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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 2020

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 2020 together with the comparative figures for 2019 are set out as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Revenue	3 & 4	162,041	141,936
Cost of sales		<u>(107,919)</u>	<u>(111,395)</u>
Gross profit		54,122	30,541
Other income, gains and losses, net	5	1,608	7,188
Impairment loss on property, plant and equipment		(2,458)	—
Fair value loss on an investment property		(3,571)	(3,000)
Distribution costs		(3,066)	(3,648)
Administrative expenses		(52,009)	(81,303)
Finance costs	6	<u>(2,632)</u>	<u>(2,197)</u>
Loss before tax	7	(8,006)	(52,419)
Income tax expense	8	<u>(5,123)</u>	<u>(4,838)</u>
Loss for the year		<u>(13,129)</u>	<u>(57,257)</u>

* *for identification purposes only*

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Other comprehensive income (expense):			
<i>Item that will not be reclassified to profit or loss:</i>			
Surplus on revaluation of leasehold land and building held for own use upon change of use to earning rental		—	16,701
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange difference on translation of foreign operations		<u>3,032</u>	<u>(483)</u>
Other comprehensive income for the year, net of tax		<u>3,032</u>	16,218
Total comprehensive expense for the year		<u><u>(10,097)</u></u>	<u><u>(41,039)</u></u>
(Loss) profit for the year attributable to:			
Owners of the Company		<u>(15,801)</u>	(55,038)
Non-controlling interests		<u>2,672</u>	<u>(2,219)</u>
Loss for the year		<u><u>(13,129)</u></u>	<u><u>(57,257)</u></u>
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		<u>(13,148)</u>	(38,740)
Non-controlling interests		<u>3,051</u>	<u>(2,299)</u>
Total comprehensive expense for the year		<u><u>(10,097)</u></u>	<u><u>(41,039)</u></u>
Loss per share	10		
Basic (HK cents per share)		<u><u>(4.83)</u></u>	<u><u>(16.84)</u></u>
Diluted (HK cents per share)		<u><u>(4.83)</u></u>	<u><u>(16.84)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Notes</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		23,800	61,455
Investment property		—	39,900
Right-of-use assets		12,450	15,051
Deferred tax assets		2,130	3,688
		<u>38,380</u>	<u>120,094</u>
CURRENT ASSETS			
Inventories		18,330	16,196
Trade and other receivables	11	24,074	15,415
Financial assets at fair value through profit or loss		13,391	—
Tax recoverable		—	855
Bank balances and cash		59,467	70,403
		<u>115,262</u>	<u>102,869</u>
Assets of a disposal group classified as held for sale	12	<u>67,175</u>	<u>—</u>
		<u>182,437</u>	<u>102,869</u>
CURRENT LIABILITIES			
Trade and other payables	13	53,423	21,541
Lease liabilities		297	415
Amount due to a director of subsidiaries	14	27,931	47,587
Bank borrowings		—	5,000
Tax liabilities		3,391	64
		<u>85,042</u>	<u>74,607</u>
Liabilities directly associated with a disposal group classified as held for sale	12	<u>204</u>	<u>—</u>
		<u>85,246</u>	<u>74,607</u>
NET CURRENT ASSETS		<u>97,191</u>	<u>28,262</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>135,571</u>	<u>148,356</u>
NON-CURRENT LIABILITY			
Lease liabilities		<u>12,685</u>	<u>14,915</u>
NET ASSETS		<u>122,886</u>	<u>133,441</u>

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
CAPITAL AND RESERVES			
Share capital		32,692	32,692
Reserves		57,030	86,879
Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets classified as held for sale	12	<u>16,701</u>	<u>—</u>
Equity attributable to owners of the Company		106,423	119,571
Non-controlling interests		<u>16,463</u>	<u>13,870</u>
TOTAL EQUITY		<u>122,886</u>	<u>133,441</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 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 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 the *Amendments to References to the Conceptual Framework in HKFRS Standards* and following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning or after 1 January 2020 for the preparation of the consolidated financial statements.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of *Amendments to References to the Conceptual Framework in HKFRS Standards* and these amendments to HKFRSs in the current year has no material impact on the Group’s financial position and performance for the current and prior year and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture 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 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual improvements to HKFRSs 2018–2020 ²

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

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

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.

