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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 2023

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 2023 together with the comparative figures for 2022 are set out as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Revenue	3 & 4	155,905	177,458
Cost of sales		<u>(105,707)</u>	<u>(115,953)</u>
Gross profit		50,198	61,505
Other income, gains and losses, net	5	3,330	6,600
Distribution costs		(2,460)	(1,984)
Administrative expenses		(77,982)	(71,201)
Finance costs	6	<u>(692)</u>	<u>(738)</u>
Loss before tax	7	(27,606)	(5,818)
Income tax expense	8	<u>(2,972)</u>	<u>(153)</u>
Loss for the year		<u>(30,578)</u>	<u>(5,971)</u>

* for identification purposes only

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other comprehensive income (expense):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>1,052</u>	<u>(3,515)</u>
Other comprehensive income (expense) for the year, net of tax		<u>1,052</u>	<u>(3,515)</u>
Total comprehensive expense for the year		<u><u>(29,526)</u></u>	<u><u>(9,486)</u></u>
(Loss) profit for the year attributable to:			
Owners of the Company		<u>(30,532)</u>	<u>(6,825)</u>
Non-controlling interests		<u>(46)</u>	<u>854</u>
Loss for the year		<u><u>(30,578)</u></u>	<u><u>(5,971)</u></u>
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		<u>(29,351)</u>	<u>(9,803)</u>
Non-controlling interests		<u>(175)</u>	<u>317</u>
Total comprehensive expense for the year		<u><u>(29,526)</u></u>	<u><u>(9,486)</u></u>
Loss per share			
Basic (HK cents per share)	10	<u><u>(9.34)</u></u>	<u><u>(2.09)</u></u>
Diluted (HK cents per share)		<u><u>(9.34)</u></u>	<u><u>(2.09)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		15,536	16,239
Right-of-use assets		10,934	12,226
Deferred tax assets		—	2,130
		<u>26,470</u>	<u>30,595</u>
CURRENT ASSETS			
Inventories		21,400	14,916
Trade and other receivables	11	21,064	37,478
Financial assets at fair value through profit or loss		3,075	5,299
Tax recoverable		898	2,052
Bank balances and cash		42,986	67,298
		<u>89,423</u>	<u>127,043</u>
CURRENT LIABILITIES			
Trade and other payables	12	28,992	37,680
Lease liabilities		461	1,151
Tax liabilities		87	158
		<u>29,540</u>	<u>38,989</u>
NET CURRENT ASSETS		<u>59,883</u>	<u>88,054</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>86,353</u>	<u>118,649</u>
NON-CURRENT LIABILITY			
Lease liabilities		<u>11,692</u>	<u>12,110</u>
NET ASSETS		<u>74,661</u>	<u>106,539</u>

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
CAPITAL AND RESERVES			
Share capital		32,692	32,692
Reserves		29,705	59,056
		<hr/>	<hr/>
Equity attributable to owners of the Company		62,397	91,748
Non-controlling interests		12,264	14,791
		<hr/>	<hr/>
TOTAL EQUITY		74,661	106,539
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. BASIS OF PREPARATION

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

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

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

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has adopted the following new standards and amendments (the “New HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are or have become effective for the Group’s financial year beginning on 1 January 2023:

HKFRS 17	Insurance Contracts and Related Amendments
HKAS 1 (Amendments) and HKFRS Practice Statement 2	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
HKAS 12 (Amendments)	International Tax Reform — Pillar Two Model Rules

The adoption of the New HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

New and amendments to HKFRS in issue but not yet effective

The Group has not early applied the following New HKFRSs that have been issued but are not yet effective. 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.

HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback ¹
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current and Related Amendments to Hong Kong Interpretation 5 (2020) ¹
HKAS 1 (Amendments)	Non-current Liabilities with Covenants ¹
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements ¹
HKAS 21 (Amendments)	Lack of Exchangeability ²

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

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective date to be determined.

