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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 2008

RESULTS

The directors 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 2008 and the comparative figures in 2007 were as follows:–

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	Notes	2008 HK\$'000	2007 HK\$'000 (Restated)
Revenue	3	514,771	524,950
Cost of sales		<u>(437,342)</u>	<u>(434,142)</u>
Gross profit		77,429	90,808
Net other (losses) incomes	4	(78,956)	15,442
Distribution costs		(19,085)	(21,443)
Administrative expenses		(47,847)	(45,682)
Impairment loss on goodwill		(3,561)	(175)
Finance costs	5	<u>(1,785)</u>	<u>(624)</u>
(Loss) profit before tax	6	(73,805)	38,326
Income tax expenses	7	<u>(61)</u>	<u>(4,229)</u>
(Loss) profit for the year		<u><u>(73,866)</u></u>	<u><u>34,097</u></u>
Attributable to:			
Equity holders of the Company		(75,855)	32,207
Minority interests		<u>1,989</u>	<u>1,890</u>
(Loss) profit for the year		<u><u>(73,866)</u></u>	<u><u>34,097</u></u>
Dividends	8	<u><u>12,094</u></u>	<u><u>24,194</u></u>
(Loss) earnings per share	9		
Basic		<u><u>(25.04) Cents</u></u>	<u><u>10.65 Cents</u></u>
Diluted		<u><u>N/A</u></u>	<u><u>10.42 Cents</u></u>

CONSOLIDATED BALANCE SHEET

At 31 December

	Notes	2008 HK\$'000	2007 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		54,605	63,008
Prepaid lease payments		134	209
Goodwill		–	3,561
Deferred tax assets		1,836	1,103
		<u>56,575</u>	<u>67,881</u>
CURRENT ASSETS			
Inventories		72,874	70,778
Trade and other receivables	10	76,468	98,566
Prepaid lease payments		75	75
Tax recoverable		1,214	1,672
Investments held-for-trading		52,709	19,392
Equity-linked note		4,955	–
Derivative financial instruments		–	3,296
Pledged bank deposits		121	74,209
Bank balances and cash		47,117	53,400
		<u>255,533</u>	<u>321,388</u>
CURRENT LIABILITIES			
Trade and other payables	11	53,654	51,810
Derivative financial instruments		511	32,484
Tax liabilities		897	3,123
Bank borrowings-due within one year		12,841	–
Secured bank overdraft		4,852	–
		<u>72,755</u>	<u>87,417</u>
NET CURRENT ASSETS		<u>182,778</u>	<u>233,971</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>239,353</u>	<u>301,852</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		1,359	2,262
Bank borrowings-due after one year		23,814	–
		<u>25,173</u>	<u>2,262</u>
NET ASSETS		<u>214,180</u>	<u>299,590</u>
CAPITAL AND RESERVES			
Share capital		29,870	29,975
Reserves		175,019	261,250
		<u>204,889</u>	<u>291,225</u>
Equity attributable to equity holders of the Company		204,889	291,225
Minority interests		9,291	8,365
		<u>214,180</u>	<u>299,590</u>
TOTAL EQUITY		<u>214,180</u>	<u>299,590</u>

NOTES TO THE FINANCIAL STATEMENTS

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 (“HKICPA”) 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 standards, amendments and interpretations (the “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs ⁵
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 ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combination ²
HKFRS 8	Operating Segments ¹
HKAS 1 (Revised)	Presentation of Financial Statement ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 39 (Amendments)	Eligible Hedged Items ²
HK(IFRIC) – Int 13	Customer Loyalty Programmes ³
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) – Int 16	Hedges of a New Investment in a Foreign Operarion ⁴
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners ²
HK(IFRIC) – Int 18	Transfers of Aset from Customers ²

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5, and HK(IFRIC) – Int 9, which are effective for annual periods beginning on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

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

² Effective for annual periods beginning on or after 1 July 2009

³ Effective for annual periods beginning on or after 1 July 2008

⁴ Effective for annual periods beginning on or after 1 October 2008

⁵ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5 and HK(IFRIC) – Int 9, effective for annual periods beginning on or after 1 July 2009

* Improvements to HKFRSs contain amendments to HKFRS 1, HKFRS 4, HKFRS 5, HKFRS 6, HKFRS 7, HKFRS 8, HKAS 2, HKAS 7, HKAS 8, HKAS 10, HKAS 12, HKAS 14, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 21, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 33, HKAS 34, HKAS 36, HKAS 37, HKAS 38, HKAS 39, HKAS 40 and HKAS 41, HK(IFRIC)-Int 2.

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 results and the financial position of the Group.

3. REVENUE AND BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For management purposes, the Group is currently organised into four business 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. These business segments are the basis on which the Group reports its primary segment information.