	2020 <i>HK\$'000</i>	2019 <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	9,926	13,733
Toy products	<u>152,115</u>	<u>128,203</u>
	<u><u>162,041</u></u>	<u><u>141,936</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:

2020

	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>9,926</u>	<u>152,115</u>	<u>162,041</u>
RESULT			
Segment results	<u>(4,247)</u>	<u>17,358</u>	13,111
Gain on disposal of financial assets at fair value through profit or loss ("FVTPL")			37
Fair value gain on financial assets at FVTPL			529
Impairment loss on property, plant and equipment			(2,458)
Fair value loss on an investment property			(3,571)
Unallocated corporate expenses, net			(13,022)
Finance costs			<u>(2,632)</u>
Loss before tax			(8,006)
Income tax expense			<u>(5,123)</u>
Loss for the year			<u>(13,129)</u>
	Novelties and decoration products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	19,900	105,990	125,890
Unallocated corporate assets			<u>94,927</u>
Consolidated total assets			<u>220,817</u>
LIABILITIES			
Segment liabilities	15,303	54,669	69,972
Unallocated corporate liabilities			<u>27,959</u>
Consolidated total liabilities			<u>97,931</u>

	Novelties and decoration products HK\$'000	Toy products HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Additions of property, plant and equipment	—	2,031	48	2,079
Depreciation of property, plant and equipment	323	4,827	3,289	8,439
Depreciation of right-of-use assets	604	—	53	657
Interest income	26	38	139	203
Impairment loss on property, plant and equipment	—	—	2,458	2,458
Fair value loss on an investment property	—	—	3,571	3,571
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2019				
		Novelties and decoration products HK\$'000	Toy products HK\$'000	Consolidated HK\$'000
REVENUE				
External sales and total revenue		13,733	128,203	141,936
		<u> </u>	<u> </u>	<u> </u>
RESULT				
Segment results		(3,377)	(23,454)	(26,831)
		<u> </u>	<u> </u>	<u> </u>
Fair value loss on an investment property				(3,000)
Unallocated corporate expenses, net				(20,391)
Finance costs				(2,197)
				<u> </u>
Loss before tax				(52,419)
Income tax expense				(4,838)
				<u> </u>
Loss for the year				(57,257)
				<u> </u>
		Novelties and decoration products HK\$'000	Toy products HK\$'000	Consolidated HK\$'000
ASSETS				
Segment assets		29,357	81,972	111,329
Unallocated corporate assets				111,634
				<u> </u>
Consolidated total assets				222,963
				<u> </u>
LIABILITIES				
Segment liabilities		25,311	62,597	87,908
Unallocated corporate liabilities				1,614
				<u> </u>
Consolidated total liabilities				89,522
				<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	60	9,147	1,391	10,598
Depreciation of property, plant and equipment	462	5,134	1,932	7,528
Depreciation of right-of-use assets	667	231	54	952
Interest income	6	32	626	664
Fair value loss on an investment property	—	—	3,000	3,000

Segment result represents the result produced by each segment without allocation of central administration costs including directors' salaries, 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 certain financial assets, investment property, and leasehold land and building 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 which segments 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	6,105	8,929
Europe	11,780	14,914
United States of America	10,852	1,180
Asia (other than Hong Kong)	132,466	116,453
Others	838	460
	<u>162,041</u>	<u>141,936</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	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Hong Kong	147,487	155,060	48	1,391
People's Republic of China (the "PRC")	73,330	67,903	2,031	9,207
	<u>220,817</u>	<u>222,963</u>	<u>2,079</u>	<u>10,598</u>

Information about major customers

Included in revenue arising from sales of toy products of approximately HK\$152,115,000 (2019: HK\$128,203,000) is revenue of approximately HK\$141,514,000 (2019: HK\$116,875,000) which arose from sales to the Group's largest customer, representing approximately 87% (2019: 82%) of the total revenue. No other single customer contribute 10% or more to the Group's revenue.

5. OTHER INCOME, GAINS AND LOSSES, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest income from financial assets held for cash management purposes	203	664
Rental income	840	611
Scrap sales (<i>Note</i>)	550	2,294
Gain on disposal of property, plant and equipment	25	531
Loss on deregistration of a subsidiary	—	(256)
Property, plant and equipment written off	(1)	—
Gain on disposal of financial assets at FVTPL	37	—
Fair value gain on financial assets at FVTPL	529	—
Net foreign exchange (losses) gains	(3,000)	570
Gain on termination of a lease	27	1
Tooling income (<i>Note</i>)	921	1,917
Transportation income	88	94
Subsidies income from the PRC government	897	—
Laboratory testing income (<i>Note</i>)	375	437
Others	117	325
	<u>1,608</u>	<u>7,188</u>