New HKICPA guidance on the accounting implications of the abolition of the MPF-LSP offsetting mechanism

In June 2022, the Government of the Hong Kong SAR (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025 (the "Transition Date").

Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("MPF") scheme to reduce the long service payment ("LSP") in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

In July 2023, the HKICPA published the captioned accounting guidance relating to the abolition of the offsetting mechanism. In particular, the guidance indicates that entities may account for the accrued benefits derived from mandatory MPF contributions that are expected to be used to reduce the LSP payable to an employee as deemed contributions by that employee towards the LSP.

To better reflect the substance of the abolition of the offsetting mechanism, the Group has applied the above HKICPA guidance and changed its accounting policy in connection with its LSP liability.

The directors of the Company anticipate that the abolition of the offsetting mechanism did not have a material impact on the Group's profit or loss for the year ended 31 December 2022 and 2023 and the Group's and the Company's financial position as at 31 December 2022 and 2023. In light of the immaterial impact, the Group did not apply the change in its accounting policy retrospectively.

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.

	2023	2022
	<i>HK\$'000</i>	<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	3,856	6,563
Toy products	152,049	170,895
	155,905	177,458

4. SEGMENT 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:

2023

	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>3,856</u>	<u>152,049</u>	<u>155,905</u>
RESULT			
Segment results	<u>(3,766)</u>	<u>(16,714)</u>	(20,480)
Loss on disposal of financial assets at fair value through profit or loss ("FVTPL")			(282)
Fair value loss on financial assets at FVTPL			(281)
Unallocated corporate expenses			(5,871)
Finance costs			<u>(692)</u>
Loss before tax			(27,606)
Income tax expense			<u>(2,972)</u>
Loss for the year			<u>(30,578)</u>
ASSETS			
Segment assets	8,515	103,828	112,343
Unallocated corporate assets			<u>3,550</u>
Consolidated total assets			<u>115,893</u>
LIABILITIES			
Segment liabilities	(5,760)	(34,940)	(40,700)
Unallocated corporate liabilities			<u>(532)</u>
Consolidated total liabilities			<u>(41,232)</u>

	Novelties and decoration products HK\$'000	Toy products HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Additions of property, plant and equipment	—	3,403	—	3,403
Depreciation of property, plant and equipment	—	4,633	92	4,725
Depreciation of right-of-use assets	212	329	834	1,375
	<u>212</u>	<u>329</u>	<u>834</u>	<u>1,375</u>
2022				
		Novelties and decoration products HK\$'000	Toy products HK\$'000	Consolidated HK\$'000
REVENUE				
External sales and total revenue		6,563	170,895	177,458
		<u>6,563</u>	<u>170,895</u>	<u>177,458</u>
RESULT				
Segment results		(6,273)	6,988	715
		<u>(6,273)</u>	<u>6,988</u>	
Loss on disposal of financial assets at FVTPL				(576)
Fair value loss on financial assets at FVTPL				(279)
Unallocated corporate expenses				(4,940)
Finance costs				(738)
				<u>(5,533)</u>
Loss before tax				(5,818)
Income tax expense				(153)
				<u>(5,971)</u>
Loss for the year				<u>(5,971)</u>

	Novelties and decoration products <i>HK\$'000</i>	Toy products <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS			
Segment assets	12,218	133,700	145,918
Unallocated corporate assets			<u>11,720</u>
Consolidated total assets			<u><u>157,638</u></u>
LIABILITIES			
Segment liabilities	6,129	44,240	50,369
Unallocated corporate liabilities			<u>730</u>
Consolidated total liabilities			<u><u>51,099</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	—	3,657	—	3,657
Depreciation of property, plant and equipment	—	4,807	223	5,030
Depreciation of right-of-use assets	<u>212</u>	<u>329</u>	<u>847</u>	<u>1,388</u>

Segment result represents the result produced by each segment without allocation of central administration costs including directors' salaries, other income, finance costs, gain/loss on disposal of financial assets at FVTPL, fair value gain/loss on financial assets at FVTPL, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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

- all assets are allocated to operating segments other than certain financial assets, which are held for central administrative purpose. Assets used jointly by segments are allocated on the basis of the revenues earned by individual segments; and
- all liabilities are allocated to operating segments other than certain financial liabilities incurred for central administrative purpose. Liabilities for segments which are jointly liable are allocated in proportion to segment assets.

