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PERFECTECH INTERNATIONAL HOLDINGS LIMITED

威發國際集團有限公司*

(the “Company”)

(incorporated in Bermuda with limited liability)

(Stock Code: 0765)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2013**

RESULTS

The board of directors (the “Board”) of Perfectech International Holdings Limited (the “Company”) hereby announces that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2013 and the comparative figures in 2012 were as follows:

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

For the year ended 31 December 2013

	<i>Notes</i>	2013 HK\$’000	2012 HK\$’000 (Restated)
Continuing operations			
Revenue	3 & 4	248,741	257,879
Cost of sales		(182,691)	(196,211)
Gross profit		66,050	61,668
Net other income	5	9,425	21,759
Distribution costs		(7,135)	(7,554)
Increase in fair value of an investment property		1,200	1,700
Administrative expenses		(36,511)	(29,287)
Finance costs	6	(317)	(315)

* *for identification purpose only*

	<i>Notes</i>	2013 HK\$'000	2012 <i>HK\$'000</i> (Restated)
Profit before tax	7	32,712	47,971
Income tax expenses	8	(8,449)	(5,497)
Profit for the year from continuing operations		24,263	42,474
Discontinued operations			
Loss for the year from discontinued operations	9	(8,272)	(4,707)
Profit for the year		15,991	37,767
Other comprehensive (expenses) income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of overseas operations			
Exchange difference arising during the year		(249)	1,667
Reclassification adjustments relating to derecognition of foreign subsidiaries during the year		(321)	–
		(570)	1,667
Total comprehensive income for the year		15,421	39,434
Profit for the year attributable to:			
Owners of the Company		12,512	33,856
Non-controlling interests		3,479	3,911
Profit for the year		15,991	37,767
Total comprehensive income for the year attributable to:			
Owners of the Company		11,906	35,424
Non-controlling interests		3,515	4,010
Total comprehensive income for the year		15,421	39,434
Earnings per share	11		
From continuing and discontinued operations			
Basic		4.48 Cents	12.93 Cents
Diluted		4.37 Cents	12.85 Cents
From continuing operations			
Basic		7.44 Cents	14.73 Cents
Diluted		7.27 Cents	14.64 Cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	<i>Notes</i>	2013 HK\$'000	2012 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		63,818	35,264
Investment property		11,400	10,200
Deferred tax assets		4,140	4,075
Deferred rental income		5	10
		79,363	49,549
CURRENT ASSETS			
Inventories		26,527	39,689
Trade and other receivables	12	32,986	38,741
Deferred rental income		5	5
Amounts due from a related company		62	527
Tax recoverable		362	771
Investments held-for-trading		46,675	59,736
Derivative financial instruments		175	354
Financial assets designated as at fair value through profit or loss		1,299	–
Pledged bank deposits		6,746	8,281
Bank balances and cash		86,406	75,318
		201,243	223,422
CURRENT LIABILITIES			
Trade and other payables	13	35,917	41,260
Derivative financial instruments		945	4,508
Tax liabilities		6,829	4,243
Bank borrowings		21,918	9,221
		65,609	59,232
NET CURRENT ASSETS		135,634	164,190
TOTAL ASSETS LESS CURRENT LIABILITIES		214,997	213,739
NON-CURRENT LIABILITIES			
Deferred tax liabilities		368	245
NET ASSETS		214,629	213,494
CAPITAL AND RESERVES			
Share capital		29,012	26,072
Reserves		171,897	175,259
Equity attributable to owners of the Company		200,909	201,331
Non-controlling interests		13,720	12,163
TOTAL EQUITY		214,629	213,494

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. BASIS OF PREPARATION

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

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

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

The principal activities of the Group are the manufacture and sale of novelties, decorations, packaging and toys products.

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

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

The accounting policies and methods of computation used in these financial statements are the same as those followed in the preparation of the Group’s financial statements for the year ended 31 December 2012, except for the following amendments to HKFRSs that the Group has applied for the first time in the current year. The application of these new and revised HKFRSs has had no material impact on the Group’s financial performance and positions for the current and prior years but may affect the accounting for future transactions or arrangements.

