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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: 00765)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2009

RESULTS

The board of directors (the "Board") of Perfectech International Holdings Limited (the "Company") hereby announce that the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009 and the comparative figures in 2008 were as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Revenue	3 & 4	404,606	514,771
Cost of sales		(327,925)	(437,342)
Gross profit		76,681	77,429
Net other income (losses)	5	24,905	(78,956)
Distribution costs		(14,720)	(19,085)
Administrative expenses		(40,349)	(47,847)
Impairment loss on goodwill		–	(3,561)
Finance costs	6	(675)	(1,785)
Profit (loss) before tax	7	45,842	(73,805)
Income tax expenses	8	(7,156)	(61)
Profit (loss) for the year		38,686	(73,866)

	<i>Notes</i>	2009 HK\$'000	2008 <i>HK\$'000</i>
Other comprehensive expenses			
Exchange differences on translation of overseas operations		<u>(64)</u>	<u>(6)</u>
Total comprehensive income (expenses) for the year		<u>38,622</u>	<u>(73,872)</u>
Profit (loss) for the year attributable to:			
Equity holders of the Company		37,776	(75,855)
Non-controlling interests		<u>910</u>	<u>1,989</u>
Profit (loss) for the year		<u>38,686</u>	<u>(73,866)</u>
Total comprehensive income (expenses) for the year attributable to:			
Equity holders of the Company		37,712	(75,861)
Non-controlling interests		<u>910</u>	<u>1,989</u>
Total comprehensive income (expenses) for the year		<u>38,622</u>	<u>(73,872)</u>
Dividends	9	<u>5,822</u>	<u>12,094</u>
Earnings (loss) per share	10		
Basic		<u>12.95 Cents</u>	<u>(25.04) Cents</u>
Diluted		<u>12.88 Cents</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December

	<i>Notes</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		46,109	54,605
Prepaid lease payments		59	134
Deferred tax assets		2,221	1,836
		48,389	56,575
CURRENT ASSETS			
Inventories		50,157	72,874
Trade and other receivables	11	55,134	76,468
Prepaid lease payments		75	75
Tax recoverable		462	1,214
Investments held-for-trading		92,996	52,709
Equity-linked note		–	4,955
Derivatives financial instruments		98	–
Pledged bank deposits		793	121
Bank balances and cash		77,020	47,117
		276,735	255,533
CURRENT LIABILITIES			
Trade and other payables	12	47,620	53,654
Derivatives financial instruments		2,919	511
Tax liabilities		6,834	897
Bank borrowings – due within one year		6,865	12,841
Bank overdraft		–	4,852
		64,238	72,755
NET CURRENT ASSETS		212,497	182,778
TOTAL ASSETS LESS CURRENT LIABILITIES		260,886	239,353
NON-CURRENT LIABILITIES			
Deferred tax liabilities		801	1,359
Bank borrowings – due after one year		16,950	23,814
		17,751	25,173
NET ASSETS		243,135	214,180
CAPITAL AND RESERVES			
Share capital		28,704	29,870
Reserves		204,940	175,019
Equity attributable to equity holders of the Company		233,644	204,889
Non-controlling interests		9,491	9,291
TOTAL EQUITY		243,135	214,180

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. BASIS OF PREPARATION

The audited consolidated financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPAs”) and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised standards, amendments and interpretations (the “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), that are relevant to its operations and effective for annual periods beginning on or after 1 January 2009. In addition, the Group has early adopted HKFRS 3 (revised in 2008) Business Combinations, HKAS 27 (revised in 2008) Consolidated and Separate Financial Statements, HKAS 28 (revised in 2008) Investment in Associates, in advance of their effective dates.

HKFRS 1 & HKAS 27 (Amendments)	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 3 (Revised)	Business Combination
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statement
HKAS 23 (Revised)	Borrowing Costs
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 28 (Revised)	Investment in Associates
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC) – Int 18	Transfers of Assets from Customers

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters ³
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions ³
HKFRS 9	Financial Instruments ⁷
HKAS 24 (Revised)	Related party Disclosures ⁶
HKAS 32 (Amendments)	Classification of Rights Issues ⁴
HKAS 39 (Amendments)	Eligible Hedged Items ¹
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement ⁶
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁵

¹ Effective for annual periods beginning on or after 1 July 2009

² Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2010

⁴ Effective for annual periods beginning on or after 1 February 2010

⁵ Effective for annual periods beginning on or after 1 July 2010

⁶ Effective for annual periods beginning on or after 1 January 2011

⁷ Effective for annual periods beginning on or after 1 January 2013

The Directors of the Company anticipate that the application of these new or revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

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.