Geographical Information

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	14,675	14,060
Europe	12,133	15,986
United States of America	8,115	20,531
Asia (other than Hong Kong)	120,665	126,621
Others	317	260
	<u>155,905</u>	<u>177,458</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	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Hong Kong	49,086	86,200	433	—
People's Republic of China ("PRC")	66,807	71,438	3,053	3,657
	<u>115,893</u>	<u>157,638</u>	<u>3,486</u>	<u>3,657</u>

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

Information about major customers

Included in revenue arising from sales of toy products of approximately HK\$152,049,000 (2022: HK\$170,895,000) is revenue of approximately HK\$140,514,000 (2022: HK\$158,772,000) arising from sales to the Group's largest customer, representing approximately 90% (2022: 90%) of the total revenue. No other single customer contributed 10% or more to the Group's revenue.

5. OTHER INCOME, GAINS AND LOSSES, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest income from		
— bank deposits	251	84
— financial assets at FVTPL	70	—
Gain from derecognition of other payables	—	3,320
Scrap sales (<i>Note</i>)	248	577
(Loss)/gain on disposal of property, plant and equipment	(160)	10
Property, plant and equipment written off	—	(21)
Expected credit loss (“ECL”) on trade receivables	(796)	—
Loss on disposal of financial assets at FVTPL	(282)	(576)
Fair value loss on financial assets at FVTPL	(281)	(279)
Net foreign exchange gain	1,880	662
Dividend income on investment held for trading	26	77
Tooling income (<i>Note</i>)	1,065	1,238
Transportation income (<i>Note</i>)	134	82
Subsidies income from the PRC government	295	643
Laboratory testing income (<i>Note</i>)	657	295
Others	223	488
	<u>3,330</u>	<u>6,600</u>

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

6. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Effective interest expenses on:		
Lease liabilities	<u>692</u>	<u>738</u>

7. LOSS BEFORE TAX

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss before tax has been arrived at after charging (crediting):		
Auditor's remuneration	800	890
Cost of inventories recognised as an expense	25,537	35,896
Depreciation of property, plant and equipment	4,725	5,030
Depreciation of right-of-use assets	1,375	1,388
ECL on trade receivables	796	—
Short-term operating lease rentals in respect of rented premises	588	636
Staff costs (including directors' emoluments)		
— Salaries, allowances and retirement benefits scheme contributions	113,933	107,196
— Government grants under Employment Support Scheme	—	(512)

8. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	113	—
PRC Enterprise Income Tax	135	158
	248	158
(Over) under provision in prior years:		
Hong Kong Profits Tax	(10)	(10)
PRC Enterprise Income Tax	604	5
	594	(5)
Deferred tax:		
Current year	2,130	—
	2,972	153

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25% (2022: 8.25%), and profits above HK\$2 million will be taxed at 16.5% (2022: 16.5%). The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2022: 16.5%). Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% (2022: 8.25%) on the first HK\$2 million of the estimated assessable profits and at 16.5% (2022: 16.5%) on the estimated assessable profits above HK\$2 million.

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

9. DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the Group’s loss for the year attributable to owners of the Company of approximately HK\$30,532,000 (2022: HK\$6,825,000) and the number of ordinary shares in issue of 326,923,607 (2022: 326,923,607).