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

New and revised HKFRSs in issue but not yet effective

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 cycle ²
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 cycle ²
HKFRS 9	Financial Instruments ⁴
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ⁴
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities ¹
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities ¹
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets ¹
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting ¹
HK(IFRIC) – Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 July 2014

³ Effective for annual periods beginning on or after 1 January 2016

⁴ No mandatory effective date yet determined but is available for adoption

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 from continuing operations.

	2013	2012
	HK\$'000	HK\$'000
Novelties and decorations products	66,216	77,142
Toys products	182,525	180,737
	248,741	257,879

4. SEGMENTS REPORTING

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

Manufacture and sale of packaging products was discontinued in the current year (Trading of PVC films and plastic materials was discontinued in 2012). The segment information reported on the next pages does not include any amounts for these discontinued operations, which are described in more detail in note 9.

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

	2013			
	Novelties and decorations products HK\$'000	Toy products HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE				
External sales	66,216	182,525	–	248,741
Inter-segment sales	–	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total revenue or continuing operations	<u>66,216</u>	<u>182,525</u>	<u>–</u>	<u>248,741</u>
RESULT				
Segment result	<u>2,062</u>	<u>29,897</u>	<u>–</u>	31,959
Profit from investments				2,888
Increase in fair value of an investment property				1,200
Unallocated corporate expenses				(3,018)
Finance costs				(317)
				<u> </u>
Profit before tax				32,712
Income tax expenses				(8,449)
				<u> </u>
Profit for the year				<u>24,263</u>

Inter-segment sales are charged at prevailing market rates.

	Novelties and decorations products HK\$'000	Toy products HK\$'000	Consolidated HK\$'000
ASSETS			
Segment assets	56,806	102,165	158,971
Unallocated corporate assets			104,532
Assets relating to packaging products			17,103
			<u>17,103</u>
Consolidated total assets			<u><u>280,606</u></u>
LIABILITIES			
Segment liabilities	13,931	29,594	43,525
Unallocated corporate liabilities			20,755
Liabilities relating to packaging products			1,697
			<u>1,697</u>
Consolidated total liabilities			<u><u>65,977</u></u>

	Novelties and decorations products HK\$'000	Toy products HK\$'000	Others HK\$'000	Consolidated HK\$'000
Additions of property, plant and equipment	1,206	7,363	31,660	40,229
Depreciation and amortisation	1,578	4,784	489	6,851
Interest income	20	16	2	38
	<u>1,206</u>	<u>7,363</u>	<u>31,660</u>	<u>40,229</u>
	<u>1,578</u>	<u>4,784</u>	<u>489</u>	<u>6,851</u>
	<u>20</u>	<u>16</u>	<u>2</u>	<u>38</u>

2012

	Novelties and decorations products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE				
External sales	77,142	180,737	–	257,879
Inter-segment sales	–	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue or continuing operations	<u>77,142</u>	<u>180,737</u>	<u>–</u>	<u>257,879</u>
RESULT				
Segment result	<u>(1,558)</u>	<u>30,001</u>	<u>–</u>	28,443
Profit from investments				18,199
Increase in fair value of an investment property				1,700
Unallocated corporate expenses				(56)
Finance costs				<hr/> (315)
Profit before tax				47,971
Income tax expenses				<hr/> (5,497)
Profit for the year				<u>42,474</u>

Inter-segment sales are charged at prevailing market rates.

	Novelties and decorations products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	63,898	93,876	157,774
Unallocated corporate assets			81,344
Assets relating to PVC films and plastic material operations			1,653
Assets relating to packaging products			32,200
			<u>272,971</u>
LIABILITIES			
Segment liabilities	22,638	25,800	48,438
Unallocated corporate liabilities			6,828
Liabilities relating to PVC films and plastic material operations			49
Liabilities relating to packaging products			4,162
			<u>59,477</u>

	Novelties and decorations products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Additions of property, plant and equipment	680	5,182	53	5,915
Depreciation and amortisation	1,961	4,810	8	6,779
Interest income	20	15	1	36
	<u>20</u>	<u>15</u>	<u>1</u>	<u>36</u>

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

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

- all assets are allocated to operating segments other than held-for-trading investments, other financial assets, investment property, land and building held for own use and deferred tax assets. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and
- all liabilities are allocated to operating segments other than deferred tax liabilities, other financial liabilities and borrowings. Liabilities for which segments are jointly liable are allocated in proportion to segment assets.