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	<u>2,007</u>	<u>25,394</u>	<u>2,798</u>	<u>1,277</u>	<u>(31,476)</u>	<u>-</u>
Total revenue	<u><u>127,191</u></u>	<u><u>163,746</u></u>	<u><u>75,528</u></u>	<u><u>179,782</u></u>	<u><u>(31,476)</u></u>	<u><u>514,771</u></u>
RESULT						
Segment result	<u><u>1,992</u></u>	<u><u>3,765</u></u>	<u><u>461</u></u>	<u><u>4,939</u></u>	<u><u>(1,269)</u></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>
Capital additions	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	<u>–</u>	<u>–</u>	<u>–</u>	<u>75</u>	<u>75</u>

2007

	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	130,498	124,985	102,479	166,988	–	524,950
Inter-segment sales	<u>3,018</u>	<u>27,968</u>	<u>4,276</u>	<u>1,056</u>	<u>(36,318)</u>	<u>–</u>
Total revenue	<u><u>133,516</u></u>	<u><u>152,953</u></u>	<u><u>106,755</u></u>	<u><u>168,044</u></u>	<u><u>(36,318)</u></u>	<u><u>524,950</u></u>
RESULT						
Segment result	<u><u>13,304</u></u>	<u><u>(1,676)</u></u>	<u><u>(91)</u></u>	<u><u>17,594</u></u>	<u><u>(1,269)</u></u>	27,862
Income from investments						10,566
Unallocated corporate income						522
Finance costs						<u>(624)</u>
Profit before tax						38,326
Income tax expenses						<u>(4,229)</u>
Profit for the year						<u><u>34,097</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	74,885	82,207	39,773	93,191	290,056
Unallocated corporate assets					<u>99,213</u>
Consolidated total assets					<u><u>389,269</u></u>
LIABILITIES					
Segment liabilities	27,944	17,777	1,738	25,369	72,828
Unallocated corporate liabilities					<u>16,851</u>
Consolidated total liabilities					<u><u>89,679</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>
Capital additions	1,754	1,705	5	6,496	9,960
Depreciation and amortisation	4,268	6,549	61	6,085	16,963
Release of prepaid lease payments	<u>–</u>	<u>–</u>	<u>–</u>	<u>75</u>	<u>75</u>

(b) Geographical segments

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Sales revenue by geographical market:		
Hong Kong	217,574	254,430
Europe	122,237	97,873
America	89,690	66,330
Asia (other than Hong Kong)	74,086	100,015
Others	11,184	6,302
	<u>514,771</u>	<u>524,950</u>

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	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Hong Kong	161,784	241,550	1,036	286
The People's Republic of China (the "PRC")	150,324	147,719	7,334	9,674
	<u>312,108</u>	<u>389,269</u>	<u>8,370</u>	<u>9,960</u>

4. NET OTHER (LOSSES) INCOMES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Net change in fair value of equity-linked note	(2,845)	–
Net change in fair value of investments held-for-trading	(43,932)	(1,738)
Realised (loss) gain on disposal of investments held-for-trading	(28,240)	28,267
Net change in fair value of derivative financial instruments	28,677	(26,082)
Dividends income on listed investments	994	269
Rental income	242	133
Interest income	979	4,773
(Loss) gain on settlement of derivative financial instruments	(39,691)	5,180
Sample sales	1,240	1,974
Scrap sales	536	213
Others	2,993	2,453
Exchange gain	91	–
	<u>(78,956)</u>	<u>15,442</u>

5. FINANCE COSTS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interest on:		
Bank borrowings wholly repayable within five years	<u>1,785</u>	<u>624</u>

6. (LOSS) PROFIT BEFORE TAX

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
(Loss)/profit before tax has been arrived at after charging:		
Auditors' remuneration	750	750
Cost of inventories recognised as an expense	262,728	278,855
Depreciation of property, plant and equipment	15,258	16,963
Foreign exchange losses, net	1,981	1,625
Allowance for doubtful debts	4,330	925
Loss on disposals of property, plant and equipment	1,071	2,172
Release of prepaid lease prepayments	75	75
Share-based payments expenses	720	2,143
Staff costs (including directors' emoluments)	115,800	115,427
Written down of inventories	1,040	–
Impairment loss on trade receivables	<u>79</u>	<u>–</u>

7. INCOME TAX EXPENSES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
The charge comprises:		
Current tax:		
Hong Kong Profits Tax	1,771	4,519
PRC Enterprise Income Tax	<u>2</u>	<u>–</u>
	<u>1,773</u>	<u>4,519</u>
(Over)/under-provision in prior years:		
Hong Kong Profits Tax	(76)	89
PRC Enterprise Income Tax	<u>–</u>	<u>–</u>
	<u>(76)</u>	<u>89</u>
	1,697	4,608
Deferred tax		
Current year	<u>(1,636)</u>	<u>(379)</u>
	<u>61</u>	<u>4,229</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% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the “New Law”) by Order No. 63 of the President of the PRC. On 6 December 2007, the state Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulations, the Enterprise Income Tax rate of the Group’s subsidiaries in the PRC was 25% from 1 January 2008 onwards. The relevant tax rates for the Group’s subsidiaries in the PRC was 25%.