Diluted loss per share for the years ended 31 December 2023 and 2022 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

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Trade receivables	17,708	30,597
Less: ECL on trade receivables	<u>(796)</u>	<u>—</u>
	<u>16,912</u>	<u>30,597</u>
Other receivables:		
Prepayment*	2,432	5,073
Rental, utility and other deposits	543	453
Cash deposit in broker’s account	7	361
Sundry debtors and others (<i>Note</i>)	<u>1,170</u>	<u>994</u>
	<u>4,152</u>	<u>6,881</u>
	<u><u>21,064</u></u>	<u><u>37,478</u></u>

* Included housing benefits amounting to HK\$1,973,000 (2022: HK\$4,340,000) prepaid to a third party landlord on behalf of a close family member of an Executive Director of the Company, covering a 2-year period ending on 31 October 2024.

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

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

The following is an aging analysis of the Group's trade receivables, presented based on invoice dates and net of allowance for ECL at the end of the reporting period:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0–60 days	15,556	28,320
61–90 days	1,259	1,465
91–120 days	—	425
Over 120 days	97	387
	16,912	30,597

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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Overdue by:		
0–60 days	1,259	1,890
61–90 days	—	296
91–120 days	97	91
	1,356	2,277

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Balance at the beginning of the year	—	101
Allowance for ECL recognised during the year	796	—
Allowance for ECL written off during the year	—	(101)
Balance at the end of the year	796	—

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

12. TRADE AND OTHER PAYABLES

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables:		
0–60 days	8,204	7,819
61–90 days	10	1,393
91–120 days	113	619
Over 120 days	425	1,035
	<u>8,752</u>	<u>10,866</u>
Other payables:		
Accrued salary, bonus and commission	13,861	21,887
Contract liabilities (<i>Note</i>)	3,744	2,375
Accrued expenses and others	2,635	2,552
	<u>20,240</u>	<u>26,814</u>
	<u><u>28,992</u></u>	<u><u>37,680</u></u>

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

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

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year:		
— Toys products	1,962	411
— Novelties and decoration products	12	23
	<u>1,974</u>	<u>434</u>

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the eligibility of shareholders to attend and vote at the annual general meeting of the Company (“AGM”), the register of members of the Company will be closed from 27 May 2024, Monday to 6 June 2024, Thursday (both dates inclusive). During the closure period, no share transfer will be registered. In order to be eligible to attend and vote at the AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong at Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on 24 May 2024, Friday.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

Affected by the high interest rates, the Group’s operating environment remained challenging in 2023. For the year ended 31 December 2023, the Group’s revenue decreased by about 12% year-on-year to approximately HK\$155,905,000 (2022: HK\$177,458,000). The decrease in revenue was mainly due to decline in sales of toy products. The Group recorded a loss for the year ended 31 December 2023 attributable to owners of the Company of approximately HK\$30,532,000 (2022: loss of HK\$6,825,000). The basic and diluted loss per share were both at 9.34 HK cents (2022: both loss of 2.09 HK cents).

For the year ended 31 December 2023, the Group’s core business recorded a loss of approximately HK\$20,480,000 (2022: profit of HK\$715,000). The performance of each segment of the core business is discussed below.

Toy products

The revenue of toy products segment decreased by about 11% year-on-year to approximately HK\$152,049,000 (2022: HK\$170,895,000), and accounted for about 98% of total revenue of the Group. The loss of this segment was approximately HK\$16,714,000 (2022: profit of HK\$6,988,000). It was mainly attributable to the lower sales in Asia (other than Hong Kong) and the United States of America.

Novelties and decoration products

The revenue of the novelties and decoration products segment decreased by about 41% year-on-year to approximately HK\$3,856,000 (2022: HK\$6,563,000) and the loss of this segment was approximately HK\$3,766,000 (2022: loss of HK\$6,273,000). It was mainly attributable to the decline in demand of novelties and decorations products in Europe.

Distribution costs and administrative expenses

Distribution costs increased by about 24% year-on-year to approximately HK\$2,460,000 (2022: HK\$1,984,000) as a result of the increase in inspection cost.

Administrative expenses mainly comprised staff costs, directors' emoluments, social insurance for the administrative staff in the PRC, depreciation of property, plant and equipment and right-of-use assets, legal and professional fee and other administrative expenses. The administrative expenses increased by about 10% year-on-year to approximately HK\$77,982,000 (2022: HK\$71,201,000), which was mainly attributable to the increase in the average number of full time employees of the Group during the year ended 31 December 2023.