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

6. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on:		
Bank borrowings	114	418
Bank overdrafts	—	93
Lease liabilities	780	874
Amount due to a director of subsidiaries	1,738	812
	<u>2,632</u>	<u>2,197</u>

7. LOSS BEFORE TAX

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss before tax has been arrived at after charging (crediting):		
Auditor's remuneration	1,075	1,075
Cost of inventories recognised as an expense	34,882	34,017
Depreciation of property, plant and equipment	8,439	7,528
Depreciation of right-of-use assets	657	952
Short-term operating lease rentals in respect of rented premises	952	2,476
Gross rental income from investment property	(815)	(611)
Less: Direct operating expenses incurred for investment property that generated rental income during the year	81	100
	<u>(734)</u>	<u>(511)</u>
Staff costs (including Directors' emoluments)		
— Salaries, allowances and retirement benefits scheme contributions	81,320	80,092
— Government grants under Employment Support Scheme	(1,233)	—
— Compensation on removal of a factory	—	19,584
	<u>80,087</u>	<u>99,676</u>

8. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	3,366	—
PRC Enterprise Income Tax	<u>90</u>	<u>68</u>
	<u>3,456</u>	<u>68</u>
Under (over) provision in prior years:		
Hong Kong Profits Tax	100	(185)
PRC Enterprise Income Tax	<u>9</u>	<u>27</u>
	<u>109</u>	<u>(158)</u>
Deferred tax		
Current year	<u>1,558</u>	<u>4,928</u>
Total income tax expense recognised in profit or loss	<u><u>5,123</u></u>	<u><u>4,838</u></u>

Under the two-tiered Hong Kong profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25% (2019: 8.25%), and profits above HK\$2 million will be taxed at 16.5% (2019: 16.5%). The profits of other group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2019: 16.5%).

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% (2019: 25%).

The tax charge for the year can be reconciled to the loss before tax per consolidated statement of profit or loss and other comprehensive income as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss before tax	<u>(8,006)</u>	<u>(52,419)</u>
Tax at Hong Kong Profits Tax rate of 16.5%	(1,321)	(8,649)
Tax effect of income not taxable for tax purposes	(1,704)	(459)
Tax effect of expenses not deductible for tax purposes	5,373	8,087
Tax effect on temporary differences not recognised	1,655	549
Tax effect on tax losses not recognised	2,434	6,869
Tax effect on tax reduction	(350)	—
Utilisation of tax losses not previously recognised	(838)	(109)
Under (over) provision in respect of prior years	109	(158)
Effect of different tax rates of subsidiaries operating in the PRC	<u>(235)</u>	<u>(1,292)</u>
Tax charge for the year	<u>5,123</u>	<u>4,838</u>

9. DIVIDENDS

The Board does not recommend the payment of a final dividend for the years ended 31 December 2020 and 2019.

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\$15,801,000 (2019: HK\$55,038,000) and the weighted average number of ordinary shares of 326,923,607 (2019: 326,923,607).

Diluted loss per share for the years ended 31 December 2020 and 2019 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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables	20,123	9,754
Less: Allowance for expected credit loss (“ECL”) on trade receivables	<u>(79)</u>	<u>(79)</u>
	<u>20,044</u>	<u>9,675</u>
Other receivables:		
Prepayment	860	1,830
Rental, utility and other deposits	399	1,375
Cash deposit in broker’s account	121	7
Sundry debtors and others (<i>Note</i>)	<u>2,650</u>	<u>2,528</u>
	<u>4,030</u>	<u>5,740</u>
	<u><u>24,074</u></u>	<u><u>15,415</u></u>

Note: The balances mainly included value added tax refundable on export sales in the PRC.

Revenue from contracts with customers, included in the trade receivables were:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Balance at the beginning of the year	<u>9,675</u>	<u>17,153</u>
Balance at the end of the year	<u><u>20,044</u></u>	<u><u>9,675</u></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 invoice dates and net of allowance for ECL at the end of the reporting period:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–60 days	18,134	9,637
61–90 days	184	—
91–120 days	1,262	38
Over 120 days	<u>464</u>	<u>—</u>
	<u><u>20,044</u></u>	<u><u>9,675</u></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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Overdue by:		
0–60 days	5,983	3,351
61–90 days	1,262	38
91–120 days	464	—
	<u>7,709</u>	<u>3,389</u>

The movements in the allowance for ECL on trade receivables:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Balance at the beginning of the year	79	4,524
Allowance for ECL recognised during the year	—	79
Amounts written off during the year as uncollectible	—	<u>(4,524)</u>
Balance at the end of the year	<u>79</u>	<u>79</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.