8. DIVIDENDS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interim, paid – 0.5 HK cent (2007: 2.5 HK cents) per share	1,521	7,586
Final, paid – 3.5 HK cents per share for 2007 (2007: 5.5 HK cents per share for 2006)	<u>10,573</u>	<u>16,608</u>
	<u><u>12,094</u></u>	<u><u>24,194</u></u>

The final dividend of 1.0 HK cent (2007: 3.5 HK cents) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share is based on the net loss for the year of approximately HK\$75,855,000 (2007: profit of HK\$32,207,000) and the following data:

	2008	2007
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	302,942,624	302,481,091
Effect of dilutive potential ordinary shares on share options	<u>1,161,256</u>	<u>6,748,527</u>
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u><u>304,103,880</u></u>	<u><u>309,229,618</u></u>

No diluted loss per share for the year ended 31 December 2008 is presented as the dilutive potential ordinary shares in respect of outstanding share options are anti-dilutive.

10. TRADE AND OTHER RECEIVABLES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade receivables	91,182	107,932
Less: allowance for doubtful debts	<u>(16,736)</u>	<u>(12,406)</u>
	74,446	95,526
Prepayment and other receivables	<u>2,022</u>	<u>3,040</u>
	<u><u>76,468</u></u>	<u><u>98,566</u></u>

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

The following is an aging analysis of the Group's trade receivables at the balance sheet date:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0 – 60 days	48,218	59,457
61 – 90 days	11,851	12,894
91 – 120 days	7,612	7,604
Over 120 days	6,765	15,571
	<u>74,446</u>	<u>95,526</u>

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Balance at beginning of the year	12,406	11,481
Allowance for doubtful debts during the year	4,330	925
	<u>16,736</u>	<u>12,406</u>

The fair value of the Group's trade and other receivables at 31 December 2008 approximate to the corresponding carrying amount.

11. TRADE AND OTHER PAYABLES

The following is an aged analysis of the Group's trade payables at the balance sheet date:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
0 – 60 days	24,565	27,679
61 – 90 days	3,776	3,175
91 – 120 days	1,572	582
Over 120 days	1,362	2,193
	<u>31,275</u>	<u>33,629</u>

The fair value of the Group's trade and other payables at 31 December 2008 approximates to the corresponding carrying amount.

CHAIRMAN'S STATEMENT

RESULTS

The Directors have resolved to announce the audited consolidated results for the year ended 31 December 2008. Total turnover for the year amounted to approximately HK\$514,771,000 (2007: HK\$524,950,000). The net loss for the year stood at approximately HK\$75,855,000 (2007: profit of HK\$32,207,000). Loss per share was 25.04 HK cents (2007: earnings per share of 10.42 HK cents).

FINAL DIVIDEND

The Directors recommend the payment of a final dividend for the year ended 31 December 2008 of 1.0 HK cent per share (2007: 3.5 HK cents per share) payable to shareholders on the register of members of the Company (the "Register of Members") on 3 June 2009. This dividend together with the interim dividend of 0.5 HK cents per share (2007: 2.5 HK cents per share) will make a total of 1.5 HK cents per share for the year (2007: 6.0 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 11 June 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from 1 June 2009 to 3 June 2009, 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 29 May 2009.

BUSINESS REVIEW

In 2008, global economic condition went downwards gradually and was volatile as impacted by the economic recession of the US economy as a result of the sub-prime mortgage crisis. Together with the ever-increasing cost of production in the PRC such as the launch of new labour contract law in the mainland and the appreciation of the currency of Renminbi and the keen competition in various segments, the Group experienced a hard year.

During the year, the turnover of the Group decreased by approximately 2% to approximately HK\$514,771,000 (2007: HK\$524,950,000), and recorded a net loss attributable to equity shareholders of approximately HK\$75,855,000 (2007: profit of HK\$32,207,000). The adverse result was mainly due to loss in investment of the Group together with the decrease in profits from core businesses as a result of the global financial tsunami.

2008 was a bad year to the Group and it was the first time that the annual results of the Group recorded a net loss which amounted to approximately HK\$75,855,000 (2007: profit of HK\$32,207,000) since its listing in 1992. The loss was incurred mainly due to the substantial loss incurred in investments such as investment in listed securities and foreign exchange of approximately HK\$83,860,000 (2007: profit of HK\$10,566,000). The contributions from the four segments dropped by about 65% to approximately to HK\$9,888,000 (2007: HK\$27,862,000), the performance of which will be further discussed below.