Finance costs

Finance costs decreased by about 6% year-on-year to approximately HK\$692,000 (2022: HK\$738,000), as a result of the decrease in interest on lease liability.

Liquidity and financial resources

As at 31 December 2023, the Group had no outstanding loan (including bank borrowing, bond and other borrowing) (31 December 2022: Nil). The Group's gearing ratio, calculated on the basis of the total interest-bearing loans (including bank borrowing, bond and other borrowing) of the Group over the equity attributable to owners of the Company, was 0% (31 December 2022: 0%).

As at 31 December 2023, the Group had bank balances and cash of approximately HK\$42,986,000 (31 December 2022: HK\$67,298,000). With net current assets of approximately HK\$59,883,000 as at 31 December 2023 (31 December 2022: HK\$88,054,000), the Group had sufficient financial resources to satisfy its commitments and working capital requirements.

Net asset value

The net asset value per share as at 31 December 2023 was approximately HK\$0.19 (31 December 2022: HK\$0.28), calculated on the basis of the equity attributable to owners of the Company of approximately HK\$62,397,000 (31 December 2022: HK\$91,748,000) over the outstanding number of ordinary shares in issue on 31 December 2023 of 326,923,607 (31 December 2022: 326,923,607).

Significant investments

As at 31 December 2023, the Group held financial assets at fair value through profit or loss (“FVTPL”) amounted to approximately HK\$3,075,000 (31 December 2022: HK\$5,299,000), including equity securities listed in Hong Kong of HK\$970,000 (31 December 2022: HK\$2,638,000), debt securities listed outside Hong Kong of approximately HK\$55,000 (31 December 2022: HK\$205,000), unlisted equity-linked notes of approximately HK\$2,050,000 (2022: Nil) and nil unlisted managed funds (31 December 2022: HK\$2,456,000). Loss on disposal of financial assets at FVTPL amounted to approximately HK\$282,000 (2022: loss of HK\$576,000) and fair value loss on financial assets at FVTPL amounted to approximately HK\$281,000 (2022: loss of HK\$279,000) during the year ended 31 December 2023.

Pledge of assets

The Group did not have any pledged asset as at 31 December 2023 and 2022.

Employees and remuneration policies

As at 31 December 2023, the Group employed approximately 740 (2022: 700) full time employees. The Group remunerates its employees primarily based on prevailing industry practice as well as individual merits. The Group has also established a share option scheme for its full-time employees.

Foreign currency exposure

The Group’s purchases are mainly denominated in Renminbi (“RMB”) and Hong Kong Dollar (the “Hong Kong Dollar”) while the Group’s sales are mainly denominated in RMB and United States Dollar (the “US Dollar”). As all of its factories are located in the PRC, expenses incurred there are denominated in RMB. Since Hong Kong Dollar remains pegged to US Dollar, the Group does not foresee a substantial exposure in this area, and will closely monitor the trend of RMB to see if any action is required. As at 31 December 2023, the Group did not enter into any financial instrument for the hedging of exposure in foreign currencies.

Future Plans for Material Investments

As disclosed in the Company’s voluntary announcement dated 1 August 2023, the Company has entered into a non-binding cooperation framework agreement (“August Framework Agreement”) with the People’s Government of Liangzhou District, Wuwei City, Gansu Province, the PRC* (武威市涼州區人民政府) (“Liangzhou Government”) and Huaneng Jinxin Hengshun New Energy Co., Ltd.* (華能金鑫恒順新能源股份有限公司) (“Huaneng New Energy”) pursuant to which the parties agreed to, subject to the execution of formal project agreement(s), cooperate in constructing sustainable energy related infrastructure and facilities, including power storage facilities and power transmission stations, to boost the sustainable energy sector in Liangzhou District. The

Board was of the view that the August Framework Agreement could diversify the Group's product portfolio and income streams, thereby improving the profitability in the long term.