12. A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

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

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

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

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

13. 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:

	2020 HK\$'000	2019 HK\$'000
Trade payables:		
0–60 days	10,292	7,577
61–90 days	1,387	1,390
91–120 days	154	13
Over 120 days	1,160	518
	<u>12,993</u>	<u>9,498</u>
Other payables:		
Accrued salary, bonus and commission	7,741	5,460
Contract liabilities (<i>Note</i>)	2,880	2,921
Deposit received from the disposal of subsidiaries	26,720	—
Accrued expenses and others	3,089	3,662
	<u>40,430</u>	<u>12,043</u>
	<u>53,423</u>	<u>21,541</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 customers for novelties and decoration products and toys products on request.

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue recognised that was included in the contract liability balance at the beginning of the year:		
— Toys products	2,183	581
— Novelties and decoration products	<u>27</u>	<u>282</u>
	<u>2,210</u>	<u>863</u>

The decrease in contract liabilities as at 31 December 2020 was mainly due to a decrease in customers' sale orders for both novelties and decoration products and toys products segments.

14. AMOUNT DUE TO A DIRECTOR OF SUBSIDIARIES

The amount represented amounts of approximately HK\$22,000,000 and RMB4,300,000 (2019: HK\$42,000,000 and RMB4,300,000) due to Ms. Lau Kwai Ngor, the inheritor of a former director of subsidiaries of the Company who passed away on 28 October 2019. It was conducted on normal commercial terms, bearing interest at a rate of 4% per annum, unsecured, and repayable on demand.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the eligibility of shareholders to attend and vote at the annual general meeting (“AGM”) of the Company, the Register of Members will be closed from 25 May 2021, Tuesday to 1 June 2021, Tuesday (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 Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, no later than 4:30 p.m. on 24 May 2021, Monday.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

Affected by the political instability in Europe and the outbreak of Coronavirus Disease 2019 (the “COVID-19”) pandemic, the Group’s operating environment remained challenging in 2020. For the year ended 31 December 2020, the Group’s revenue rose by about 14% to approximately HK\$162,041,000 (2019: HK\$141,936,000) despite facing the tough operating environment. The increase in revenue was driven by higher sales of toy products, which offset decline in sales of novelties and decorations products. The Group recorded a loss for the year attributable to owners of the Company of approximately HK\$15,801,000 (2019: HK\$55,038,000). The basic and diluted loss per share were both at 4.83 HK cents (2019: both 16.84 HK cents).

For the year ended 31 December 2020, the Group’s core business recorded a profit of approximately HK\$13,111,000 (2019: loss of approximately HK\$26,831,000). The performance of each segment of the core business is discussed below.

Toy products

The revenue of toy products segment increased by about 19% to approximately HK\$152,115,000 (2019: HK\$128,203,000), and accounted for about 94% of total revenue of the Group. The increase in revenue of this segment was primarily driven by the higher sales in Asia (other than Hong Kong) and the United States of America, which offset the decline in sales in Europe and Hong Kong. The segment recorded a profit of approximately HK\$17,358,000 (2019: loss of approximately HK\$23,454,000). The result of this segment has improved as the Group streamlined the production process and cost structure after the Group relocated all production plants together at Zhongshan, the PRC, in recent years.

Novelties and decorations products

The revenue of the novelties and decoration products segment decreased by about 28% to approximately HK\$9,926,000 (2019: HK\$13,733,000) and the loss of this segment was approximately HK\$4,247,000 (2019: HK\$3,377,000). It was mainly attributable to the overall decline in demand of novelties and decorations products under COVID-19 pandemic.

Distribution costs and administrative expenses

Distribution costs decreased by about 16% to approximately HK\$3,066,000 (2019: HK\$3,648,000) as a result of stringent cost control measures implemented by the Group.

Administrative expenses decreased by about 36% to approximately HK\$52,009,000 (2019: HK\$81,303,000). Such decrease was mainly attributable to the decrease in legal and professional costs incurred by the Group by approximately HK\$9,600,000 and the decrease in staff costs for compensation on removal of a factory of approximately HK\$19,584,000 incurred last year which did not recur in current year.