Geographical Information

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Sales revenue by geographical market:		
Hong Kong	10,841	27,358
Europe	85,560	60,861
America	53,649	68,230
Asia (other than Hong Kong)	96,777	90,569
Others	1,914	10,861
	248,741	257,879

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	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Hong Kong	188,644	167,956	32,311	506
The People's Republic of China (the "PRC")	91,962	105,015	7,918	5,409
	280,606	272,971	40,229	5,915

Information about major customer

Included in revenues arising from sales of toy products of approximately HK\$182,525,000 (2012: HK\$180,737,000) are revenues of approximately HK\$173,097,000 (2012: HK\$113,851,000) which arose from sales to the Group's largest customer.

5. NET OTHER INCOME

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Continuing operations		
Bad debt recovered	51	44
Bond interest income	312	–
Dividend incomes on investments held-for-trading	1,429	2,328
Gain on disposal of property, plant and equipment	121	140
Gain on derecognition of subsidiaries	2,786	–
Interest income	38	36
Net change in fair value of investments held-for-trading	(1,293)	8,900
Net change in fair value of derivative financial instruments	3,384	(1,084)
Net change in fair value of financial assets designated as at fair value through profit or loss	49	–
Rental income	366	16
Realised (loss) gain on disposal of investments held-for-trading	(945)	8,053
Sample sales	–	1,092
Scrap sales	812	733
Others	2,315	1,501
	<u>9,425</u>	<u>21,759</u>

6. FINANCE COSTS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Continuing operations		
Interest on:		
Bank borrowings wholly repayable within five years	216	315
Bank borrowings not wholly repayable within five years	101	–
	<u>317</u>	<u>315</u>

7. PROFIT BEFORE TAX

	2013	2012
	HK\$'000	HK\$'000
Continuing operations		
Profit before tax has been arrived at after charging (crediting):		
Auditor's remuneration	885	795
Allowance for doubtful debts	–	2,643
Bad debt recovered	51	–
Cost of inventories recognised as an expense	75,190	81,905
Depreciation of property, plant and equipment	6,851	6,779
Foreign exchange losses, net	3,266	408
Operating lease rentals in respect of rented premises	5,865	5,395
Gross rental income from investment properties	(178)	(16)
Less:		
Direct operating expenses incurred for investment properties that generated rental income during the year	33	5
Direct operating expenses incurred for investment properties that did not generate rental income during the year	–	27
	(145)	16
Share-based payment expenses	2,123	1,392
Staff costs (including Directors' emoluments)	85,133	85,189

8. INCOME TAX EXPENSES

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i> (Restated)
Relating to continuing operations		
Current tax:		
Hong Kong Profits Tax	6,750	3,785
PRC Enterprise Income Tax	46	24
	<u>6,796</u>	<u>3,809</u>
Under (over) provision in prior year:		
Hong Kong Profits Tax	2,226	(60)
PRC Enterprise Income Tax	–	–
	<u>2,226</u>	<u>(60)</u>
Deferred tax:		
Current year	(573)	1,748
Total income tax expenses recognised in profit or loss	<u>8,449</u>	<u>5,497</u>

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

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

The tax charge for the year can be reconciled to the profit before tax as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit before tax (from continuing operations)	<u>32,712</u>	<u>47,971</u>
Tax at Hong Kong Profits Tax rate of 16.5%	5,397	7,915
Tax effect of income not taxable for tax purpose	(1,858)	(3,917)
Tax effect of expenses not deductible for tax purpose	3,781	1,520
Tax effect on temporary differences not recognised	(136)	–
Tax effect on tax losses not recognised	(62)	330
Utilisation of tax losses not previously recognised	(15)	–
Under (over) provision in prior year	2,226	(60)
Effect of different tax rates of group entities operating in the PRC	(884)	(291)
Tax charge for the year (relating to continuing operations)	<u>8,449</u>	<u>5,497</u>

9. DISCONTINUED OPERATIONS

Discontinue of manufacture and sale of packaging products

During the year, the directors had resolved to terminate the operations of manufacture and sale of packaging products as a result of its poor performance and the lack of sign of improvement in the future.

