,131
United States of America	20,531	25,097
Asia (other than Hong Kong)	126,621	133,597
Others	260	2,085
	<u>177,458</u>	<u>186,211</u>

The following is an analysis of the carrying amount of segment assets and additions to non-current assets, analysed by the geographical area in where the assets are located:

	Carrying amount of segment assets		Additions to non-current assets	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	86,200	101,514	—	208
People's Republic of China ("PRC")	71,438	55,531	3,657	2,066
	<u>157,638</u>	<u>157,045</u>	<u>3,657</u>	<u>2,274</u>

Note: Non-current assets excluded deferred tax assets and right-of-use assets.

Information about major customers

Included in revenue arising from sales of toy products of approximately HK\$170,895,000 (2021: HK\$179,278,000) is revenue of approximately HK\$158,772,000 (2021: HK\$168,780,000) arising from sales to the Group's largest customer, representing approximately 90% (2021: 91%) of the total revenue. No other single customer contribute 10% or more to the Group's revenue.

5. OTHER INCOME, GAINS AND LOSSES, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income from		
— bank deposits	84	24
— financial assets at FVTPL	—	295
Gain from derecognition of other payables	3,320	—
Scrap sales (<i>Note</i>)	577	1,969
Gain on disposal of property, plant and equipment	10	23
Gain on disposal of subsidiaries	—	249
Loss on deregistration of a subsidiary	—	(2,021)
Property, plant and equipment written off	(21)	—
Expected credit loss (“ECL”) on other receivables	—	(22)
Loss on disposal of financial assets at FVTPL	(576)	(531)
Fair value loss on financial assets at FVTPL	(279)	(1,694)
Net foreign exchange gain (losses)	662	(1,427)
Dividend income on investment held for trading	77	—
Tooling income (<i>Note</i>)	1,238	689
Transportation income (<i>Note</i>)	82	82
Subsidies income from the PRC government	643	261
Laboratory testing income (<i>Note</i>)	295	202
Others	488	584
	<u>6,600</u>	<u>(1,317)</u>

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

6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Effective interest expenses on:		
Lease liabilities	738	778
Amount due to a director of subsidiaries	—	146
	<u>738</u>	<u>924</u>

7. LOSS BEFORE TAX

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss before tax has been arrived at after charging (crediting):		
Auditor's remuneration	890	1,075
Cost of inventories recognised as an expense	35,896	38,275
Depreciation of property, plant and equipment	5,030	6,107
Depreciation of right-of-use assets	1,388	1,322
Expenses related to disposal of subsidiaries	—	43
Short-term operating lease rentals in respect of rented premises	636	651
	<hr/>	<hr/>
Staff costs (including directors' emoluments)		
— Salaries, allowances and retirement benefits scheme contributions	107,196	89,010
— Government grants under Employment Support Scheme	(512)	—
	<hr/> <hr/>	<hr/> <hr/>

8. INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	—	1,530
PRC Enterprise Income Tax	158	93
	<hr/>	<hr/>
	158	1,623
	<hr/>	<hr/>
(Over) under provision in prior years:		
Hong Kong Profits Tax	(10)	(159)
PRC Enterprise Income Tax	5	18
	<hr/>	<hr/>
	(5)	(141)
	<hr/>	<hr/>
Deferred tax:		
Current year	—	—
	<hr/>	<hr/>
Total income tax expense recognised in profit or loss	153	1,482
	<hr/> <hr/>	<hr/> <hr/>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25% (2021: 8.25%), and profits above HK\$2 million will be taxed at 16.5% (2021: 16.5%). The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2021: 16.5%). Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% (2021: 8.25%) on the first HK\$2 million of the estimated assessable profits and at 16.5% (2021: 16.5%) on the estimated assessable profits above HK\$2 million.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

9. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the Group’s loss for the year attributable to owners of the Company of approximately HK\$6,825,000 (2021: HK\$6,520,000) and the number of ordinary shares in issue of 326,923,607 (2021: 326,923,607).

Diluted loss per share for the years ended 31 December 2022 and 2021 was the same as basic loss per share as there were no dilutive potential ordinary shares in issue for both years.

11. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$’000</i>	2021 <i>HK\$’000</i>
Trade receivables	30,597	28,454
Less: ECL on trade receivables	—	(79)
	<u>30,597</u>	<u>28,375</u>
Other receivables:		
Prepayment	5,073	948
Rental, utility and other deposits	453	929
Cash deposit in broker’s account	361	1,135
Sundry debtors and others (<i>Note</i>)	994	1,302
Less: ECL on interest receivables	—	(22)
	<u>6,881</u>	<u>4,292</u>
	<u><u>37,478</u></u>	<u><u>32,667</u></u>

Note: The balances mainly include value added tax refundable on export sales and social insurance paid on behalf of employees in the PRC.