Finance costs

Finance costs increased by about 20% to approximately HK\$2,632,000 (2019: HK\$2,197,000), as a result of the increase in interest on amount due to a director of subsidiaries during the year.

Liquidity and financial resources

As at 31 December 2020, the Group had amount due to a director of subsidiaries of approximately HK\$27,931,000 (31 December 2019: HK\$47,587,000) and short term bank borrowings of HK\$Nil (31 December 2019: HK\$5,000,000). The Group's gearing ratio, calculated on the basis of the aggregate of the amount due to a director of subsidiaries and bank borrowings over the equity attributable to owners of the Company, was approximately 26% (31 December 2019: 44%).

As at 31 December 2020, the Group had bank balances and cash of approximately HK\$59,467,000 (31 December 2019: HK\$70,403,000). With total current assets as at 31 December 2020 of approximately HK\$182,437,000 (31 December 2019: HK\$102,869,000) 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 per share as at 31 December 2020 was approximately HK\$0.33 (31 December 2019: HK\$0.37), calculated on the basis of the equity attributable to owners of the Company of approximately HK\$106,423,000 (31 December 2019: HK\$119,571,000) over the outstanding number of ordinary shares in issue on that date of 326,923,607 (31 December 2019: 326,923,607).

Disposals of subsidiaries

As described in note 12 to the consolidated financial statements, on 24 September 2020, Perfectech International (B.V.I.) Limited, a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement with Grand Oasis Ventures Limited relating to the disposal of the entire issued share capital of Perfect Skill Limited (“Perfect Skill”), an indirectly wholly-owned subsidiary of the Company, and all obligations, liabilities and debts owing or incurred by Perfect Skill to the Company (the “Disposal Group”) at the consideration of approximately HK\$66,800,000. The principal assets in the Disposal Group are the Group’s leasehold land and buildings of approximately HK\$30,471,000 and investment property of approximately HK\$36,329,000. The transaction was completed on 10 February 2021. The assets and liabilities attributable to the Disposal Group have been classified as a disposal group held for sale and were presented separately in the consolidated statement of financial position at 31 December 2020.

Significant investments

As at 31 December 2020, the Group held financial assets at fair value through profit or loss amounted to approximately HK\$13,391,000, including equity securities listed in Hong Kong of approximately HK\$158,000, debt securities listed outside Hong Kong of approximately HK\$3,094,000 and unlisted managed funds of approximately HK\$10,139,000. Gain on disposal of financial assets at fair value through profit or loss amounted to approximately HK\$37,000 and gain on fair value changes of financial assets at fair value through profit or loss amounted to approximately HK\$529,000 during the year ended 31 December 2020.

Pledge of assets

As at 31 December 2020, the Group did not have any pledge of asset. At 31 December 2019, the Group had pledged its leasehold land and buildings with carrying value of approximately HK\$33,703,000 and investment property of approximately HK\$39,900,000 to secure banking facilities granted to the Group.

Employees and remuneration policies

As at 31 December 2020, the Group employed about 700 (2019: 680) full time employees. The Group remunerates its employees primarily based on prevailing industry practice as well as individual merits. The Group has also established a share option scheme for its full-time employees.

Foreign currency exposure

The Group’s sales and purchases are mainly denominated in Hong Kong Dollar and US Dollar. As all of its factories are located in the PRC, expenses incurred there are denominated in Renminbi. Since Hong Kong Dollar remains pegged to US Dollar, the

Group does not foresee a substantial exposure in this area, and will closely monitor the trend of Renminbi to see if any action is required. As at 31 December 2020, the Group did not enter into any financial instrument for the hedging of exposure in foreign currencies.

Future Plans for Material Investments

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

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

As referred to in the Company's announcement titled "General Disclosure under Rule 13.09(2) of the Listing Rules BOINC Strategic Cooperation Agreement and Chainup Strategic Cooperation Agreement" dated 18 March 2021, the Company entered into a strategic cooperation agreement with California Super Computing Network Technology, Inc. ("CSCNT Inc.") and Affluence Energy Holding SARL ("AEH") ("BOINC Strategic Cooperation Agreement"); and another strategic cooperation agreement with CHAINUP PTE. LTD. ("Chainup") and Sozak ("Chainup Strategic Cooperation Agreement"). For the BOINC Strategic Cooperation Agreement, CSCNT Inc. is a limited company established in the United States of America. Its principal business is the business development of the global industrial chain for cryptocurrencies. It is the global exclusive business cooperation operation platform of Berkeley Open Infrastructure for Network Computing ("BOINC") and promotes commercialization of the cryptocurrency. AEH is a limited company established in Luxembourg. It is the controlling shareholder of Н о р т К а с п и а н П е т р о л е у м) ("HKP"), which holds 100% interest of Б а л ы к ш и Oilfield in Kazakhstan.