	2009	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Novelties and decorations products	99,887	125,184
Packaging products	76,639	138,352
PVC films and plastic materials	51,582	72,730
Toys products	176,498	178,505
	404,606	514,771

4. SEGMENTS REPORTING

(a) Application of HKFRS 8 Operating Segments

The Group has adopted HKFRS 8 Operating Segments with effect from 1 January 2009. HKFRS 8 is a disclosure Standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purposes of allocating resources to segments and assessing their performance. In contrast, the predecessor Standard (HKAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach. The adoption of HKFRS 8 has not resulted the change of presentation.

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

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

2009

	Novelties and decorations products <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	PVC films and plastic materials <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
External sales	99,887	76,639	51,582	176,498	-	404,606
Inter-segment sales	39	22,152	1,863	189	(24,243)	-
Total revenue	<u>99,926</u>	<u>98,791</u>	<u>53,445</u>	<u>176,687</u>	<u>(24,243)</u>	<u>404,606</u>
RESULT						
Segment result	<u>4,882</u>	<u>(8,281)</u>	<u>860</u>	<u>26,228</u>	<u>-</u>	23,689
Income from investments						21,477
Unallocated corporate income						1,351
Finance costs						(675)
Profit before tax						45,842
Income tax expenses						(7,156)
Profit for the year						<u>38,686</u>

Inter-segment sales are charged at prevailing market rates.

BALANCE SHEET

	Novelties and decorations products <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	PVC films and plastic materials <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS					
Segment assets	69,944	60,087	15,493	73,710	219,234
Unallocated corporate assets					105,890
					<u>325,124</u>
LIABILITIES					
Segment liabilities	41,989	10,514	1,533	19,794	73,830
Unallocated corporate liabilities					8,159
					<u>81,989</u>
	Novelties and decorations products <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	PVC films and plastic materials <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Additions of property, plant and equipment	1,312	2,472	–	2,415	6,199
Depreciation and amortisation	3,319	5,738	54	4,946	14,057
Release of prepaid lease payments	–	–	–	75	75
	<u>–</u>	<u>–</u>	<u>–</u>	<u>75</u>	<u>75</u>

2008

	Novelties and decorations products <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	PVC films and plastic materials <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE						
External sales	125,184	138,352	72,730	178,505	–	514,771
Inter-segment sales	2,007	25,394	2,798	1,277	(31,476)	–
Total revenue	<u>127,191</u>	<u>163,746</u>	<u>75,528</u>	<u>179,782</u>	<u>(31,476)</u>	<u>514,771</u>
RESULT						
Segment result	<u>1,992</u>	<u>3,765</u>	<u>461</u>	<u>4,939</u>	<u>(1,269)</u>	9,888
Loss from investments						(83,860)
Unallocated corporate income						1,952
Finance costs						<u>(1,785)</u>
Loss before tax						(73,805)
Income tax expenses						<u>(61)</u>
Loss for the year						<u><u>(73,866)</u></u>

Inter-segment sales are charged at prevailing market rates.

BALANCE SHEET

	Novelties and decorations products <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	PVC films and plastic materials <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS					
Segment assets	61,253	78,446	23,174	91,769	254,642
Unallocated corporate assets					<u>57,466</u>
Consolidated total assets					<u><u>312,108</u></u>
LIABILITIES					
Segment liabilities	44,403	17,291	5,197	25,295	92,186
Unallocated corporate liabilities					<u>5,742</u>
Consolidated total liabilities					<u><u>97,928</u></u>

	Novelties and decorations products <i>HK\$'000</i>	Packaging products <i>HK\$'000</i>	PVC films and plastic materials <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Additions of property, plant and equipment	1,904	3,789	–	2,677	8,370
Depreciation and amortisation	3,935	5,837	54	5,432	15,258
Release of prepaid lease payments	–	–	–	75	75

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 and liabilities are allocated to reportable segments other than those assets and liabilities related to central administration.