Analysis of loss for the year from discontinued operations

The results of the discontinued operations (manufacture and sale of packaging products) included in the profit for the year are set out below. The comparative loss and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year and the PVC trading segment which was discontinued in the last year.

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Loss for the year from discontinued operations		
Revenue	12,223	41,499
Cost of sales	(13,967)	(41,073)
Gross (loss) profit	(1,744)	426
Net other income	2,578	2,437
Distribution costs	(754)	(2,570)
Administrative expenses	(7,676)	(4,956)
Finance costs	–	(56)
Loss before tax	(7,596)	(4,719)
Income tax (expenses) credit	(676)	12
Loss for the year from discontinued operations	(8,272)	(4,707)
Discontinued operations		
Loss for the year from discontinued operations	(8,272)	(4,707)
Loss for the year from discontinued operations include the following:		
Depreciation and amortisation	1,391	2,205
Auditor's remuneration	105	135
Cash flows from discontinued operations		
Net cash inflows (outflows) from operating activities	856	(4,449)
Net cash inflows from investing activities	4,994	2,237
Net cash outflows from financing activities	–	(5,893)
Net cash inflows (outflows)	5,850	(8,105)

10. DIVIDENDS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interim, paid – 1.0 HK cent (2012: 2.0 HK cents) per share	2,901	5,230
Final and special, paid – 11.0 HK cents per share for 2012 (2012: 11.0 HK cents per share for 2011)	31,880	28,766
	34,781	33,996

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2013 of 3.0 HK cents (2012: 4.0 HK cents) per share and a special one-off dividend of 7.0 HK cents per share have been proposed by the Directors and is subject to approval by the shareholders in general meeting.

11. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the net profit for the year of approximately HK\$12,512,000 (2012: profit of HK\$33,856,000) and the following data:

	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	279,202,368	261,871,378
Effect of dilutive potential ordinary shares on share options	6,816,212	1,552,807
Weighted average number of ordinary shares for the purpose of diluted earnings per share	286,018,580	263,424,185

From continuing operations

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

Earnings figures are calculated as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit for the year attributable to owners of the Company	12,512	33,856
Add: Loss for the year from discontinued operations	8,272	4,722
	<hr/>	<hr/>
Earnings for the purpose of basic and diluted earnings per share from continuing operations	20,784	38,578
	<hr/> <hr/>	<hr/> <hr/>

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

From discontinued operations

Basic loss per share for the discontinued operations is 2.96 HK cents per share (2012: 1.80 HK cents per share) and diluted loss per share for the discontinued operations is 2.96 HK cents per share (2012: 1.80 HK cents per share), based on the loss for the year from the discontinued operations of HK\$8.3 million (2012: HK\$4.7 million). The denominators used are the same as those detailed above for both basic and diluted earnings per share.

12. TRADE AND OTHER RECEIVABLES

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Trade receivables	29,990	50,864
Less: impairment loss on trade receivables	(7,144)	(17,956)
	<hr/>	<hr/>
	22,846	32,908
Prepayment and other receivables	10,140	5,833
	<hr/>	<hr/>
	32,986	38,741
	<hr/> <hr/>	<hr/> <hr/>

The Group allows an average credit period of 60 days to its trade customers.