As disclosed in the Company's voluntary announcement dated 16 November 2023, China Digital Energy Storage Hong Kong Limited ("China Digital"), an indirect wholly-owned subsidiary of the Company, has entered into a non-legally binding cooperation framework agreement ("November Framework Agreement") with Nanjing Densens Automation Technology Co., Ltd.* (南京鼎臻自動化科技有限公司) ("Nanjing Densens"), under which China Digital or its subsidiary(ies) shall, subject to (among other things) the legal and financial due diligence to be conducted on Nanjing Densens, the execution of a legally binding definitive agreement, and grant of applicable regulatory, corporate and other approvals, acquire all the assets of and/or equity interest in Nanjing Densens. Nanjing Densens is principally engaged in (among things) research, development and manufacturing of new energy and related storage, monitoring, security, automated control and information systems management solutions and equipment. The Board was of the view that the transactions contemplated under the November Framework Agreement are conducive to the Group's plan to diversify its product portfolio and income streams.

As at the date of this announcement, no formal and binding agreement in respect of the cooperation contemplated under the August Framework Agreement and the November Framework Agreement has been entered into among the Company and the parties to each of the framework agreements.

Save as disclosed above, as at 31 December 2023, the Group did not have any concrete plans for material investments or capital assets for the year ending 31 December 2024.

Prospect

While the Company endeavours to push forward and materialise the strategic cooperation envisaged under the framework agreements, it will continue to look for more quality mergers and acquisitions and integration opportunities in the field of oil and gas exploration and production and sustainable energy infrastructure, and develop into a resource integration company with energy as its core business.

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

Meanwhile, the high interest rate is expected to continue to cast uncertainty and challenges on the Group's operating environment in the second half of 2024. 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 C3 to the Listing Rules.

Following specific enquiry by the Group, all Directors have confirmed that throughout the year ended 31 December 2023, they complied with the required standard set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions.

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

During the year ended 31 December 2023, 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 2023, the Company has complied with the code provisions (the "Code Provisions") set out in Part 2 of the corporate governance code (the "Code") as set out in Appendix C1 to the Listing Rules save for the following deviation:

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

After the resignation of Ms. Zhu Yuqi as a non-executive director, the chairman of the Board (the "Chairman") and the chairman of the nomination committee of the Company on 15 December 2020, the duties of the Chairman have been undertaken by all members of the Board and the company secretary of the Company (the "Company Secretary") collectively.

The Board believes that with the support of the management, vesting the role of the Chairman in the Board and the Company Secretary collectively can facilitate the execution of the Group’s business strategies and enhance the effectiveness of its operation. Further, the Board considers that the current structure will enhance the balance of power and authority between the Board and the management of the Group as the Board, which comprises experienced and high calibre individuals who met regularly to discuss issues pertaining to the operations of the Company, assumes collective responsibility on the decision making process of the Company’s business strategies and operation.

The Board is in the process of identifying suitable candidate with appropriate experience to act as the Chairman, before which the duties of the Chairman will continue to be undertaken by the Directors and the Company Secretary collectively.

After the resignation of Mr. Li Shaohua as the CEO of the Company on 17 November 2022, the duties of the CEO have been undertaken by all executive Directors and the senior management of the Company collectively. The Board is currently in the process of identifying a suitable candidate to act as the CEO.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group’s consolidated financial statements for the year ended 31 December 2023, including the accounting policies, principles and practices adopted by the Group.

SCOPE OF WORK OF CONFUCIUS INTERNATIONAL CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the auditor of the Group, Confucius International CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the year.

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

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

APPRECIATION

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

On behalf of the Board
Li Shaohua
Executive Director

Hong Kong, 28 March 2024

* The English transliteration of Chinese name(s) or word(s) in this announcement, where indicated by “*”, is included for reference only, and should not be regarded as the official English translation of such Chinese name(s) or word(s).

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