(b) Geographical Information

The following table provides an analysis of the Group's sales by geographical market:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Sales revenue by geographical market:		
Hong Kong	147,382	217,574
Europe	122,083	122,237
America	72,164	89,690
Asia (other than Hong Kong)	52,350	74,086
Others	10,627	11,184
	404,606	514,771

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	
	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Hong Kong	209,162	161,784	110	1,036
The People's Republic of China (the "PRC")	115,962	150,324	6,089	7,334
	<u>325,124</u>	<u>312,108</u>	<u>6,199</u>	<u>8,370</u>

(c) **Information about major customer**

Included in revenues arising from sales of toy products of approximately HK\$176,498,000 (2008: HK\$178,505,000) are revenues of approximately HK\$152,579,000 (2008: HK\$145,996,000) which arose from sales to the Group's largest customer.

5. NET OTHER INCOME (LOSSES)

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Bad debt recovered	719	–
Dividend incomes on investments held-for-trading	1,211	994
Exchange gain	–	91
Gain on settlement of equity-linked note	2,845	–
Gain on disposal of property, plant and equipment	1	–
Interest income	62	979
Loss on settlement of derivative financial instruments	–	(39,691)
Net change in fair value of equity-linked note	–	(2,845)
Net change in fair value of investments held-for-trading	12,369	(43,932)
Net change in fair value of derivative financial instruments	(2,310)	28,677
Rental income	221	242
Realised gain (loss) on disposal of investments held-for-trading	6,606	(28,240)
Sample sales	758	1,240
Scrap sales	1,296	536
Others	1,127	2,993
	<u>24,905</u>	<u>(78,956)</u>

6. FINANCE COSTS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interest on:		
Bank borrowings wholly repayable within five years	<u>675</u>	<u>1,785</u>

7. PROFIT (LOSS) BEFORE TAX

	2009	2008
	HK\$'000	HK\$'000
Profit (loss) before tax has been arrived at after charging:		
Auditors' remuneration	750	750
Cost of inventories recognised as an expense	181,744	262,728
Depreciation of property, plant and equipment	14,057	15,258
Foreign exchange losses, net	6,005	1,981
Allowance for doubtful debts	1,090	4,330
Loss on disposals of property, plant and equipment	–	1,071
Release of prepaid leases prepayments	75	75
Share-based payments expenses	1,226	720
Staff costs (including Directors' emoluments)	94,483	115,800
Written down of inventories	3,531	1,040
Impairment loss on trade receivables	–	79
Impairment loss on other receivables	297	–
	<u>297</u>	<u>–</u>

8. INCOME TAX EXPENSES

	2009	2008
	HK\$'000	HK\$'000
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	6,583	1,771
PRC Enterprise Income Tax	131	2
	<u>6,714</u>	<u>1,773</u>
Under (over) provision in prior years:		
Hong Kong Profits Tax	1,385	(76)
PRC Enterprise Income Tax	–	–
	<u>1,385</u>	<u>(76)</u>
	8,099	1,697
Deferred tax		
Current year	(943)	(1,636)
	<u>(943)</u>	<u>(1,636)</u>
	<u>7,156</u>	<u>61</u>

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5%, which is effective from the year of assessment 2008/2009. Hong Kong Profits Tax is calculated at 16.5% for both years.

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% (for both years). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. DIVIDENDS

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interim, paid – 1.0 HK cent (2008: 0.5 HK cent) per share	2,873	1,521
Final, paid – 1.0 HK cent per share for 2008 (2008: 3.5 HK cents per share for 2007)	2,949	10,573
	5,822	12,094

The final dividend of 6.5 HK cents (2008: 1.0 HK cent) per share has been proposed by the Directors and is subject to approval by the shareholders in general meeting.

10. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to owners of the Company is based on the net profit for the year of approximately HK\$37,776,000 (2008: loss of HK\$75,855,000) and the following data:

	2009	2008
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings (loss) per share	291,710,176	302,942,624
Effect of dilutive potential ordinary shares on share options	1,472,602	1,161,256
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	293,182,778	304,103,880

11. TRADE AND OTHER RECEIVABLES

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Trade receivables	63,513	91,182
Less: impairment loss on trade receivables	(16,778)	(16,736)
	46,735	74,446
Prepayment and other receivables	8,399	2,022
	55,134	76,468

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 at the end of the reporting period:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0 – 60 days	35,134	48,218
61 – 90 days	5,207	11,851
91 – 120 days	3,990	7,612
Over 120 days	2,404	6,765
	<u>46,735</u>	<u>74,446</u>

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Balance at beginning of the year	16,736	12,406
Allowance for doubtful debts during the year	1,090	4,330
Amounts recovered during the year	(719)	–
Amounts written off during the year	(329)	–
	<u>16,778</u>	<u>16,736</u>

The fair value of the Group's trade and other receivables at 31 December 2009 approximate to the corresponding carrying amount.