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 invoice dates and net of allowance for ECL at the end of the reporting period:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–60 days	28,320	25,054
61–90 days	1,465	1,764
91–120 days	425	1,516
Over 120 days	387	41
	<u>30,597</u>	<u>28,375</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Overdue by:		
0–60 days	1,890	4,170
61–90 days	296	1,516
91–120 days	91	41
	<u>2,277</u>	<u>5,727</u>

The movements in the allowance for ECL on trade and other receivables:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Balance at the beginning of the year	101	79
Allowance for ECL recognised during the year	—	22
Allowance for ECL written off during the year	(101)	—
	<u>—</u>	<u>101</u>

In determining the recoverability of a trade and other receivable, the Group considers any change in the credit quality of the trade and other receivable from the date credit was initially granted up to the end of the reporting period.

12. TRADE AND OTHER PAYABLES

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables:		
0–60 days	7,819	10,332
61–90 days	1,393	1,748
91–120 days	619	361
Over 120 days	1,035	490
	<u>10,866</u>	<u>12,931</u>
Other payables:		
Accrued salary, bonus and commission	21,887	8,041
Contract liabilities (<i>Note</i>)	2,375	1,145
Accrued expenses and others	2,552	2,236
	<u>26,814</u>	<u>11,422</u>
	<u><u>37,680</u></u>	<u><u>24,353</u></u>

The average credit period on purchases of goods is 45 to 60 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

Note: The contract liabilities primarily relate to the deposits or payments received in advance from customer for novelties and decoration products and toys products.

The following table shows how much of the revenue recognised relates to brought-forward contract liabilities.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year:		
— Toys products	411	2,169
— Novelties and decoration products	23	—
	<u>434</u>	<u>2,169</u>

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the eligibility of shareholders to attend and vote at the annual general meeting of the Company (“AGM”), the register of members of the Company will be closed from 24 May 2023, Wednesday to 2 June 2023, Friday (both dates inclusive). During the 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on 23 May 2023, Tuesday.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

Affected by the resurgence of Coronavirus Disease 2019 (the “COVID-19”) pandemic, the Group’s operating environment remained challenging in 2022. For the year ended 31 December 2022, the Group’s revenue only decreased by about 5% year-on-year to approximately HK\$177,458,000 (2021: HK\$186,211,000) despite facing a tough operating environment. The decrease in revenue was mainly due to decline in sales of toy products. The Group recorded a loss for the year ended 31 December 2022 attributable to owners of the Company of approximately HK\$6,825,000 (2021: loss of HK\$6,520,000). The basic and diluted loss per share were both at 2.09 HK cents (2021: both loss of 1.99 HK cents).

For the year ended 31 December 2022, the Group’s core business recorded a profit of approximately HK\$715,000 (2021: profit of HK\$11,453,000). The performance of each segment of the core business is discussed below.

Toy products

The revenue of toy products segment decreased by about 5% year-on-year to approximately HK\$170,895,000 (2021: HK\$179,278,000), and accounted for about 96% of total revenue of the Group. The decrease in revenue of this segment was mainly attributable to the lower sales in Asia (other than Hong Kong), which has offset the effect from improvement in gross profit and gross profit margin as a result of the decrease in the cost of subcontracting, the profit of this segment was therefore reduced to approximately HK\$6,988,000 (2021: profit of HK\$14,513,000).

Novelties and decoration products

The revenue of the novelties and decoration products segment decreased by about 5% year-on-year to approximately HK\$6,563,000 (2021: HK\$6,933,000) and the loss of this segment was approximately HK\$6,273,000 (2021: HK\$3,060,000). It was mainly attributable to the decline in demand of novelties and decorations products in Europe.

Distribution costs and administrative expenses

Distribution costs decreased by about 14% year-on-year to approximately HK\$1,984,000 (2021: HK\$2,313,000) as a result of stringent cost control measures implemented by the Group.

Administrative expenses mainly comprised 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 increase in administrative expenses by about 28% to approximately HK\$71,201,000 (2021: HK\$55,719,000) was mainly attributable to the increase in staff costs.

Finance costs

Finance costs decreased by about 20% to approximately HK\$738,000 (2021: HK\$924,000), as a result of the absence of interest on amount due to a director of subsidiaries.

Liquidity and financial resources

As at 31 December 2022, the Group had no outstanding loan (including bank borrowing, bond and other borrowing) (31 December 2021: Nil). The Group's gearing ratio, calculated on the basis of the total interest-bearing loans (including bank borrowing, bond and other borrowing) of the Group over the equity attributable to owners of the Company, was 0% (31 December 2021: 0%).

As at 31 December 2022, the Group had bank balances and cash of approximately HK\$67,298,000 (31 December 2021: HK\$61,383,000). With net current assets of approximately HK\$88,054,000 as at 31 December 2022 (31 December 2021: HK\$95,234,000), 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 31 December 2022 was approximately HK\$0.28 (31 December 2021: HK\$0.31), calculated on the basis of the equity attributable to owners of the Company of approximately HK\$91,748,000 (31 December 2021: HK\$101,551,000) over the outstanding number of ordinary shares in issue on 31 December 2022 of 326,923,607 (31 December 2021: 326,923,607).