The following is an aging analysis of the Group's trade receivables by age, presented based on the invoice date and net of allowance for doubtful debts at the end of the reporting period:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
0 – 60 days	20,279	31,451
61 – 90 days	1,453	1,018
91 – 120 days	53	171
Over 120 days	1,061	268
	<u>22,846</u>	<u>32,908</u>

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

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Overdue by:		
0 – 60 days	3,759	4,881
61 – 90 days	15	9
91 – 120 days	–	–
Over 120 days	214	–
	<u>3,988</u>	<u>4,890</u>

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Balance at the beginning of the year	17,956	15,397
Allowance for doubtful debts during the year	–	2,777
Amounts recovered during the year	(71)	(45)
Amounts written off during the year	(10,741)	(173)
	<u>7,144</u>	<u>17,956</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. The fair value of the Group's trade and other receivables at 31 December 2013 approximate to the corresponding carrying amount.

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Overdue by:		
0 – 60 days	–	528
61 – 90 days	–	2,093
91 – 120 days	–	–
Over 120 days	7,144	15,335
	<hr/>	<hr/>
	7,144	17,956
	<hr/> <hr/>	<hr/> <hr/>

13. TRADE AND OTHER PAYABLES

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
0 – 60 days	7,593	10,303
61 – 90 days	6,209	2,667
91 – 120 days	2,675	1,361
Over 120 days	1,172	780
	<hr/>	<hr/>
Trade payables	17,649	15,111
Other payables	18,268	26,149
	<hr/>	<hr/>
	35,917	41,260
	<hr/> <hr/>	<hr/> <hr/>

The fair value of the Group's trade and other payables at 31 December 2013 approximates to the corresponding carrying amount.

CHAIRMAN’S STATEMENT

RESULTS

The board of directors of the Company (the “Board”) has resolved to announce the audited consolidated results for the year ended 31 December 2013. Total revenue for the year amounted to approximately HK\$260,964,000 (2012: HK\$299,378,000), representing a decrease of about 13%, of which HK\$248,741,000 (2012: HK\$257,879,000) was from the continuing operations, representing a decrease of about 4%. The net profit for the year stood at approximately HK\$12,512,000 (2012: HK\$33,856,000). Basic earnings per share was approximately 4.48 HK cents (2012: 12.93 HK cents).

FINAL AND SPECIAL DIVIDENDS

The Board recommends the payment of a final dividend for the year ended 31 December 2013 of 3.0 HK cents per share (2012: 4.0 HK cents per share) payable to shareholders whose names appear on the register of members of the Company (the “Register of Members”) on 30 May 2014. This dividend, together with the interim dividend of 1.0 HK cent per share (2012: 2.0 HK cents per share) will make a total dividend of 4.0 HK cents per share for the year ended 31 December 2013 (2012: 6.0 HK cents per share). In order to well utilize cash on hand and reward the shareholders of the Company, a special one-off dividend of 7.0 HK cents is also recommended by the Board. Subject to the approval of shareholders at the forthcoming annual general meeting to be held on 20 May 2014 (the “AGM”), the final dividend together with the special dividend will be paid on or about 12 June 2014.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the eligibility of shareholders to attend and vote at the AGM, and entitlement to the final and special dividends, the Register of Members will be closed during the below period, details of which are set out below:

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

Latest time to lodge transfer documents for registration –	4:30 pm on Friday, 16 May 2014
Closure of the Register of Members –	Monday, 19 May 2014 to Tuesday, 20 May 2014 (both dates inclusive)
Record date –	Tuesday, 20 May 2014

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

Latest time to lodge transfer documents
for registration – 4:30 pm on
Wednesday, 28 May 2014

Closure of the Register of Members – Thursday, 29 May 2014 to
Friday, 30 May 2014
(both dates inclusive)

Record date – Friday, 30 May 2014

During the above closure periods, no share transfer will be registered. In order to be eligible to attend and vote at the AGM, and to be entitled to the proposed final dividend and special dividend, 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 no later than the aforementioned latest time.

BUSINESS REVIEW

As the packaging segment continued to record loss for recent years, the Board determined to terminate the business of the whole segment. As a result, revenue of the Group continued to drop in absolute amount, while net profit attributable to shareholders decreased as extra costs for closing certain sub-segments of the Group were incurred.