12. TRADE AND OTHER PAYABLES

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

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
0 – 60 days	15,377	24,565
61 – 90 days	2,123	3,776
91 – 120 days	722	1,572
Over 120 days	522	1,362
	<u>18,744</u>	<u>31,275</u>

The fair value of the Group's trade and other payables at 31 December 2009 approximates to the corresponding carrying amount.

RESULTS

The Board has resolved to announce the audited consolidated results for the year ended 31 December 2009. Total turnover for the year amounted to approximately HK\$404,606,000 (2008: HK\$514,771,000). The net profit for the year stood at approximately HK\$37,776,000 (2008: loss of HK\$75,855,000). Basic earnings per share was 12.95 HK cents (2008: loss per share of 25.04 HK cents).

FINAL DIVIDEND

The Board recommend the payment of a final dividend for the year ended 31 December 2009 of 6.5 HK cents per share (2008: 1.0 HK cent per share) payable to shareholders on the register of members of the Company (the “Register of Members”) on 9 June 2010. This dividend together with the interim dividend of 1.0 HK cent per share (2008: 0.5 HK cent per share) will make a total of 7.5 HK cents per share for the year (2008: 1.5 HK cents per share). Subject to the approval of shareholders at the forthcoming Annual General Meeting, the final dividend will be paid on or about 23 June 2010.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 7 June 2010 to 9 June 2010, both days inclusive, during which period no share transfer will be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar in Hong Kong at Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 4 June 2010.

BUSINESS REVIEW

2009 was one of the most challenging years to the Group. For the first half of the year, the Group recorded a negative gross segment result, even though the Group still recorded a positive figure for the whole year as a result of increase in profit margin of Toy Products Segment. Demands for consumer products dropped drastically, especially in the first quarter of the year, as a result of the negative impact from global financial tsunami since 2008. Nevertheless, global economic condition seemed to start to recover in the second quarter of the year as a result of the efforts made and measures implemented by various countries. Global financial markets began to stabilize and so did the commercial sector. The results of the four segments increased by about 140% to approximately to HK\$23,689,000 (2008: HK\$9,888,000), despite the decrease in total turnover, the performance of which will be further discussed below.

During the year, the turnover of the Group decreased by approximately 21% to approximately HK\$404,606,000 (2008: HK\$514,771,000), and the Group recorded a net profit attributable to equity shareholders of approximately HK\$37,776,000 (2008: loss of HK\$75,855,000). The improvement in annual result of the Group was mainly due to the increase in profit margin of the toy products segment and investment income.

For the year 2009, the profit of the Group included profit on disposal of held-for-trading investments of approximately HK\$6,606,000 (2008: loss of HK\$28,240,000), increase in fair value of held-for-trading investments of approximately HK\$12,369,000 (2008: decrease of HK\$43,932,000), after deducting a decrease in the fair value of derivative financial instruments of approximately HK\$2,310,000 (2008: increase of HK\$28,677,000) and no impairment loss on goodwill (2008: HK\$3,561,000).

Finance costs decreased by about 62% to approximately HK\$675,000 (2008: HK\$1,785,000). This was mainly due to decrease in both bank loans outstanding and level of interest rates.

FUTURE PLAN & PROSPECT

Looking ahead, 2010 will still be a challenging year to the Group. The Group will also undergo some changes, relocation of certain production facilities and termination of certain unprofitable business have been started, further costs on such relocation and termination will be incurred while benefits from the merger of similar production facilities are expected.

Being an industrialist, the Group will continue to concentrate on developing its core business and make all necessary adjustments or corrections as and when required to adapt to the ever-changing commercial environment. On the other hand, in order to maximize the return to its shareholders, the Group will actively but prudently hunt for any investment opportunities with available funds on hand.