Significant investments

As at 31 December 2022, the Group held financial assets at fair value through profit or loss (“FVTPL”) amounted to approximately HK\$5,299,000 (31 December 2021: HK\$10,516,000), including equity securities listed in Hong Kong of HK\$2,638,000 (31 December 2021: HK\$1,580,000), debt securities listed outside Hong Kong of approximately HK\$205,000 (31 December 2021: HK\$461,000) and unlisted managed funds of approximately HK\$2,456,000 (31 December 2021: HK\$8,475,000). Loss on disposal of financial assets at FVTPL amounted to approximately HK\$576,000 (2021: loss of HK\$531,000) and fair value loss on financial assets at FVTPL amounted to approximately HK\$279,000 (2021: loss of HK\$1,694,000) during the year ended 31 December 2022.

Pledge of assets

The Group did not have any pledged asset as at 31 December 2022 and 2021.

Employees and remuneration policies

As at 31 December 2022, the Group employed approximately 700 (2021: 690) 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 purchases are mainly denominated in Renminbi (“RMB”) and Hong Kong Dollar (the “Hong Kong Dollar”) while the Group’s sales are mainly denominated in RMB and United States Dollar (the “US Dollar”). As all of its factories are located in the PRC, expenses incurred there are denominated in RMB. 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 RMB to see if any action is required. As at 31 December 2022, the Group did not enter into any financial instrument for the hedging of exposure in foreign currencies.

Future Plans for Material Investments

As disclosed in the Company’s interim report for the 6 months ended 30 June 2022 (the “Interim Report”), the Company did not proceed with the proposed acquisition of 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”) as the Company became aware in July 2022 that Sozak has entered into an agreement with another third party independent of the Group for the operation, management and cooperative development of the mineral projects of Sozak, under which Sozak has awarded certain rights of its mineral projects to the counterparty.

As the Board was of the view that it was no longer in the best interests of the Company and its shareholders as a whole to pursue the Proposed Acquisition, hence the Company did not proceed with the Proposed Acquisition and no definitive agreement was entered into in respect of the Proposed Acquisition for the year ended 31 December 2022. The Company will continue to look for suitable investment and acquisition opportunities in the field of oil and gas exploration and production.

As disclosed in the Interim Report, upon further assessments of the feasibility and in particular the risks associated with the field of blockchain and cryptocurrency, the Company has decided not to proceed further with the cooperation contemplated under the BOINC strategic cooperation agreement entered into between the Company, California Super Computing Network Technology, Inc. and Affluence Energy Holding SARL, the Chainup strategic cooperation agreement entered into between the Company, Chainup Pte. Ltd. and Sozak and the DCOIN strategic cooperation agreement entered into between the Company and Davox Technology AG (collectively referred to as the “Strategic Cooperation Agreements”). As the Company and the parties to the Strategic Cooperation Agreements have not yet entered into any final agreement for conducting any transaction, the discontinuation of the strategic cooperation did not have any significant adverse impact on the operating results or financial position of the Group during the year ended 31 December 2022.

Save as disclosed above, as at 31 December 2022, the Group did not have any concrete plans for material investments or capital assets for the year ending 31 December 2023.

Prospect

Although the Company ultimately did not proceed with the Proposed Acquisition and the Strategic Cooperation Agreements, 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 develop into a resource integration company with energy as its core business.

The Directors will exercise caution in assessing the prospect of any new potential investment opportunities in order to bring additional value and new income streams to the Group, and create long-term returns for the Shareholders with enhanced values.

Meanwhile, the rapid increase in interest rates as induced by the US Fed is expected to continue to cast uncertainty and challenges on the Group’s operating environment in the upcoming 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.

The Company will continue to look for suitable investment and acquisition opportunities in the field of oil and gas exploration and production. It will also look for investment and acquisition opportunities in the field of new energy and renewable energy.

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" (the "Model Code") contained in Appendix 10 to the Listing Rules.

Following specific enquiry by the Group, all Directors have confirmed that throughout the year ended 31 December 2022, they complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its shares whether on The Stock Exchange of Hong Kong Limited or otherwise.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2022, the Company has complied with the code provisions (the "Code Provisions") of the corporate governance code (the "Code") as set out in Appendix 14 to the Listing Rules save for the following deviation:

Code Provision C.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 on 15 December 2020, the duties of the Chairman have been undertaken by all members of the Board and the company secretary of the Company (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 suitable candidate 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.

AUDIT COMMITTEE

The Company has established an audit committee of the Company ("Audit Committee") which comprises all independent non-executive Directors, namely Mr. Xie Xiaohong, Mr. Geng Jianhua and Mr. Lau Shu Yan, who is also the chairman of the committee.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2022, including the accounting policies, principles and practices adopted by the Group.

SCOPE OF WORK OF CONFUCIUS INTERNATIONAL CPA LIMITED

The figures in respect of the Group's 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 2022 as set out in the Preliminary Announcement have been agreed by the auditor of the Group, Confucius International CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year.

The work performed by Confucius International CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, or the Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Confucius International CPA Limited on the Preliminary Announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Company at www.perfectech.hk and the website of The Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The annual report will be despatched to the shareholders and will be available on the above websites in due course.

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
Li Shaohua
Executive Director

Hong Kong, 31 March 2023

As at the date of this announcement, the Board is composed of Mr. Li Shaohua, Mr. Fang Guohong 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.