Due to increasing costs of production in mainland China, it has become more difficult for manufacturers to strive for survival there. To overcome the above uneasy issue, the Group has determined to concentrate on profitable and high technique-based manufacturing businesses.

On the other hand, due to the influence of highly volatile global financial markets, returns from investment of the Group also dropped substantially during the year under review. The year-end Hang Seng Index as at 31 December 2013 stood at 23,306, while that as at 31 December 2012 was 22,656, represented a growth of less than 3%. Details of the breakdown of income from investment will be disclosed below.

For the year of 2013, the profit of the Group included loss on disposal of investments held-for-trading of approximately HK\$945,000 (2012: gain of HK\$8,053,000), decrease in fair value of investments held-for-trading of approximately HK\$1,293,000 (2012: increase of HK\$8,900,000) and increase in fair value of derivative financial instruments of approximately HK\$3,384,000 (2012: decrease of HK\$1,084,000).

Besides, administrative expenses increased by about 25% to approximately HK\$36,511,000 (2012: HK\$29,287,000). Such increase was mainly due to, among others, (i) the increase in exchange loss due to the continuous appreciation of Renminbi during the year, (ii) increase in salaries in the PRC as a result of the set up of foreign direct investment enterprises; and (iii) the increase in share-based payments expenses incurred of approximately HK\$2,123,000 (2012: HK\$1,392,000) as a result of options granted during the year.

Finance costs increased slightly by less than 1% to approximately HK\$317,000 (2012: HK\$315,000) as a result of the drawdown of a secured term loan for the acquisition of the properties for the Group's own use during the year.

FUTURE PLAN & PROSPECT

Looking ahead, though the overall environment of manufacturing business is still challenging, the Board is optimistic that the performance of the Group in coming years will improve and dividend policy will continue due to the following reasons: (i) no more material loss from the packaging segment is expected as its termination is approaching completion, and resources of all kinds can be released towards other profitable segments; and (ii) as a result of the good relationship maintained with the customers and the increasing quality of its products and services, the performance of the toys segment is expected to sustain continually.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENTAL RESULTS

Novelties and decorations

The turnover of this segment for the year under review showed a further decrease of about 14% to approximately HK\$66,216,000 (2012: HK\$77,142,000) due to the temporary production interruption during the first half of the year as a result of relocation of production facilities. Nevertheless, the segment recorded a gain before interests and tax of approximately HK\$2,062,000 (2012: loss of HK\$1,558,000). Included in the gain there was no provision of doubtful debts for the year (2012: HK\$2,634,000) but there was a gain on derecognition of subsidiary of approximately HK\$2,551,000 (2012: HK\$nil). It is prudently optimistic that the performance of the segment in the coming years may improve as synergy effect and economies of scales from the merger and relocation of production facilities are expected.

Toy products

The turnover of this segment increased slightly by about 1% to approximately HK\$182,525,000 (2012: HK\$180,737,000), while the segment result therefrom decreased slightly to approximately HK\$29,897,000 (2012: HK\$30,001,000). The segment continued to be the best performing one within the Group and maintained a stable performance, which is hard to be achieved under the current global and local manufacturing environment.

Packaging products

The revenue of packaging products to external customers decreased substantially by about 62% to approximately HK\$12,223,000 (2012: HK\$32,200,000) as result of the plan to slow down the business, while the segment result recorded a further loss of approximately HK\$7,596,000 (2012: HK\$3,172,000). Included in the loss for the year was a gain from disposal of fixed assets of approximately HK\$1,970,000 (2012: HK\$1,985,000). As the segment has been recording negative results continuously, the Board has determined to terminate the whole operation of the segment and extra expenses in closing certain sub-segments which were incurred during the year as stated in the interim report of the Company.

Investments

To well utilise the available cash on hand, the Group has invested in the securities of various listed companies, which are held for trading purposes for capital gain in the value of the securities. As at 31 December 2013, the market value of investments-held-for-trading was approximately HK\$46,675,000 (2012: HK\$59,736,000).