According to the BOINC Strategic Cooperation Agreement, by relying on AEH's enormous advantages in energy reserves and with the help of the revolutionary technology to carry out energy and natural resources projects, the Company is accelerating the process of entering into the cryptocurrencies field and to seize the history-making opportunities in order to achieve potential huge profits. The Company will also utilize and integrate the strong computing power platform and resourceful business opportunities with CSCNT Inc. and BOINC, aiming to become a leading player in the global blockchain technologies and cryptocurrencies and a value chain integrator with global influence. The Company is planning to enter into full-eco industry chain including cryptocurrency computing, mining pools, custody, trading, token issuance and investment management.

For the Chainup Strategic Cooperation Agreement, Chainup is a limited company established in Singapore. Its main business is to provide blockchain technology services. Sozak is a joint-stock company established in Kazakhstan with its shares listed on the Astana International Exchange, holding 100% interest in the natural gas assets in the Marsel Block in Kazakhstan.

According to the Chainup Strategic Cooperation Agreement, by relying on Sozak's enormous advantages in energy reserves and with the help of the revolutionary technology, the Company will carry out energy and natural resources projects. The Company will integrate and ride on Chainup's extensive resources network in the blockchain financial field to become a resources value chain integrator with substantial influence in the field of blockchain technology and cryptocurrency.

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

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

Prospect

Since the Company initiated the Proposed Acquisition with the aim of stepping into the oil and gas industry in 2019, the Company has established good business relationships with oil and gas exploration and production companies, investors, trading companies, financial institutions and other market participants around the world.

As blockchain technology and the cryptocurrencies industry have been evolving rapidly in recent years, the Company has identified the opportunities arising from the integration of the digitalization of energy reserves, i.e. building a bridge for market participants between the conventional petroleum energy sector and the revolutionary technology sector, to share resources and complement advantages for all parties. By creating value for partners, the Company can obtain commercial benefits.

By entering into the BOINC Strategic Cooperation Agreement and the Chainup Strategic Cooperation Agreement, subject to the execution of the final agreement with the parties involved, the Company will become involved in the blockchain and cryptocurrency business. As the business partner of conventional energy companies, the Company helps them integrate new technologies, business opportunities and access to capital. In the process, the Company brings pioneer participants of blockchain/cryptocurrencies as well, and through the platform of super computing power, and the proposed cryptocurrency exchange, makes possible the transformation of traditional resources of natural resources project into digitization.

The Board of Directors believes that the entering into of the BOINC Strategic Cooperation Agreement and the Chainup Strategic Cooperation Agreement will be conducive to facilitating the Group to commence the business in the field of blockchain and cryptocurrency. The parties involved will jointly boost the development of the blockchain technology and the industry with their respective capital, platform and resources advantages. The Company's strategic goal is to become a global cryptocurrencies leader with substantial influence in the field of blockchain technology and cryptocurrency and to enter into the full-eco industry chain including cryptocurrencies computing, mining farms, mining pools, custody, trading, token issuance and investment management.

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

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

Meanwhile, the political instability in Europe and the outbreak of COVID-19 pandemic are expected to continue to cast uncertainty and challenges to the Group's operating environment in the coming 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.

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 2020, 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, 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 2020, the Company has complied with the code provisions (the "Code Provisions") set out in the "Corporate Governance Code and Corporate Governance Report" in Appendix 14 (the "Code") to the Listing Rules save for the following deviation:

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

After the resignation of Ms. Zhu Yuqi as the non-executive director, the chairman of the Board and the chairman of the Nomination Committee on 15 December 2020, the duties of the Chairman have been undertaken by all members of the Board and the company secretary 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 a suitable candidates with appropriate experience to act as the Chairman, before which the duties of the Chairman will continue to be undertaken by the Directors and the Company Secretary collectively.

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") which comprises all independent non-executive Directors, 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 2020, including the accounting policies, principles and practices adopted by the Group.

SCOPE OF WORK OF MESSRS. HLM 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 2020 as set out in this 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 ended 31 December 2020. 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.

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, 30 March 2021

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