For the year 2008, the loss of the Group included loss on disposal of investments held-for-trading of approximately HK\$28,240,000, decrease in fair value of investments held-for-trading of approximately HK\$43,932,000, loss on settlement of derivative financial instruments of approximately HK\$39,691,000 and an impairment loss on goodwill of approximately HK\$3,561,000, and after crediting an increase in the fair value of derivative financial instruments of approximately HK\$28,677,000.

Finance costs increased by about 186% to approximately HK\$1,785,000 (2007: HK\$624,000). This was mainly due to drawdown of two USD term loans during the year.

FUTURE PLAN & PROSPECT

Looking ahead, 2009 will undoubtedly be a challenging and difficult year to the world as a whole, including the Group, and we will continue to focus on improving the Group's profitable core businesses. As Renminbi seems to be relatively stable since the second half of 2008, threat of further production costs increment is eased, and we believe that the core business of the Group is stable and healthy, and its financial position is solid and liquid to meet its debt repayment and ordinary and usual course of business requirements.

The Directors are confident that the Group will pass this extremely hard time and look forward to a better performance in coming years.

MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT RESULTS

Novelties and decorations

The turnover of this segment for the year showed a slight drop of about 4% and stood at approximately HK\$125,184,000 (2007: HK\$130,498,000), while the segment result decreased substantially by about 85% to approximately HK\$1,992,000 (2007: HK\$13,304,000). The result of the segment decreased substantially due to the increase in costs of production together with increase in provision for doubtful debts as a result of the deterioration of financial positions of its certain overseas customers.

Packaging products

The turnover of packaging products to external customers increased by about 11% to approximately HK\$138,352,000 (2007: HK\$124,985,000), while the segment result recorded a contribution of approximately HK\$3,765,000 (2007: loss of HK\$1,676,000). This segment resumed to make contribution to the Group after a series of effort made in the repositioning of the product mix and the increase in the performance of certain area of the segment. However, the segment still encountered keen competition and increase in production costs, while there is still room for improvements.

Trading activities

The turnover of the trading of PVC film and plastic materials decreased significantly by about 29% to approximately HK\$72,730,000 (2007: HK\$102,479,000) as a result of the Group's prudent credit policy. Keen competitions in the market and credit risks of customers were major issues faced by the Group in the segment. Nevertheless, the segment recorded a contribution of approximately HK\$461,000 (2007: loss of HK\$91,000) for the year. 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 increased mildly by about 7% to approximately HK\$178,505,000 (2007: HK\$166,988,000), while the segment result therefrom dropped sharply to approximately HK\$4,939,000 (2007: HK\$17,594,000), representing a decrease of about 72%. Decrease in contribution was also due to the increase of costs of production in mainland China as a result of increase in wages and the appreciation of Renminbi, while the selling price in the first half of 2008 was frozen as stated in our interim report for the six months ended 30 June 2008 together with the written off of goodwill of approximately 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 the balance sheet date, the market value of investments held-for-trading was approximately HK\$52,709,000 (2007: HK\$19,392,000).

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. At the balance sheet date, the Group has entered into one financial instrument with its major banker for the hedging of exposures in US Dollar.

Liquidity and financial resources

As at 31 December 2008, the long-term finance lease obligation and bank loan of the Group were approximately HK\$23,814,000 (2007: nil), while the short term bank borrowings were approximately HK\$17,693,000 (2007: nil), and none of the Group's plant and machinery (2007: nil) was held under a finance lease. The gearing ratio, measured by total bank and other borrowings divided by equity, of the Group was approximately 20% (2007: nil).

At balance sheet date, the Group had bank balances and cash of approximately HK\$47,117,000 (2007: HK\$53,400,000).

With cash and other current assets at 31 December 2008 of HK\$255,533,000 (2007: HK\$321,388,000) as well as available banking facilities, the Group has 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 2008 was HK\$0.69 (2007: HK\$0.96) per share based on the actual number of 298,695,607 shares in issue on that date.

Employees and remuneration policies

As at 31 December 2008, the Group employed approximately 2,800 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the year ended 31 December 2008, 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 performing 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 audit 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 2008 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
		Highest HK\$	Lowest HK\$	consideration paid HK\$
March 2008	300,000	0.680	-	205,486
April 2008	360,000	0.610	-	221,293
October 2008	1,960,000	0.385	0.335	701,040
November 2008	2,146,000	0.340	0.315	714,186
December 2008	2,792,000	0.355	0.325	972,564
	<u>7,558,000</u>			<u>2,814,569</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.

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

Hong Kong, 21 April 2009

As at the date of this announcement, the Board is composed of Mr. Poon Siu Chung, Mr. Leung Ying Wai, Charles, 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*