Based on the solid core business of the Group such as Toy Products together with the healthy financial position with available funds for investments, the Board is fully confident that the Group will achieve better results in the years ahead.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT RESULTS

Novelties and decorations

The turnover of this segment for the year showed a drop of about 20% and stood at approximately HK\$99,887,000 (2008: HK\$125,184,000), while the segment result increased substantially by about 145% to approximately HK\$4,882,000 (2008: HK\$1,992,000). The improvement in the result of the segment was mainly due to the improvement in costs control together with decrease in provision for doubtful debts made during the year.

Packaging products

The turnover of packaging products to external customers decreased sharply by about 45% to approximately HK\$76,639,000 (2008: HK\$138,352,000), while the segment result recorded a loss of approximately HK\$8,281,000 (2008: profit of HK\$3,765,000). This segment recorded a loss again despite the resumption of gaining profit in 2008. The Board decided to terminate those unprofitable businesses, which were mainly in their sunset stage, and relocate and merge remaining businesses into one production site.

Trading activities

The turnover of the trading of PVC film and plastic materials decreased by about 29% to approximately HK\$51,582,000 (2008: HK\$72,730,000) as a result of the Group's prudent credit policy in selecting customers together with the target to maximize gains. As such, the segment still recorded a nominal contribution of approximately HK\$860,000 (2008: HK\$461,000) for the year. Keen competitions in the market and credit risks of customers were still the major issues faced by the Group in the segment, the continuity of this segment is subject to the overall strategic benefits it can bring to the Group as a whole.

Toy products

The turnover of this segment maintained steady with a slight decrease of about 1% to approximately HK\$176,498,000 (2008: HK\$178,505,000), while the segment result therefrom increased sharply to approximately HK\$26,228,000 (2008: HK\$4,939,000), representing a growth of about 4.31 times. Increase in contribution was the result of the efforts made in improving productivity, efficiency and techniques during past years and there was no written off of goodwill for the year (2008: HK\$3,561,000).

Investments

To well utilize 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 2009, the market value of investments-held-for-trading was approximately HK\$92,996,000 (2008: HK\$52,709,000).

In addition, the Group may also utilize its cash on hand by other types of investment with a view to enhancing the value to the shareholders. However, that must be done strictly in accordance with the guidelines 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 its factories are located in the PRC, expenses incurred there are dominated in Renminbi. As at 31 December 2009, the Group had not entered into any financial instrument for the hedging of foreign currency exposures.

Liquidity and financial resources

As at 31 December 2009, the long-term finance lease obligation and bank loan of the Group were approximately HK\$16,950,000 (2008: HK\$23,814,000), while the short term bank borrowings were approximately HK\$6,865,000 (2008: HK\$17,693,000), and none of the Group's plant and machinery (2008: nil) was held under a finance lease. The gearing ratio, measured by total bank and other borrowings divided by equity, of the Group was 10% (2008: 20%). As at 31 December, 2009, the Group had bank balances and cash of approximately HK\$77,020,000 (2008: HK\$47,117,000).

With cash and other current assets as at 31 December 2009 of HK\$276,735,000 (2008: HK\$255,533,000) 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 2009 was approximately HK\$0.85 (2008: HK\$0.72) per share based on the actual number of 287,037,607 shares in issue on that date.

Employees and remuneration policies

As at 31 December 2009, the Group employed approximately 2,100 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 Appendix 10 to the Listing Rules (the "Model Code").

Following specific enquiry by the Group, all Directors have confirmed that throughout year 2009 they complied with the required standard set out in the Model Code for securities transactions.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2009, the Company has complied with the code provisions (the "Code Provisions") set out in the "Code on Corporate Governance Practices" (the "Codes") issued by the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), save for the following deviation.

Code Provision A.2.1

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

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

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 management the accounting principles and practices adopted by the Group and discussed auditing internal controls and financial reporting matters including the review of the audited financial statements for the year ended 31 December 2009 of the Company now reported on.

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

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

Month of repurchase	No. of shares of HK\$0.10 each	Price per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
January 2009	1,000,000	0.300	0.300	303,583
February 2009	510,000	0.325	0.320	166,069
March 2009	2,276,000	0.305	0.280	689,933
May 2009	600,000	0.350	0.350	212,258
July 2009	7,000,000	0.355	0.340	2,466,911
December 2009	1,272,000	0.710	0.700	897,218
	12,658,000			4,735,972

APPRECIATION

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

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

Hong Kong, 20 April 2010

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

* *for identification purpose only*