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

Foreign currency exposure

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

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

As at 31 December 2013, the Group had not entered into any financial instrument for the hedging of foreign currency.

Liquidity and financial resources

As at 31 December 2013, there were no long-term finance lease obligation and bank loan of the Group (2012: HK\$nil), while the short term bank borrowings were approximately HK\$21,918,000 (2012: HK\$9,221,000), and none of the Group's plant and machinery (2012: HK\$nil) was held under a finance lease. The gearing ratio, measured by total bank and other borrowings divided by equity, of the Group was 11% (2012: 5%). As at 31 December 2013, the Group had bank balances and cash of approximately HK\$86,406,000 (2012: HK\$75,318,000).

With cash and other current assets as at 31 December 2013 of HK\$201,243,000 (2012: HK\$223,422,000) 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 2013 was approximately HK\$0.69 (2012: HK\$0.77) per share based on the actual number of 290,115,607 (2012: 260,717,607) shares in issue on that date.

Employees and remuneration policies

As at 31 December 2013, the Group employed approximately 1,350 (2012: 1,500) full time employees. The Group remunerates its employees largely based on prevailing industry practice as well as individual merits. The Group has also established a share option scheme for its full time employees.

Directors' Securities Transactions

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

Following specific enquiry by the Group, all Directors have confirmed that throughout the year 2013, 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 2013, the Company has adopted the code provisions (the "Code Provisions") set out in the "Corporate Governance Code and Corporate Governance Report" in Appendix 14 (the "Code") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its corporate governance code, and has taken steps to comply with the Code Provisions wherever appropriate.

On 27 March 2013, the Company has adopted the Code Provisions of the latest Code as the guideline for corporate governance of the Company.

Throughout the year ended 31 December 2013, the Company has complied with the Code Provisions save for the following deviations:

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

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

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

Due to other pre-arranged business commitments which must be attended to by him, Mr. Yip Chi Hung, being the independent non-executive director of the Company, was not present at the annual general meeting of the Company held on 23 May 2013.

Under Code Provision C.3.3(e)(i), members of the audit committee should liaise with the board and senior management and the committee must meet, at least twice a year, with the issuer’s auditors regarding review of the issuer’s financial information.

On the Company’s audit committee (the “Audit Committee”) meeting on 26 August 2013, which was held to discuss and approve the financial results of the Company for the six months ended 30 June 2013, the external auditors were not present. However, all the members of the Audit Committee (all of whom are independent non-executive Directors, with two of them possessing professional qualifications in accounting), together with the Company’s financial controller were present at the said meeting to ensure a thorough and in-depth discussion on the financial results for the said period at the meeting.

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

The Company has no formal letters of appointment for the independent non-executive directors, namely Mr. Lam Yat Cheong, Mr. Yip Chi Hung and Mr. Choy Wing Keung, David, as all of them have been serving as directors of the Company (the “Directors”) for a considerable period of time, a clear understanding of the terms and conditions of their appointment already exists between the Company and the said Directors, and so there is no written record of the same.

In any event, all Directors, including those without a letter of appointment and those appointed for a specific term, shall be subject to retirement by rotation in the manner prescribed under the bye-laws of the Company and on re-election of the retiring Directors, shareholders are given the information that is reasonably necessary for them to make an informed decision on the reappointment of the relevant Directors.

Code Provision F.1.1

Under Code Provision F.1.1, the company secretary should be an employee of the Company and have day-to-day knowledge of the Company’s affairs.

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

AUDIT COMMITTEE

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

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed with the management matters related to internal controls assessments and financial reporting including reviewing the audited financial statements for the year ended 31 December 2013 of the Company now reported on.

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 2013 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. HLM CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. HLM CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review 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 Messrs. HLM CPA Limited in this announcement.

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

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

Month of repurchase	No. of shares of HK\$0.10 each	Price per share		Total amount paid HK\$
		Highest HK\$	Lowest HK\$	
January 2013	1,000,000	0.910	0.900	912,000
	<u>1,000,000</u>			<u>912,000</u>

Appreciation

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

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

Hong Kong, 25 March 2014

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